

**UNITED STATES DISTRICT COURT  
DISTRICT OF CONNECTICUT**

Consumer Financial Protection  
Bureau,

Plaintiff,

v.

Affinion Group Holdings, Inc.,  
Affinion Group Inc., Affinion Group,  
LLC, Affinion Benefits Group, LLC,  
Trilegiant Corporation, Watchguard  
Registration Services, Inc., and  
Global Protection Solutions, LLC,

Defendants.

Civil Action No.

**COMPLAINT**

**Complaint**

The Consumer Financial Protection Bureau (“Bureau”) brings this action against Affinion Group Holdings, Inc., Affinion Group, Inc., Affinion Group, LLC, Affinion Benefits Group, LLC, Trilegiant Corporation, Watchguard Registration Services, Inc., and Global Protection Solutions, LLC (collectively, “Defendants”) under §§ 1031, 1036, 1054, and 1055 of the Consumer Financial Protection Act of 2010 (“CFPA”), 12 U.S.C. §§ 5531, 5536, 5564, and 5565, to obtain permanent injunctive relief, restitution, disgorgement for unjust enrichment, civil money penalties, and other appropriate relief for Defendants’ acts or practices in violation of the CFPA in connection with their marketing, sales, enrollment, billing, and administration of identity theft protection products sold to customers of partnering financial institutions.

## **Jurisdiction and Venue**

1. This Court has subject-matter jurisdiction over this action because it is “brought under Federal consumer financial law,” 12 U.S.C. § 5565(a)(1); presents a federal question, 28 U.S.C. § 1331; and is brought by an agency of the United States, 28 U.S.C. § 1345.

2. Venue is proper in this district because Defendants do business in this district, and because a substantial part of the events or omissions giving rise to the claims occurred in this district. 28 U.S.C. § 1391(b) and 12 U.S.C. § 5564(f).

## **Parties**

3. The Bureau is an agency of the United States charged with regulating the offering and provision of consumer financial products and services under Federal consumer financial law. 12 U.S.C. § 5491(a). It has independent litigating authority to enforce the CFPA and Federal consumer financial laws. 12 U.S.C. § 5564.

4. Trilegiant Corporation (“Trilegiant”) is a Delaware corporation and a wholly-owned subsidiary of Affinion Group, LLC. Trilegiant transacts business in this district and throughout the United States, and is based in Stamford, CT.

5. Watchguard Registration Services, Inc. (“Watchguard”) is a Delaware corporation and a wholly-owned subsidiary of Trilegiant. Watchguard transacts business in this district and throughout the United States, and is based in Stamford, CT.

6. Global Protection Solutions, LLC (“GPS”) is a Delaware corporation and a wholly-owned subsidiary of Trilegiant. GPS transacts business in this district and throughout the United States, and is based in Franklin, TN.

7. Affinion Group Holdings, Inc. (“AGH”) is a Delaware corporation that transacts business in this district and throughout the United States, and is based in Stamford, CT. It is the parent company of Affinion Group Inc. and is under common control with all Defendants.

8. Affinion Group Inc. (“AGI”) is a Delaware corporation and a wholly-owned subsidiary of AGH. AGI transacts business in this district and throughout the United States, and is based in Stamford, CT.

9. Affinion Group, LLC (“AGL”) is a Delaware corporation and a wholly-owned subsidiary of AGI. AGL transacts business in this district and throughout the United States, and is based in Stamford, CT.

10. Affinion Benefits Group, LLC (“ABG”) is a Delaware corporation and a wholly-owned subsidiary of AGL. ABG transacts business in this district and throughout the United States, and is based in Franklin, TN.

11. The identity theft protection products offered or provided to customers of partnering financial institutions by Defendants included the following benefits: credit information (credit reports and monitoring), and financial advisory services (Credit Information Hotline service). These benefits are “consumer financial products or services” under the CFPB. 12 U.S.C. § 5481(5); 12 U.S.C. § 5481(15)(A)(i), (viii), (ix). Defendants’ identity theft protection products were offered in connection with these benefits, as well as in connection with credit cards or other consumer financial products or services offered by partnering financial institutions.

12. Defendants are “covered persons” under the CFPB because they offered or provided consumer financial products or services. 12 U.S.C. § 5481(6).

13. Defendants are “service providers” under the CFPB. 12 U.S.C.

§ 5481(26)(A).

14. Defendants are “affiliates” of each other under the CFPA because they control, are controlled by, or are under common control with each other. 12 U.S.C. § 5481(1).

### **Facts**

15. At all times material to this complaint, Defendants have offered or provided financial advisory services through their Credit Information Hotline service, and analyzed, maintained and provided consumer report information through credit report, credit score, and credit monitoring benefits. These benefits were offered with other identity theft protection benefits as product bundles (Protection Products).

