182 3180

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: **Joseph J. Simons, Chairman**
Noah Joshua Phillips
Rohit Chopra
Rebecca Kelly Slaughter
Christine S. Wilson

In the Matter of

SHOP TUTORS, INC., a corporation, d/b/a LendEDU,

NATHANIEL MATHERSON, individually and as an officer of Shop Tutors, Inc.,

MATTHEW LENHARD, individually and as an officer of Shop Tutors, Inc.,

and

ALEXANDER COLEMAN, individually and as an officer of Shop Tutors, Inc.

DOCKET NO.

COMPLAINT

The Federal Trade Commission, having reason to believe that Shop Tutors, Inc. ("LendEDU" or the "Company"), Nathaniel Matherson, individually and as an officer of LendEDU, Matthew Lenhard, individually and as an officer of LendEDU, and Alexander Coleman, individually and as an officer of LendEDU (collectively, "Respondents"), have violated provisions of the Federal Trade Commission Act, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Shop Tutors, Inc., also doing business as LendEDU, is a Delaware corporation with its principal office or place of business at 80 River Street, Suite #3C-2, Hoboken, NJ.

2. Respondent Nathaniel Matherson ("Matherson") is the co-founder and Chief Executive Officer of LendEDU. Individually or in concert with others, he controlled or had the authority to

control, or participated in, the acts and practices of LendEDU, including the acts and practices alleged in this complaint. His principal office or place of business is the same as that of LendEDU.

3. Respondent Matthew Lenhard ("Lenhard") is the co-founder and Chief Technology Officer of LendEDU. Individually or in concert with others, he controlled or had the authority to control, or participated in, the acts and practices of LendEDU, including the acts and practices alleged in this complaint. His principal office or place of business is the same as that of LendEDU.

4. Respondent Alexander Coleman ("Coleman") is the Vice President of Product of LendEDU. Individually or in concert with others, he controlled or had the authority to control, or participated in, the acts and practices of LendEDU, including the acts and practices alleged in this complaint. His principal office or place of business is the same as that of LendEDU.

5. Respondents have marketed consumer financial products to consumers.

6. The acts and practices of Respondents alleged in this complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act.

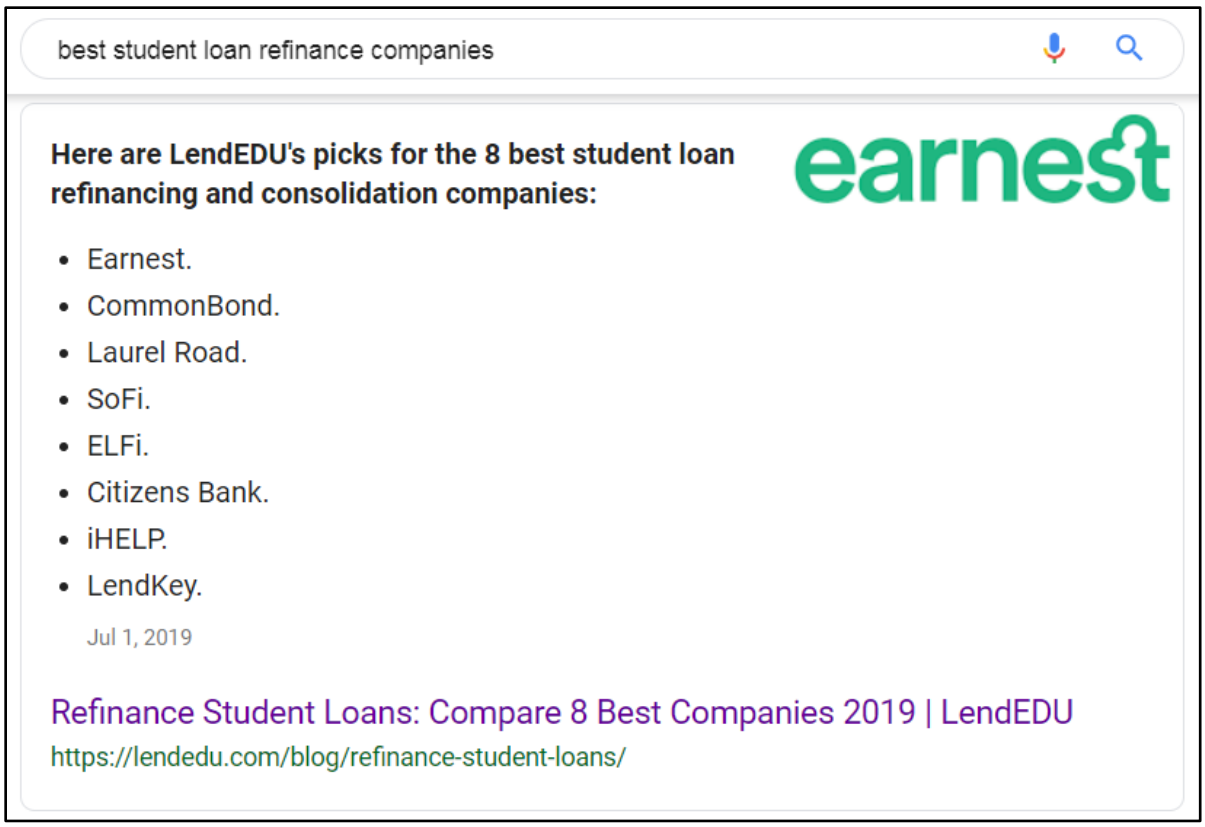
RESPONDENTS' BUSINESS PRACTICES

Overview

7. Since 2014, Respondents have operated the website www.lendedu.com, which they promote as a resource for consumers in search of financial products such as loans and insurance. In numerous instances, Respondents have described the content on the website, including their rate tables, star ratings, and rankings of the companies offering these financial products, as "objective," "honest," "accurate," and "unbiased." In reality, this content is not objective and, instead, is based on compensation from the companies. In addition, Respondents have touted positive consumer reviews about their company and website that, in fact, were written by LendEDU employees or their friends, family members, and associates.

