

State of California • Department of Justice
OFFICE OF THE ATTORNEY GEN
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FOR IMMEDIATE RELEASE

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Brown Sues 22 Midas Shops to Block Bait-and-Switch Auto Repair Scam

Oakland - Following more than two dozen undercover sting operations, Attorney General Edmund G. Brown Jr. today sued Maurice Irving Glad and his 22 California Midas auto shops to stop a "massive bait- and-switch scam" in which customers were offered cheap brake specials and then charged hundreds of dollars more for unnecessary repairs.

The undercover operations revealed that over four years Glad's Midas shops regularly advertised \$79 to \$99 brake specials to draw customers in and then charged another \$110 to \$130 for unnecessary brake rotor resurfacing services - and hundreds of dollars more for repairs that were not needed or never performed.

The suit, filed in Alameda County Superior Court, seeks \$222 million in civil penalties, costs and reimbursements to customers.

"These Midas shops were running a massive bait-and-switch scam, in which customers were lured in with the promise of cheap brake specials and then charged hundreds more for unnecessary repairs," Brown said. "This investigation revealed a shady and deceptive operation that violated the trust of its customers."

Brown's lawsuit, filed jointly with Alameda County District Attorney Tom

Orloff and Fresno County District Attorney Elizabeth A. Egan, involves 22 Midas shops in Campbell, Clovis, Concord, Dublin, Fremont, Fresno, Hayward, Manteca, Merced, Modesto, San Jose, San Leandro, Turlock and Walnut Creek.

The lawsuit follows a four-year California Bureau of Automotive Repair investigation into Glad and his Midas shops to monitor compliance with a 1989 Alameda County Superior Court injunction. The 1989 injunction prohibited Glad's shops from performing unnecessary repairs, charging for services not performed, or using scare tactics to convince customers to purchase unnecessary parts and services.

Undercover agents, posing as customers, conducted approximately 30 sting operations at Midas shops owned by Glad. In total, there were more than 35 incidents in which shop managers, mechanics and employees made false or misleading statements to pressure customers to purchase unnecessary parts and services.

On average, the shops charged undercover agents almost \$300 in unnecessary brake rotor resurfacings, brake drum repairs, brake adjustments, brake cleaning services and other services. For example:

- In May 2007, at a Dublin Midas shop, an undercover agent was informed that the car needed thicker, more expensive brake pads than what was advertised. This was despite the fact that the manufacturer listed the advertised brake pads as a direct replacement. The agent was also told that the car's new rotors "could be saved" if they were resurfaced and was charged for the removal of all four wheels when only three wheels were removed for inspection. In total, the agent was charged almost \$400.

- In June 2006, at a Clovis Midas shop, an undercover agent was informed that the front rotors needed to be resurfaced, a brake fluid flush was needed and the rear brakes required adjustment, when in fact, none of the repairs was necessary. The agent was charged over \$275 for the unnecessary repairs, including the brake fluid flush that was never performed.

- In May 2006, at a Merced Midas shop, an undercover agent was informed

that the rear brakes required replacement and adjustment when they did not, and that the rotors required resurfacing when they were new and not need of any service. The agent was charged \$320.

- In April 2006, at a Fresno Midas shop, an undercover agent was informed that the front rotors should be resurfaced because of "a safety issue" when the rotors were new and in good condition, had no scoring or hot spots, were within factory specifications and were not in need of resurfacing. The agent was charged over \$230 for the unnecessary repairs.

- In October 2005, at another Modesto Midas shop, an undercover agent was informed that the struts were "completely blown" and "leaking a lot of oil," that two of the rotors and brake pads needed to be replaced and that the other two rotors needed to be resurfaced at a cost of over \$1,700. None of the repairs or services was necessary.

- In October 2005, at a Clovis Midas shop, an undercover agent was informed that the front rotors should be resurfaced and a transmission fluid flush should be performed when the rotors were new and within manufacturer's specifications and the automatic transmission had just been flushed and refilled. The shop charged over \$230 for the unnecessary repairs.

- In September 2005, at a Modesto Midas shop, an undercover agent was informed that the brakes needed to be adjusted and cleaned and a brake and cooling system flush was required, when in fact, none of the services was necessary. The agent was charged over \$200 and the brake flush was never performed.

In July 2008, the California Bureau of Automotive Repair referred the case to Brown's Office for prosecution. Alameda County District Attorney Orloff and Fresno County District Attorney Egan joined due to the large number of shops operating in their counties.

Brown, Orloff and Egan are suing Glad and his 22 Midas shops for:

- False and misleading advertising in violation of Business and Profession Code 17500;
- Unlawful, unfair and fraudulent business practices in violation of Business

and Professions Code 17200; and

- Breaking the 1989 Alameda County Superior Court injunction in violation of Business and Professions Code 17535.5 and 17207.

If successful, the lawsuit would require these Midas shops to pay up to \$222 million in penalties, costs and reimbursements to customers. This includes up to \$1 million, or \$2,500 per violation, for false and misleading advertising; up to \$1 million, or \$2,500 per violation, for unlawful, unfair and fraudulent business practices; and up to \$220 million, or \$12,000 per violation, for violating the 1989 injunction.

The lawsuit also seeks a permanent injunction prohibiting these shops from:

- Coercing its customers into buying unnecessary motor vehicle repairs or services;
- Making or authorizing false and misleading statements; and
- Obtaining payment for repairs or services that were not performed or for retail products that were not provided.

Consumers who believe they have been ripped off by an auto repair facility can file a complaint with the California Department of Consumer Affairs, Bureau of Automotive Repair online at: www.autorepair.ca.gov or by calling 1-800-952-5210.

The following Midas shops are named in today's lawsuit:

- 1236 White Oaks Road, Campbell
- 704 Clovis Avenue, Clovis
- 2525 Monument Boulevard, Concord
- 6955 Village Parkway, Dublin
- 4045 Thornton Avenue, Fremont
- 3741 Washington Boulevard, Fremont
- 7340 N. Blackstone Avenue, Fresno
- 3937 N. Blackstone Avenue, Fresno
- 4304 W. Shaw Avenue, Fresno
- 1078 La Playa Drive, Hayward
- 24659 Mission Boulevard, Hayward
- 1412 W. Yosemite Avenue, Manteca

- 1420 V Street, Merced
- 338 McHenry Avenue, Modesto
- 3833 McHenry Avenue, Modesto
- 93 S. Capitol Avenue, San Jose
- 4224 Monterey Highway, San Jose
- 5287 Prospect Road, San Jose
- 2200 Stevens Creek Boulevard, San Jose
- 13745 E. 14th Street, San Leandro
- 2651 Geer Road, Turlock
- 2710 N. Main Street, Walnut Creek

Midas is one of the world's largest providers of automotive services with more than 1,600 franchised and company-owned locations in the United States.

Today's lawsuit, filed in Alameda County Superior Court, is attached.

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