16. Defendants use codes called PDEF’s to identify specific Protection Product bundles.

17. The following PDEF’s are defined as “Specified Protection Products”: ITY54, ITY56, PGP120AF, ITY100, PGP151, PGPA60, ITY102, PGP144, ITYSC11, PGPA50, ITY73, PGPA85AF, PGPA86, ITY33, ITY72AF, ITY91AF, ITY70, PGP146AF, PGPA81AF, PGP113, PGP114, PGP124, PGP125, PGP137AF, PGP138, PGP139AF, PGP140, PGP168, PGP170, PGPA53AF, PGPA54AF, and PGPA94AF.

18. Trilegiant, ABG, GPS, and Watchguard (collectively, the “Affinion Subsidiaries”) advertised, sold and delivered Protection Products to consumers by establishing marketing and service agreements with financial institutions (“Marketing Partners”).

19. The Affinion Subsidiaries sold Protection Products to the Marketing Partners’ customers in connection with the Marketing Partners’ offer or servicing of a credit card, checking account, or home mortgage loan, or as stand-alone products to the customers of those Marketing Partners.

20. Consumers enrolling in Protection Products were billed a monthly or annual fee for the cost of their membership until they contacted Defendants to cancel.

21. Consumers generally paid between \$6.95 and \$15.99 per month (or an equivalent annualized amount) for Affinion's Protection Products, which typically were billed directly to the consumer's credit card account or deposit account.

22. The Affinion Subsidiaries provided material services to Marketing Partners in connection with the offering or provision of Protection Products by those financial institutions, including by participating in the design, operation, administration, or maintenance of the Protection Products.

23. AGH, AGI, and AGL provided material services to the Affinion Subsidiaries in connection with the offering or provision of Protection Products, including by participating in the design, operation, administration, or maintenance of the Protection Products.

24. AGH and AGI shared the same board of directors, which provided oversight for the Affinion Subsidiaries' Protection Product operations.

25. AGL provided corporate client marketing services on behalf of the Affinion Subsidiaries.

26. Defendants conducted the business practices described in this complaint through an interrelated network of companies.

27. Defendants share common control, ownership, officers, managers, office locations, marketing and advertising.

#### **Incoming Telephone Calls Requesting Cancellation**

28. Since at least 2010, Defendants handled telephone calls from

consumers wishing to cancel their Protection Product membership.

29. Defendants evaluated their employees who handled incoming cancellation calls primarily on their ability to prevent consumers from cancelling the product membership.

30. Defendants referred to calls in which their employees prevented a consumer from cancelling as “saves.”

31. Defendants rewarded employees with positive evaluations and bonuses for maintaining a save percentage above a certain threshold.

32. Defendants’ employees who failed to maintain the minimum threshold were subject to discipline leading up to termination.

33. During telephone calls in which consumers requested cancellation of their Protection Product membership, Defendants claimed that product credit scores came “from” one or three of the major credit reporting agencies, when those scores were not developed by any of the major credit reporting agencies.

34. During telephone calls in which consumers requested cancellation of their Protection Product membership, Defendants claimed that its identity theft insurance benefit covered “any” or “all” expenses caused by identity theft. In reality, the Protection Products had material coverage limitations and exclusions and did not cover “any” or “all” identity theft-related expenses.

35. During telephone calls in which consumers requested cancellation of Protection Products, Defendants claimed that the identity theft insurance benefit covered specific related expenses, such as legal fees, court costs and lost wages. Defendants failed to disclose during the calls that the Protection Products had material coverage limitations and exclusions in connection with those expenses.

36. During telephone calls in which consumers requested cancellation of Protection Products, Defendants expressly claimed or implied that the identity theft insurance benefit provided a broader range of coverage than available. Defendants failed to disclose significant coverage exclusions and limitations.

37. During telephone calls in which consumers requested cancellation of Protection Products, Defendants claimed its Credit Information Hotline service could improve the consumer's credit score by directly removing inaccurate information from the consumer's credit reports. In fact, Defendants lacked the ability to directly remove inaccurate information from a consumer's credit report or ensure improvement to the consumer's credit score by removal of such inaccurate information.

38. During telephone calls in which consumers requested cancellation of Protection Products, Defendants emphasized that the fraud liability protection benefit provided \$5,000 coverage for unauthorized use of a member's credit or debit cards. But Defendants failed to disclose that federal law significantly limited the amount of liability a consumer could actually incur for unauthorized use of their credit or debit cards.

39. Defendants' misrepresentations and omissions relating to Protection Product benefits during retention calls resulted in a significant overstatement of product value.

### **Credit Information Billing Practices**

40. From at least July 2, 2010 through August 20, 2012, Defendants and their Marketing Partners enrolled consumers in Protection Products with benefits that purported to provide the consumers with credit monitoring, credit report retrieval, or both.