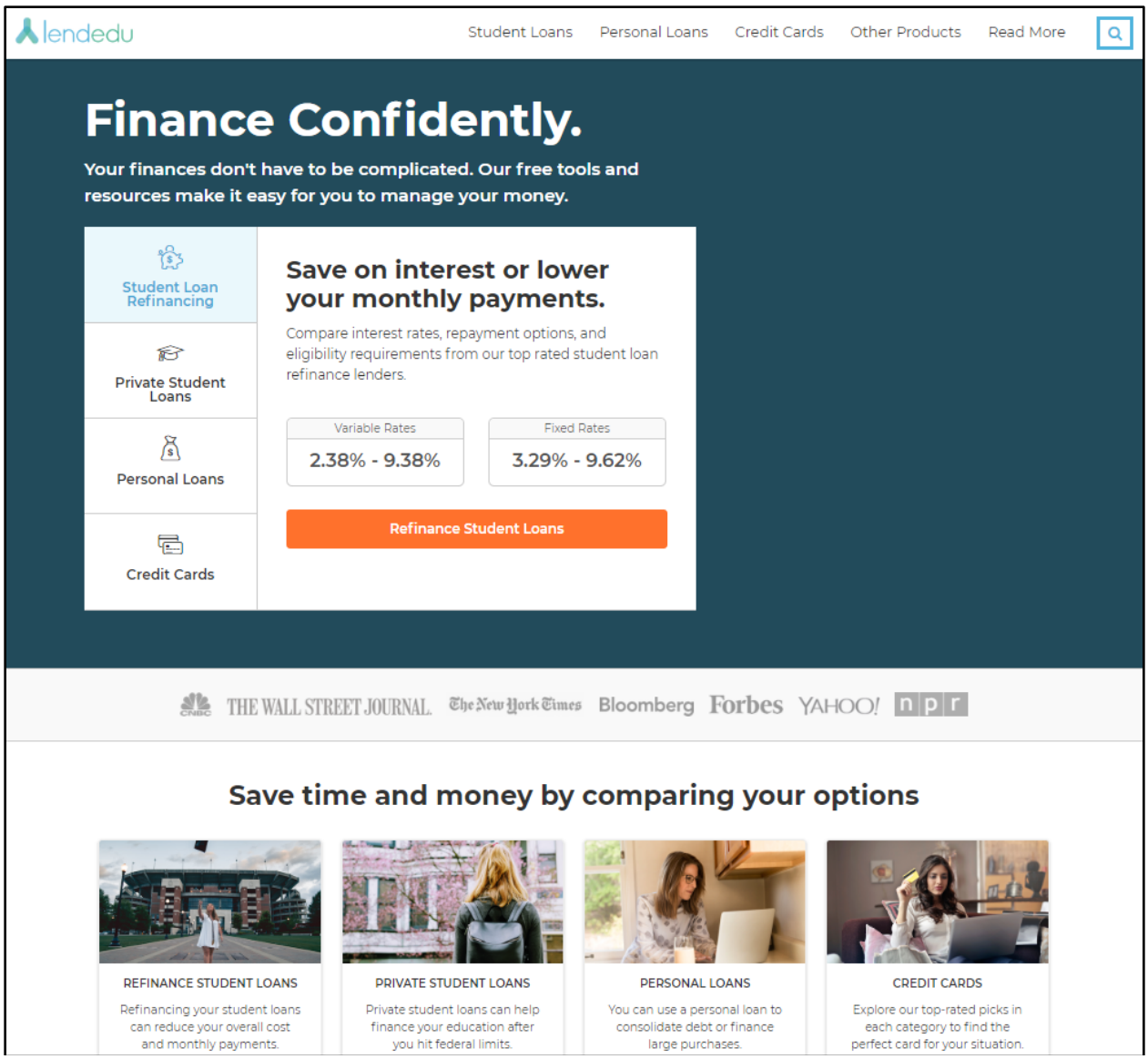
Respondents' LendEDU Website

8. Many consumers have learned of LendEDU while searching or shopping for loans or other financial products. Respondents have promoted LendEDU through social media, content marketing, and search engine advertising, including with Google's AdWords, and search engine optimization strategies. Google search results for "best student loan refinance companies," for example, include an organic, non-paid Google "featured snippet" for "LendEDU's picks for the 8 best student loan refinancing and consolidation companies" with a link to Respondents' website:



LendEDU also appears as the third non-paid search listing below this snippet.

