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**STATE OF WASHINGTON  
KING COUNTY SUPERIOR COURT**

STATE OF WASHINGTON,  
  
Plaintiff,  
  
v.  
  
MERCHANT PROCESSING, INC., an  
Oregon corporation; DIRECT  
MERCHANT PROCESSING, INC., an  
Oregon corporation; VEQUITY  
FINANCIAL GROUP, INC., an Oregon  
corporation AARON RIAN, President  
and Chief Executive Officer of Merchant  
Processing Inc., Direct Merchant  
Processing, Inc., and Vequity Financial  
Group, individually and as part of his  
marital community; MICHAEL  
DEGROAT, Vice President of Merchant  
Processing, Inc., and National Sales  
Manager for Vequity Financial Group,  
individually and as part of his marital  
community,  
  
Defendants.

NO.

COMPLAINT FOR INJUNCTIVE  
AND OTHER RELIEF UNDER THE  
CONSUMER PROTECTION ACT

The Plaintiff, State of Washington, by and through its attorneys Robert M. McKenna, Attorney General, and Shannon E. Smith, Senior Counsel, brings this action against the defendants named below. The State alleges the following on information and belief:

**I. PLAINTIFF**

**1.1** The Plaintiff is the State of Washington.



1 All actions taken by Defendant as alleged in this Complaint are for the benefit of his marital  
2 community.

### 3 III. JURISDICTION AND VENUE

4 3.1 The State files this complaint and institutes these proceedings under the  
5 provisions of the Consumer Protection Act, Chapter 19.86 RCW.

6 3.2 The Defendants have engaged in the conduct set forth in this complaint in King  
7 County and elsewhere in the state of Washington.

8 3.3 Venue is proper in King County pursuant to RCW 4.12.020.

### 9 IV. NATURE OF TRADE OR COMMERCE

10 4.1 Defendants Merchant Processing, Inc., Direct Merchant Processing, Inc., and  
11 Vequity Financial Group, Inc., Aaron Rian, and Michael DeGroat, (collectively, "Defendants")  
12 are now, and have been at all times relevant to this lawsuit, engaged in trade or commerce  
13 within the meaning of RCW 19.86.020 through advertising, marketing, promotion, provision,  
14 and sale or lease of credit and debit card merchant account services, and related goods or  
15 services.

16 4.2 Defendants have been at all times relevant to this action in competition with  
17 others engaged in similar business in the state of Washington.

### 18 V. FACTS

19 5.1 Defendants provide credit card and debit card processing services to merchants.  
20 Defendants advertise and promote credit card processing services, merchant banking services,  
21 and sales or leases of credit card processing equipment used by merchants to "swipe" and  
22 process credit and debit cards. Defendants market these services and sales directly to  
23 individual merchants and through in-person visits or phone calls by their sales agents.

24 5.2 Defendant Merchant Processing Inc. ("MPI") is both an "independent sales  
25 organization" ("ISO") and a "merchant services provider" ("MSP"). An ISO is an organization  
26 affiliated with a bank or banks to sell the bank's merchant and credit services. An MSP is a

1 business that provides merchants with the tools for accepting credit transactions and managing  
2 the credit process, including hardware, software, and processing instructions. As both an ISO  
3 and an MSP, Defendant MPI offers all of the above-mentioned services to its merchant clients.

4 **5.3** Credit and debit cards are used frequently as methods of payment in commercial  
5 transactions. Credit and debit card transactions involve several steps from start to finish,  
6 including account verification, purchase authorization, and the exchange and settlement of  
7 funds between the purchaser's and merchant's financial institutions. However, at the point-of-  
8 sale, the transaction appears seamless—the purchaser swipes his or her card, and the purchaser  
9 is charged for the purchase and the amount of the purchase (less transaction fees) is deposited  
10 in the merchant's bank account.

11 **5.4** Merchants who accept credit and debit card payments pay a variety of fees on  
12 those transactions. Typically, merchants are charged two fees for credit card transactions. One  
13 fee is a "discount rate," which is a percentage charged on the total amount of the transaction;  
14 the other is a flat, per-transaction "transaction fee." For debit card transactions, merchants  
15 typically pay a flat, per-transaction fee.

16 **5.5** Since at least 2002, Defendants, either directly or through their agents, began  
17 marketing their services and equipment to merchants in the state of Washington. Defendants'  
18 marketing presentation gives merchants the false impression that switching to Defendants'  
19 services would result in significant fee savings to the merchant and faster processing time of  
20 credit card transactions (*i.e.* faster delivery of funds to the merchant).

21 **5.6** Directly or through their sales agents, Defendants made numerous  
22 misrepresentations, either directly or by implication, to merchants regarding the benefits of the  
23 Defendants' services. For example, Defendants misrepresented that: they would charge  
24 merchants lower discount and transaction fees on credit and debit card transactions; merchants  
25 would save money by using Defendants' services; transaction funds would be made available  
26 to merchants within 24 hours; merchants would need to purchase or lease new terminal





1 implication, that merchants must purchase or lease new bank card processing equipment in  
2 order to use Defendants' bank card transaction processing services.

3 **8.3** Directly or through their agents, Defendants misrepresented either directly or by  
4 implication that Defendants would "buy out" merchants' existing equipment lease contracts  
5 with other MSPs. In fact, Defendant did not buy out prior equipment lease contracts, resulting  
6 in merchants continuing to receive bills for equipment they no longer used.

7 **8.4** Directly or through their agents, Defendants misrepresented either directly or by  
8 implication that the costs merchants incurred for purchasing or leasing new bank card  
9 processing equipment would be recovered by the savings achieved through using Defendants'  
10 bank card transaction processing services. The represented savings did not materialize and  
11 merchants were left either with high-priced equipment they did not need or expensive leases  
12 with third-parties that they could not cancel.

13 **8.5** The conduct described in paragraphs 8.1 through 8.4 has the capacity to mislead  
14 a substantial number of consumers and constitutes unfair or deceptive acts or practices in trade  
15 or commerce, and unfair methods of competition in violation of RCW 19.86.

16 **IX. PRAYER FOR RELIEF**

17 **WHEREFORE**, Plaintiff, State of Washington, prays for relief as follows:

18 **9.1** That the Court adjudge and decree that the Defendants have engaged in the  
19 conduct complained of herein.

20 **9.2** That the Court adjudge and decree that the conduct complained of constitutes  
21 unfair or deceptive acts and practices and an unfair method of competition and is unlawful in  
22 violation of the Consumer Protection Act, Chapter 19.86 RCW.

23 **9.3** That the Court issue a permanent injunction enjoining and restraining the  
24 Defendants, and their representatives, successors, assigns, officers, agents, servants,  
25 employees, and all other persons acting or claiming to act for, on behalf of, or in active concert  
26 or participation with the Defendants, from continuing or engaging in the unlawful conduct