41. To access the consumers' credit files at the major credit

reporting agencies so as to provide these benefits, Defendants needed the consumer's written authorization, which in turn authorized the credit reporting agencies to release the credit information to Defendants under the Fair Credit Reporting Act, 15 U.S.C. § 1681b(a)(2).

42. For consumers who enrolled over the telephone, Defendants and their Marketing Partners attempted to obtain the consumer's written authorization after the enrollment call by mail.

43. In many cases, however, significant time elapsed before Defendants or their Marketing Partners obtained the consumer's authorization, or Defendants or their Marketing Partners never obtained the consumer's authorization at all.

44. Defendants and their Marketing Partners billed numerous Specified Protection Product consumers the full product fee despite not receiving the consumer's written authorization and not providing full credit monitoring or credit report retrieval services.

45. Even when they had obtained the consumer's written authorization, Defendants and their Marketing Partners often failed to deliver full credit monitoring and credit report retrieval services in certain circumstances, including when the consumer's personal information did not match the information on file at one or more of the credit reporting agencies, when the consumer did not have a credit file at one or more of the credit reporting agencies, or when Defendants unilaterally withheld services when they determined the consumer lacked sufficient credit history to warrant activation of credit monitoring or credit report retrieval services.

46. Defendants and their Marketing Partners billed the full product fee to Specified Protection Product members who were not receiving full credit monitoring or credit report retrieval services in those circumstances.

47. For consumers enrolled in Specified Protection Products between July 2, 2010 and August 20, 2012, Defendants and their Marketing Partners billed full product fees to at least 73,000 accounts when Defendants and their Marketing Partners failed to provide the full credit monitoring or credit report retrieval services offered, and failed to provide corresponding refunds.

**Count I**

**(Violations of CFPA's Prohibition of Deceptive Acts or Practices)**

48. The Bureau incorporates by reference the allegations of ¶¶ 1-47.

49. In numerous instances, in connection with transactions with consumers for a consumer financial product or service, or the offering of a consumer financial product or service, Defendants misrepresented, directly or by implication, during telephone calls with consumers attempting to cancel their Protection Product memberships:

- a. that the credit score benefit provided came “from” one or all three major credit reporting agencies;
- b. that the identity theft insurance benefit provided covered “any” or “all” expenses caused by identity theft;
- c. that the identity theft insurance benefit provided covered specific related expenses, such as legal fees, court costs and lost wages, without disclosing material coverage limitations and exclusions;
- d. that the identity theft insurance benefit provided a broader range of coverage than actually available;
- e. that the Credit Information Hotline benefit would improve the consumer’s credit score by directly removing inaccurate information from the consumer’s credit reports; and

f. that the fraud liability protection benefit included \$5,000 coverage for unauthorized use of credit or debit cards without disclosing material information that would convey to consumers that their potential individual liability for unauthorized use of credit or debit cards was much less than what Defendants suggested.

50. The representations set forth in ¶ 49 were false or misleading and were material to consumer decisions to eschew cancellation of their product membership. Defendants' acts and practices are deceptive under the CFPA. Because each Defendant is a "covered person" or "service provider," their conduct is unlawful under §§ 1031(a) and 1036(a)(1) of the CFPA. 12 U.S.C. §§ 5531(a), 5536(a)(1).

## **Count II**

### **(Violations of CFPA Prohibition of Unfair Acts or Practices)**

51. The Bureau incorporates by reference the allegations of ¶¶ 1-50.

52. In numerous instances, in connection with transactions with consumers for a consumer financial product or service, or the offering of a consumer financial product or service, Defendants billed consumers for full Specified Protection Product fees while failing to provide full credit monitoring or credit report retrieval services.

53. These acts and practices caused or were likely to cause substantial injury to consumers. This injury was not reasonably avoidable by consumers and is not outweighed by countervailing benefits to consumers or to competition.

54. Defendants' acts and practices are unfair under the CFPA. Because each Defendant is a "covered person" or "service provider," their

conduct is unlawful under §§ 1031(a) and 1036(a)(1) of the CFPA. 12 U.S.C. §§ 5531(a), 5536(a)(1).

**Request for Relief**

55. The Bureau requests that the Court:
- a. permanently enjoin Defendants from committing future violations of the CFPA;
  - b. award such relief as the Court finds necessary to redress injury to consumers resulting from Defendants' violations of the CFPA, including, but not limited to, rescission or reformation of contracts, the refund of moneys paid, restitution, disgorgement or compensation for unjust enrichment, and payment of damages;
  - c. award Plaintiff civil money penalties; and
  - d. award Plaintiff the costs of bringing this action, as well as such other and additional relief as the Court may determine to be just and proper.

Dated: July 1, 2015

Respectfully submitted,

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