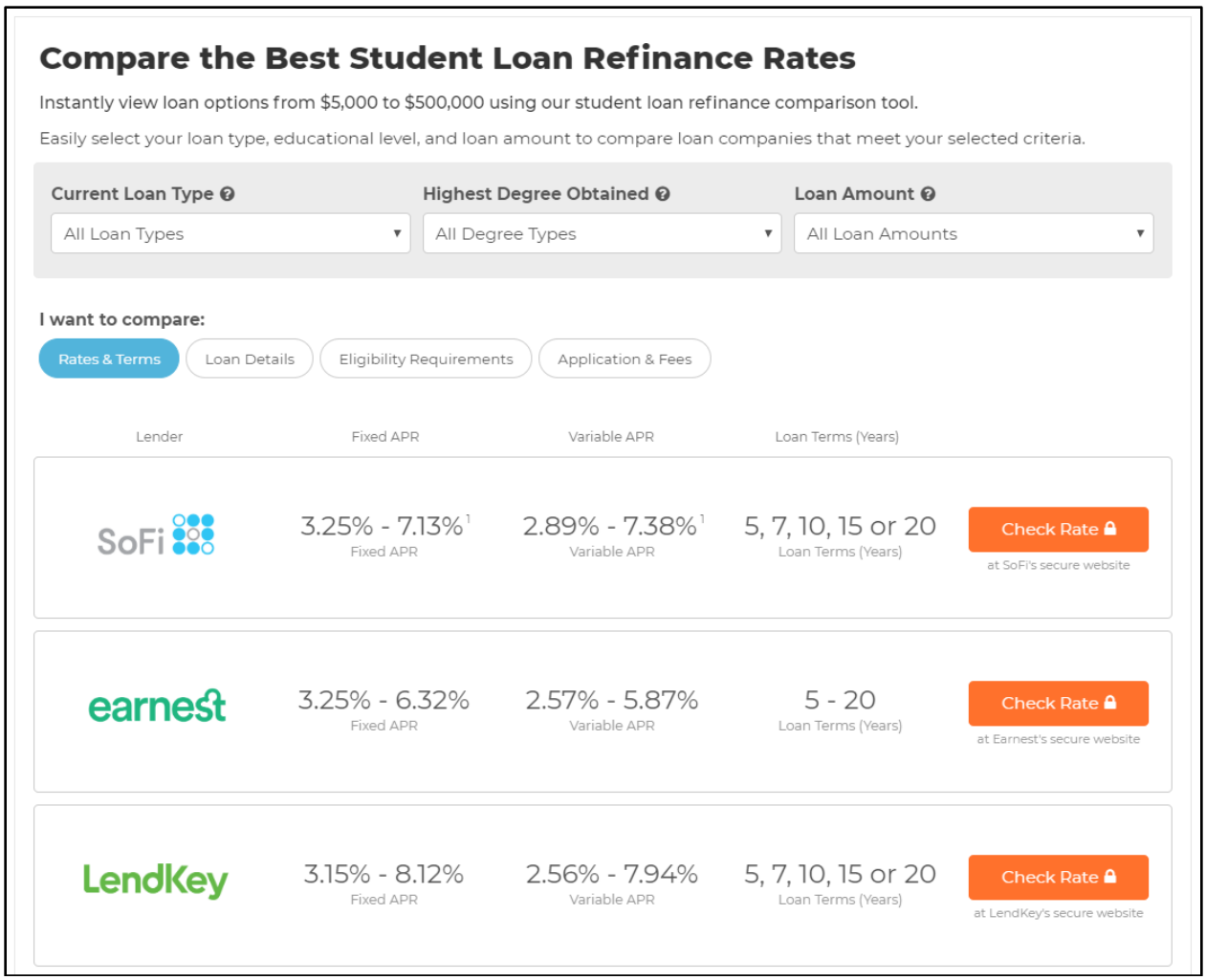
9. When consumers visit LendEDU's home page, they have seen a screen similar to the following:



Respondents have encouraged consumers to use their website "confidently" and to "save time and money by comparing your options" in one place. As depicted above, the website allows consumers to choose from various financial products, including student loan refinancing, private student loans, personal loans, and credit cards.

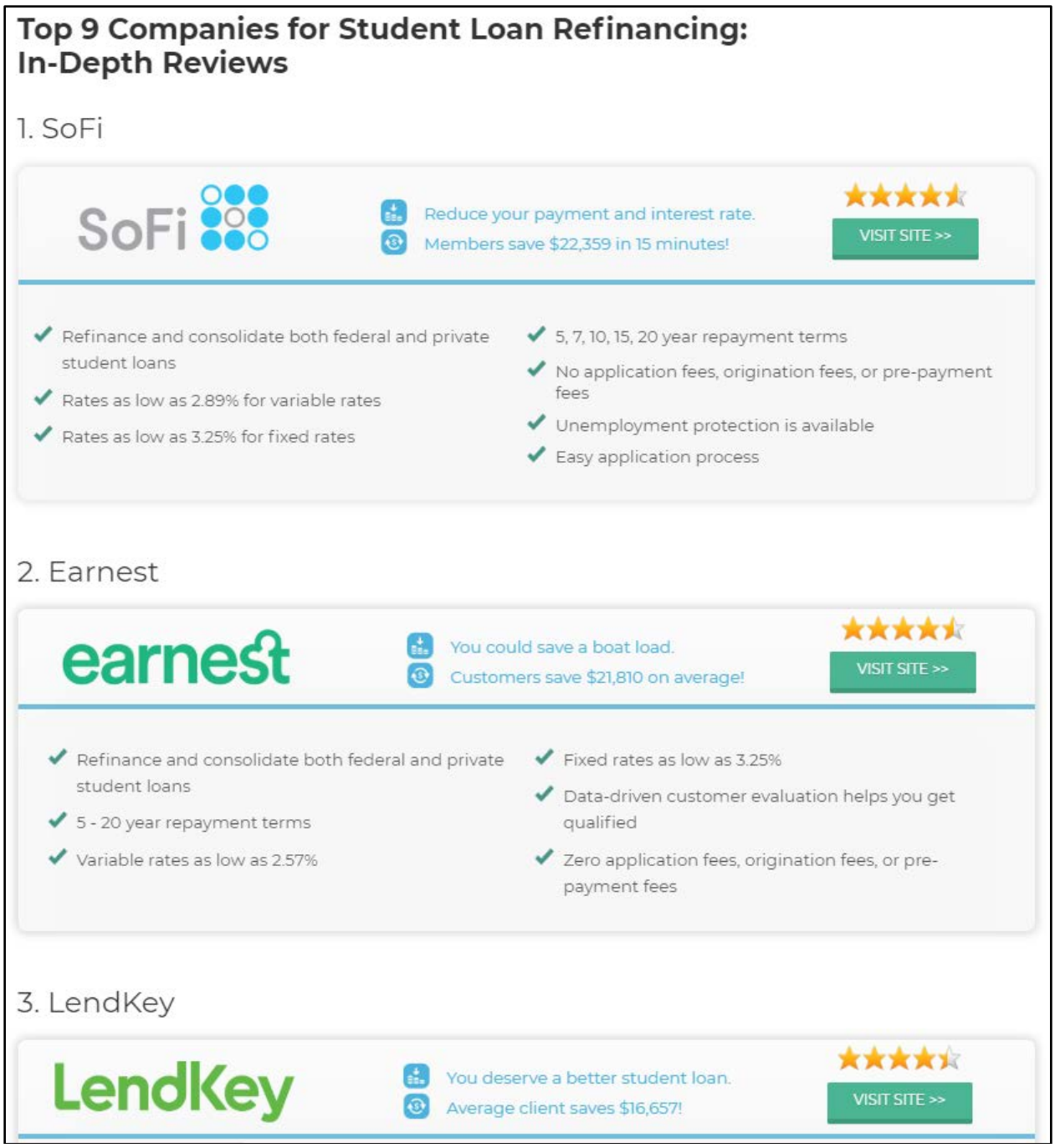
10. As one example, consumers selecting student loan refinancing are taken to Respondents' student loan refinance webpage. On this page, Respondents have provided a rate table, rankings, star ratings, and reviews for what Respondents have represented to be the best or top companies offering the financial product. The top of the page has looked similar to the following:

11. Scrolling down the page, Respondents show a rate table that compares these best companies, including their interest rates and loan terms:



A consumer clicking the "Check Rate" button is taken directly to the website for that company.

12. Below the rate table, Respondents then have ranked the best or top companies:



A consumer clicking the "Visit Site" button is taken directly to the website for that company.

13. Respondents further have assigned each company a star rating, ranging from a low of one star to a high of five stars. An example of Respondents' star rating appears below.

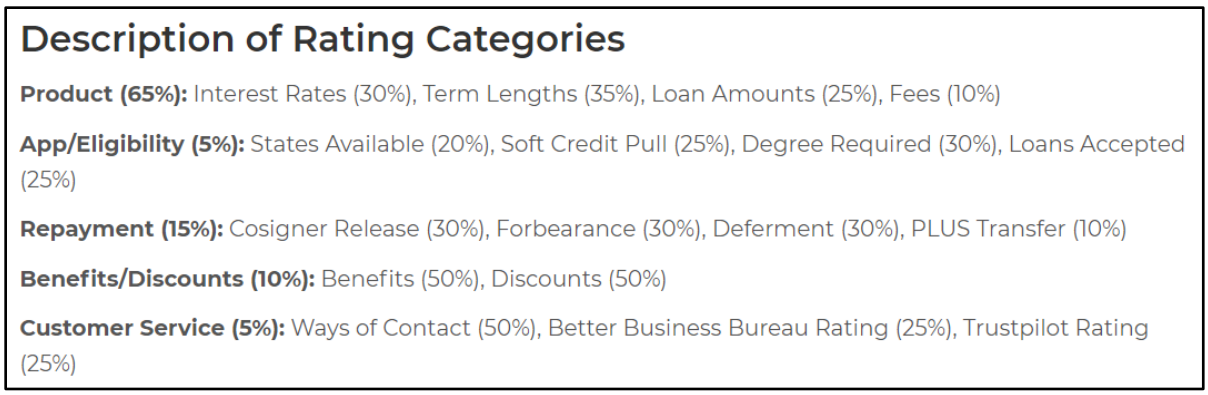
14. The web page layout for other financial products is similar and has included a rate table, rankings, star ratings, and reviews.

Respondents Represent that LendEDU's Content Is Not Influenced by Compensation

15. In numerous instances, Respondents have represented that the resources on their website, including the rate tables, star ratings, and rankings, are "objective," "honest," "accurate," "unbiased," and not based on compensation. Respondents, for example, have represented that their "ratings are completely objective and not influenced by compensation in anyway [sic]." Respondents also have claimed that their "research, news, ratings, and assessments are scrutinized using strict editorial integrity." Respondents have further represented that their "editorial staff and independent contractors do not receive direction from advertisers on our website" and "are not rewarded in anyway [sic] for publishing favorable or unfavorable reviews." A webpage about "editorial integrity" signed by Respondent Matherson represents that the information on Respondents' website is "honest, unbiased, and fact based." Similarly, a webpage about "LendEDU Partners" written by Respondent Coleman represents that "[w]e do not publish favorable (or unfavorable) reviews or assessments at the direction of any company."

16. Respondents have described their resources as "designed to help consumers better understand and make choices about which products fit their needs." Respondents have further represented that they "do not publish favorable or unfavorable reviews or ratings at the direction of any companies," that their "editorial staff and independent contractors are tasked with providing accurate and fact-based analyses," and that their "editorial staff and independent contractors are not rewarded in anyway [sic] for publishing favorable or unfavorable reviews." Respondents also have touted their extensive experience reviewing and researching financial services companies since 2014.

17. The LendEDU website also has a page devoted to explaining its methodology for analyzing the financial products promoted on the website. Respondents have claimed that the Company's staff rigorously uses objective criteria to rank and review lenders, including "breadth of products offered, interest rates by term and product, available term length options, applicable fees, soft-credit check process, borrower benefits and unique incentives, borrower protections, ease of use, quality of customer support staff, and time to funding." More recently in 2019, Respondents have represented that they weigh different criteria based on their importance for that product or service:



18. In addition to explaining the criteria purportedly used by Respondents to analyze each company, Respondents have sought to reinforce the objective and non-paid nature of their ratings and reviews by representing that "[e]ach piece of criteria is cross checked and audited by multiple members of the LendEDU team."

Respondents Rank Financial Services Companies Based on Compensation

19. Contrary to their claims, Respondents have provided financial services companies with higher numerical rankings or star ratings and higher positions on rate tables based on compensation. Respondents also have added or removed companies from their content based on compensation.

20. In numerous instances, Respondents have required financial services companies to increase their payments to LendEDU to maintain or improve upon their current rate table positions and rankings. Respondents Matherson, Lenhard, and Coleman either directly requested additional compensation from financial services companies in exchange for better placements on Respondents' website, or had knowledge of such requests. For example, in an email, Respondent Matherson asked one student loan refinance company to pay $9.50 per click to retake the number one ranking after falling to number three. Respondent Matherson copied Coleman on the email chain requesting more compensation and forwarded it to Respondent Lenhard. The company ultimately agreed to pay $8.50 per click for the number one ranking and rate table placement.

21. Respondents later asked the same student loan refinance company to increase its payments to $16 per click "to maintain the #1 position on our site." In an email to the company, Respondent Coleman wrote: "We want to keep [your company] positioned as the #1 lender on our site, but we need to justify the move from a business perspective." The company agreed to pay $15 per click, and Respondent kept the company ranked number one and positioned first on the rate table.

22. Respondents offered another student loan refinance company the number three position for payment of $16 per click. The company agreed to the paid placement, and Respondents moved the company from the number four ranking to the number three ranking and from the number four position on the rate table to the number three position.

23. The contract between the company and LendEDU expressly provided that LendEDU would rank the company "[n]o lower than position 3" on LendEDU's refinance student loans webpage.

24. Another student loan refinance company paid Respondents for the number three ranking and rate table position prior to the company above and, later, increased the amount of payment per click for the number two ranking and position.

25. Respondents' paid placement policies and practices have resulted in some previously highly ranked companies dropping spots for refusing to pay for their position. For example, Respondents ranked one student loan refinance company number two in the rankings and listed it second in the rate table for several months. When the company refused to pay more to be placed in the second spot, Respondents dropped the company's ranking to number five or lower and listed it fifth or lower in the rate table.

26. Respondents have repeatedly acknowledged to financial services companies doing business—or seeking to do business—with them that they can pay for placements, even though Respondents have publicly represented to consumers that their website content is not based on compensation.

27. Respondents' presentation material to a prospective bank customer included a slide that discussed "Partner Positioning & Ordering," explaining that "compensation may influence the products we review and write about, the order in which partners appear in our articles, whether products appear on our site, and where they're placed."

28. In an email to a private student loan company, Respondent Coleman admitted that Respondents rank companies based on a number of factors, including "compensation terms," and that Respondents also "allow[] partners to pay for premium listings." The company subsequently entered a contract agreeing to pay LendEDU in return for "the highest level of visibility equal to the Number 1 position" on Respondents' private student loans webpage from March 1, 2018 to January 31, 2019. Respondents had not previously ranked the company on their website. Following the paid placement agreement, Respondents immediately ranked the company number one starting March 1, 2018. Respondents also positioned the company at the top of the rate table. During this time, even though other companies had higher star ratings, Respondents placed them lower in the rankings and rate tables.

29. LendEDU also has admitted in interrogatory responses to the FTC that, at least into early 2018, "star ratings were typically assigned based on the order in which they appeared on the page" and that the "Financial Services Companies on these pages were ordered mainly based on the compensation we received from them. . . ."

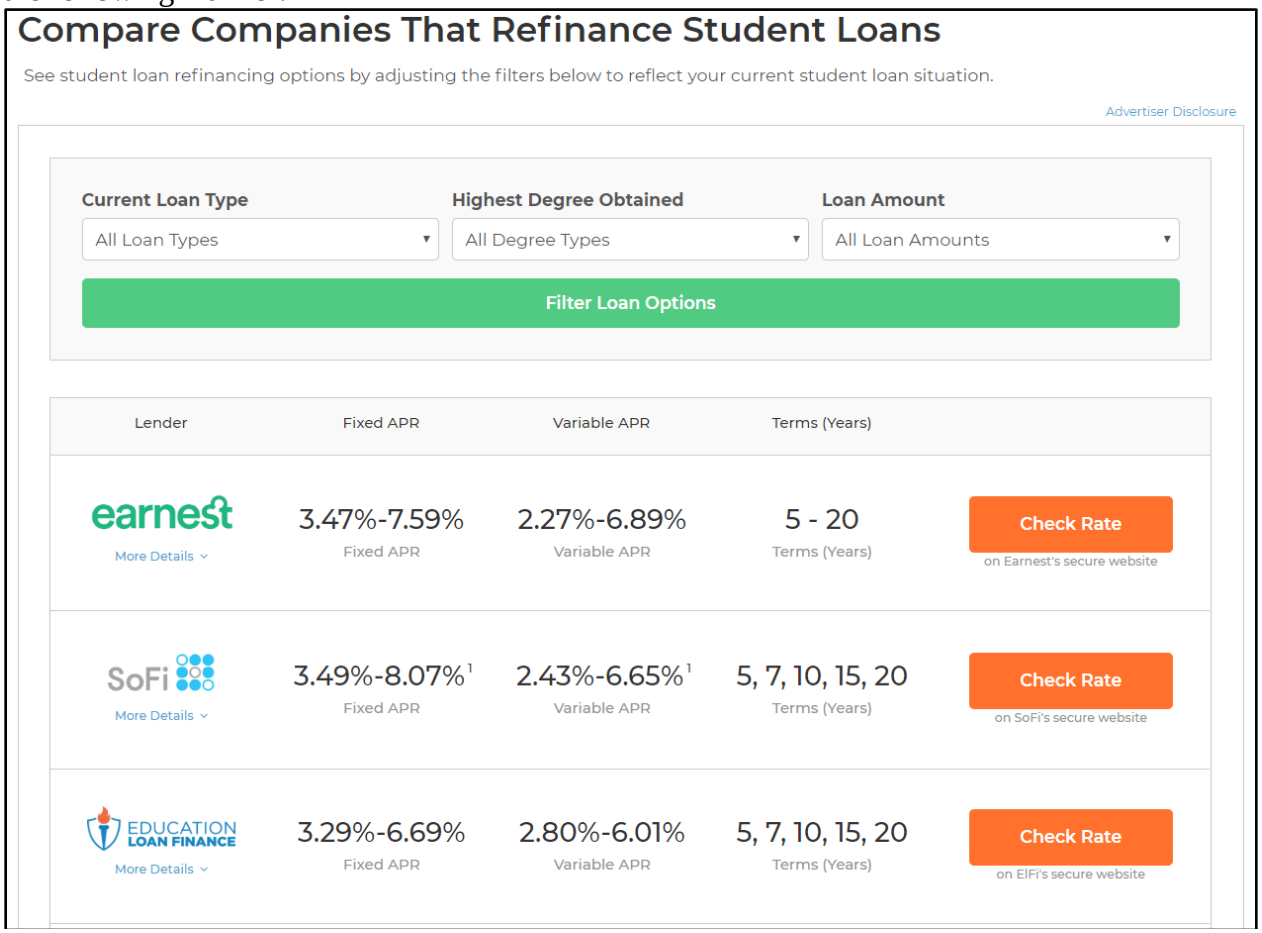
30. In correspondence with financial services companies, Respondents have represented that the rankings and rate table placements influence a consumer's choice in visiting particular companies' websites to apply for a loan product or service. In an email to one company, Respondent Matherson wrote that a company paying for the number one position on the student loan refinance webpage would receive approximately 32 percent of clicks, while the number two

company would receive approximately 21 percent of clicks, and the number three company would receive approximately 15 percent of clicks. Respondent Coleman wrote to a different student loan refinance company in the number four position that a paid move to the number three spot would double its click-through volume, while a paid move to the number two spot would triple the volume.

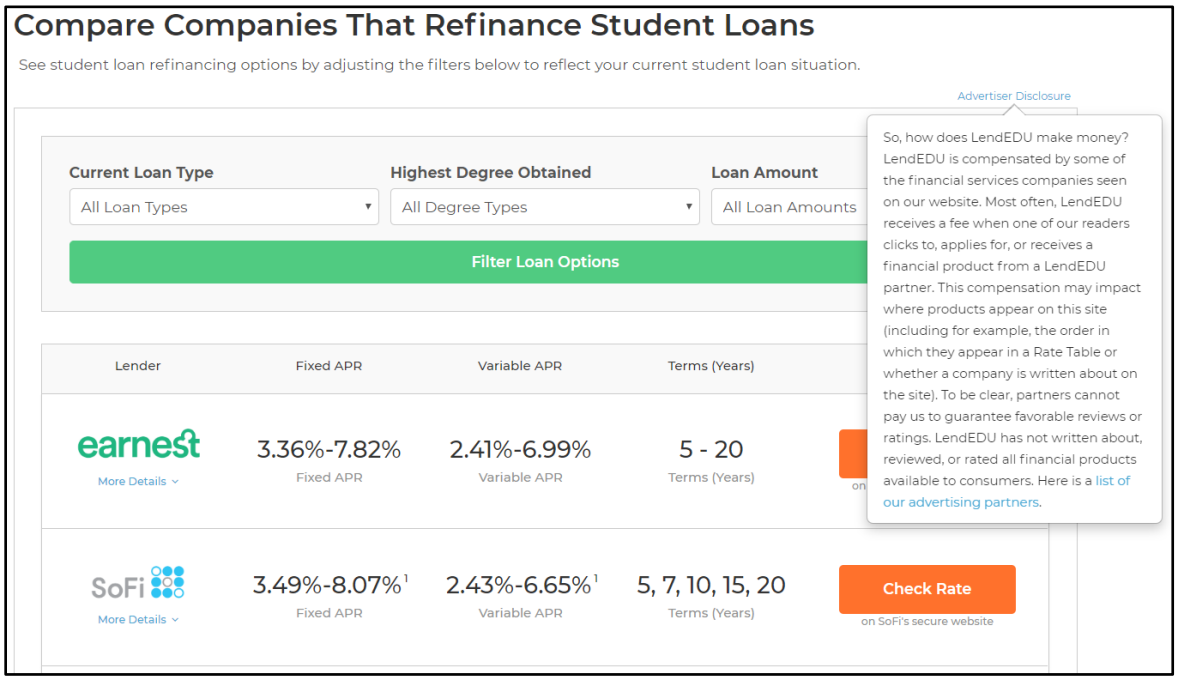
31. Similarly, when offering a "top 4 position" to a personal loan company that held the number nine position, Respondent Coleman wrote that with a top four position, the company "could expect a ~50% increase in traffic," while "[t]he #1 spot would likely result in a ~100% increase in traffic."

32. Respondents have included on their website virtually no information about their relationships with the companies that appear on the site. In mid-2016, Respondents added a fine-print disclaimer that the "site may be compensated through third party advertisers," in the website's footer. After becoming aware of the FTC's investigation into their conduct, around March 2019, Respondents also have listed the companies that "may provide compensation to LendEDU" on a page that consumers are unlikely to visit.

33. Similarly, since approximately June 2019, Respondents have presented their rate tables in the following manner:



34. If a consumer were to notice the small font reading "Advertiser Disclosure" in the upper-right corner and click on the phrase, a popup window would appear containing a small-print disclosure as follows:



The popup window has stated, in part, that "LendEDU is compensated by some of the financial services companies seen on our website" and that "[t]his compensation may impact where products appear on this site (including for example, the order in which they appear in a rate table or whether a company is written about on the site)." The popup window further has stated that "partners cannot pay us to guarantee favorable reviews or ratings."

Respondents Tout Fake Positive Reviews

35. Reviews about LendEDU's website and customer service appear on third-party review platforms, including trustpilot.com ("Trustpilot"). Trustpilot allows users to select a star rating when reviewing a company. The ratings range from five stars ("Excellent") to one star ("Bad"). LendEDU currently has 126 reviews on Trustpilot, consisting of 123 five-star reviews, one four-star review, one two-star review, and one one-star review.

36. Of those 126 reviews, 111, or 90%, were written or made up by LendEDU employees or their family, friends, or other associates. All of those reviews provided five-star ratings for the Company. Examples include:

- Kenny: "LendEDU showed me the light at the end of the tunnel. I was drowning in student loan debt then they showed up with a lifeboat and a warm blanket. The website was easy to navigate and with the help of their customer service team, I saved a lot of money refinancing. I can't thank them enough and would recommend to anyone!"

- Scott: "Extremely user friendly and easy to use. . . . It was a pleasant surprise to be able to find personal finance education. As a student, high schools don't really provide any basic financial course and credit cards are so easy to obtain. It was refreshing to be able to research and understand more through LendEDU."

- Trace: "I wasn't sure where to go, and stumbled onto an[] article LendEDU published. It was full of good tips that helped. I ended up going to their site and there was quite a bit of helpful stuff there too. They seem to be on top of it!"

The review written by "Kenny" actually comes from a LendEDU employee using a fake name. Similarly, "Scott," the purported high school student researching personal finance, is actually the administrator of LendEDU's 401(k) plan. "Trace" is actually a friend of a LendEDU employee.

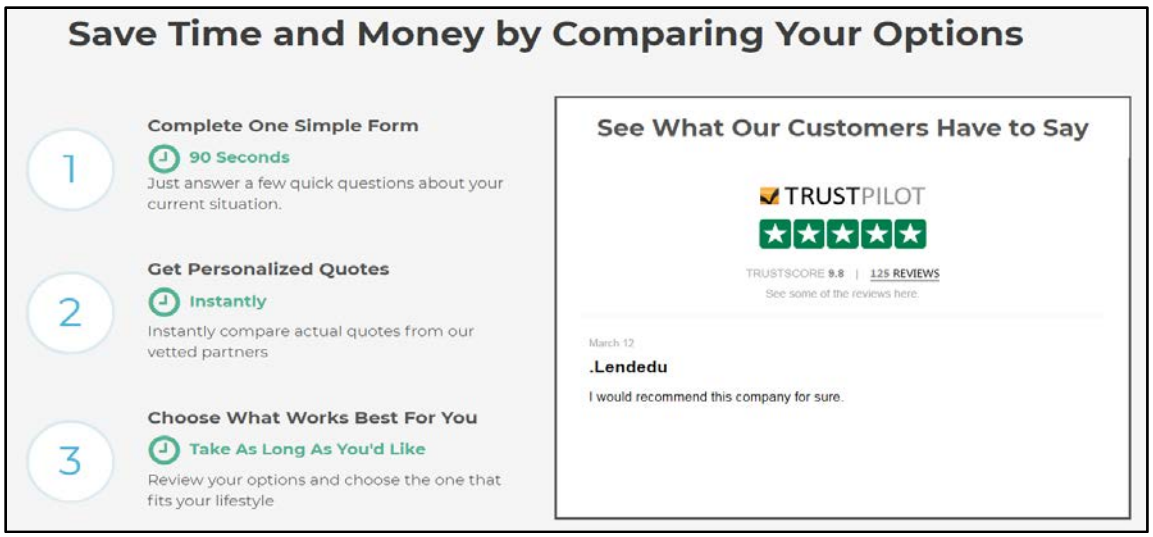
37. In addition, the vast majority of the reviewers do not appear to have used LendEDU. LendEDU offers a loan comparison tool, which requires consumers to enter an email address before they can see a list of potential lenders. Only eleven of the email addresses provided by LendEDU's 126 reviewers on Trustpilot (9 percent) match email addresses that consumers provided to LendEDU. Nevertheless, several of the remaining 115 reviews reference LendEDU's loan comparison tool. Examples include:

- LendEDU's outside counsel: "The application process was very easy and I was given a number of options. While I didn't end up refinancing my student loans, it was worth the look."

- Friend of a LendEDU employee: "Genius! Spent 2 minutes filling out a form and saved thousands of dollars. Wish I had known about LendEDU earlier!"

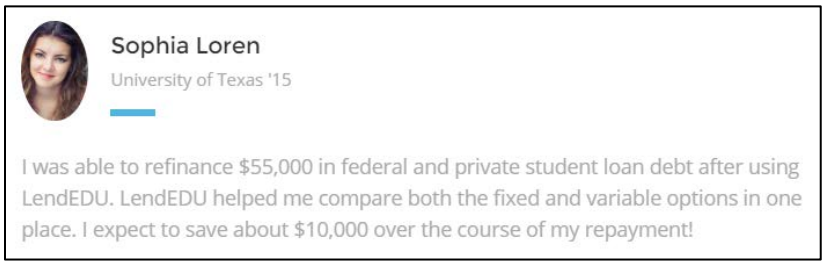
In numerous instances, the reviews were fabricated and did not represent actual consumer experiences with LendEDU.

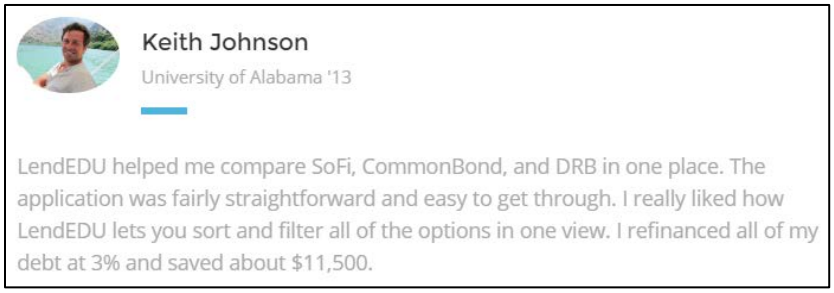
38. Respondents also have reposted and touted the Trustpilot reviews on LendEDU's website, as well as fake reviews written by LendEDU employees who purport to be, but are not, actual users. The LendEDU homepage has, at times, prominently featured reviews from Trustpilot:



39. A LendEDU employee wrote the review in Paragraph 38 under a fake name, stating "I would recommend this company for sure."

40. In other instances, the LendEDU homepage has included "testimonials" from consumers claiming they saved money by using LendEDU's services. These testimonials have included consumer names, colleges, and years of graduation:





None of these consumers exists. Respondents fabricated these "testimonials."

Count I

41. In numerous instances in connection with the advertising, marketing, promotion, offering for sale, or sale of consumer financial products, Respondents represent, directly or indirectly, expressly or by implication, that Respondents' website content promoting financial products, including their rate tables, rankings, and star ratings of companies offering those products, is not influenced by compensation.

42. In truth and in fact, in numerous instances in which Respondents have made the representations set forth in Paragraph 41, Respondents' website content promoting financial products, including their rate tables, rankings, and star ratings of companies offering those products, is influenced by compensation from those companies.

43. Therefore, Respondents' representations as set forth in Paragraph 41 are false and misleading and constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

Count II

44. In numerous instances in connection with the advertising, marketing, promotion, offering for sale, or sale of consumer financial products, Respondents represent, directly or indirectly, expressly or by implication, that their website content, including rate tables, rankings, and star ratings, is a source of information about financial products.

45. In numerous instances in which Respondents make the representations set forth in Paragraph 44, Respondents fail to disclose or disclose adequately to consumers that financial services companies paid Respondents for website content, including rate tables, rankings, and star ratings. This additional information would be material to consumers in deciding whether to transact with companies ranked, rated, or reviewed by Respondents.

46. In light of the representations described in Paragraph 44, Respondents' failure to disclose or disclose adequately the material information as set forth in Paragraph 44 constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

Count III

47. In numerous instances in connection with the advertising, marketing, promotion, offering for sale, or sale of consumer financial products, through the means described in Paragraphs 35-40, Respondents have represented, directly or indirectly, expressly or by implication, that certain reviews of LendEDU reflect the actual experiences or opinions of impartial consumers.

48. In truth and in fact, these reviews of LendEDU were not truthful reviews by actual LendEDU users, but instead were fabricated by persons who were friends, employees, or other associates of LendEDU.

49. Therefore, the making of the representations as set forth in Paragraph 47 constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

Violations of Sections 5

50. The acts and practices of Respondents as alleged in this complaint constitute unfair or deceptive acts or practices in or affecting commerce in violation of Sections 5(a) of the Federal Trade Commission Act.

THEREFORE, the Federal Trade Commission this _____ day of _____, 20__, has issued this complaint against Respondents.

By the Commission.

April Tabor
Acting Secretary

SEAL: