

IN THE CIRCUIT COURT FOR THE THIRD DISTRICT
MADISON COUNTY, ILLINOIS

FILED

SEP 14 2006

CLERK OF CIRCUIT COURT #60
THIRD JUDICIAL CIRCUIT
MADISON COUNTY, ILLINOIS

CHERYL REYNOLDS, individually and
and on behalf of all others similarly situated,

Plaintiff,

v.

H&R BLOCK, INC./, H&R BLOCK
GROUP, INC./, H&R BLOCK TAX
SERVICES, INC./, H&R BLOCK EASTERN
TAX SERVICES, INC./, H&R BLOCK /
H&R BLOCK, H&R BLOCK, individually
and on behalf of all entities d/b/a H&R
BLOCK/H&R ROYALTY, INC. /
HOUSEHOLD INTERNATIONAL, INC., /
HOUSEHOLD BANK. f.s.b. successor in
interest to BENEFICIAL NATIONAL
BANK/HOUSEHOLD TAX MASTERS,
INC., formerly known as BENEFICIAL TAX
MASTERS, INC. ,and BENEFICIAL
FRANCHISE COMPANY, INC.

Defendants.

No.:

06L771

Class Action Complaint
Jury Trial Demanded

CLASS ACTION COMPLAINT

Plaintiff Cheryl Reynolds by her attorney alleges upon personal belief as to herself and her own acts, and upon information and belief (based on the investigation of counsel) as to all other matters as follows:

1. This class action arises from a common scheme orchestrated by defendants (the H&R Block defendants collectively referred to as the "Block defendants" and the Household Bank and Beneficial National Bank defendants collectively referred to as the "Household defendants") to

defraud consumers who obtain “instant” income tax refunds through businesses which file tax returns electronically (these businesses are hereafter referred to as electronic return originators or “ERO’s”).

2. Defendants make refund anticipation loans (“RALs”) to taxpayers who file their tax return electronically through an ERO. The RALs are made at a very high interest rate—often as much as 800%. Defendant H&R Block calls the RAL a rapid refund or an instant income tax refund.

3. Defendants materially misrepresent material terms of the RAL, including the cost of a RAL.

4. Defendants unlawfully bait the consumer with low fees and then switch to higher fees in violation of the Illinois Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/2 (West 1998), and similar unfair and deceptive acts and practices statutes of other states. The RAL application affirmatively misrepresents that the cost of a RAL is lower than the amount actually charged, and affirmatively misrepresents the Finance Charge for a RAL.

5. Defendants affirmatively and materially misrepresent the cost of a RAL in the RAL application. Although consumers are required to electronically file their returns in order to obtain a RAL, and defendants know the cost of electronic filing at the time the consumer executes the RAL application, the RAL application does not disclose the cost of electronic filing. The total cost of the RAL is disclosed only when the consumer receives his “refund” check from defendants--- three to five days after he applies for a RAL. The electronic filing fee—which ranged from \$25 to \$95 during the class period—can double, if not triple the cost of a RAL.

6. Because the consumer is required to electronically file his return as a condition

precedent to obtaining a RAL, the electronic filing fee is a finance charge. Defendants affirmatively misrepresent the amount of the Finance Charge in the RAL application.

7. Defendants further fail to advise consumers that their tax returns could be filed electronically at a lower or no cost through the post office or Internal Revenue Service programs.

8. RAL borrowers are often required to pay loan document preparation fees, administrative fees or surcharges to H&R Block for preparing the RAL documents. While at the time the consumer executes the RAL application, defendants know the amount of loan document preparation fees and other fees the consumer will be required to pay, the RAL application does not disclose the amount of these fees.

9. Because the loan document preparation fees, administrative fees and/or surcharges are paid for preparation of loan documents, these fees are Finance Charges. Defendants affirmatively misrepresent the amount of the Finance Charge in the RAL application because these fees are not included in the amount of the Finance Charge stated in the RAL application.

10. The RAL application is incorporated in the RAL agreement by reference. The Household defendants violate the RAL agreement by charging a higher Finance Charge than the amount stated in the RAL application, and which the consumer is contractually obligated to pay.

11. In violation of the Illinois Consumer Fraud Act and similar consumer protection statutes of other states, defendants affirmatively misrepresent other material terms of the RAL such as the amount paid to Household and the amount paid to Block. Although Household pays Block part of the Finance Charge to steer the taxpayer to a RAL, the Household defendants affirmatively misrepresent that the entire RAL Finance Charge is paid to Household. The consumer does not know that he or she is paying an artificially inflated Finance Charge to

accommodate hidden kickbacks from Household to Block.

12. The hidden payments from Household to Block violate the refund anticipation loan agreement, which permits Household defendants to make only payments to Block which the consumer authorizes. The consumer can authorize only payments which he or she knows about. The Household defendants' Truth in Lending Act disclosure statement makes it appear that the entire Finance Charge is being paid to the Household defendants. Accordingly, any payment by the Household defendants to Block which is not disclosed in the Truth in Lending Act statement is unauthorized, and violates the refund anticipation loan agreement.

13. Plaintiffs also allege that defendants were unjustly enriched.

14. Plaintiffs seek to enjoin further unlawful conduct, rebate of the fees unlawfully retained from defendants, prejudgment interest, and compensatory and punitive damages under the Illinois consumer fraud statute and similar consumer protection and consumer credit statutes of other states.

JURISDICTION AND VENUE

15. Jurisdiction over defendants is proper under 735 ILCS 5/2-209(a)(1) (transaction of any business within this State), Section 2-209(a)(7)(making or performance of any contract or promise substantially connected with this State). Section 2-209(b)(4) (corporation doing business within this State), and Section 2-209(c) (any other basis now or hereafter permitted by the Illinois Constitution or the Constitution of the United States) 735ILCS 5/2-209(A)(1),(A)(7),(B)(4) AND (C). There is no federal jurisdiction over this case because Plaintiff seeks no relief, cause of action, remedy or damages in excess of \$75,000 and because no claims arise under the laws of the United States.

16. Venue is proper under the Illinois Code of Civil Procedure because Block is a non-resident of this State, allowing commencement of this action in any county. 735 ILCS 5/2-101. Venue in this county is further appropriate under Section 10a(b) of the Illinois Consumer Fraud and Deceptive Business Practices Act, 810 ILCS 505/110a(b) as all defendants are doing business in this County.

RELATEDNESS

17. This case is related to *Marshall v. H&R Block, et seq.*, 03-L-576, currently pending in Madison County because it similarly involves the unlawfulness of Block's electronic filing fees. A portion of the class herein is a subset of the *Marshall* class.

TOLLING OF STATUTE OF LIMITATIONS

18. The applicable statutes of limitations have been tolled by the following class actions: *Beckett et.al v H&R Block et al.*, No 94C0776 (N.D.Ill. 1994) and *Reynolds et al. v. Beneficial National Bank et al.*, No. 98-2178 (N.D. Ill. 1998)

19. On November 17, 1999, Ms. Reynolds filed an amended class action complaint in the United States District Court, the Northern District of Illinois, containing substantially similar claims as those claims contained herein.

20. On September 15, 2005, the United States District Court, the Northern District of Illinois dismissed Ms. Reynolds class action complaint without prejudice.

21. The instant state claims are timely because Ms. Reynolds claims were tolled from February, 7, 1994 (the date on which *Beckett et.al v H&R Block et al.*, No 94C0776 (N.D.Ill. 1994) was filed), through September 15, 2005.

PARTIES

22. Plaintiff Cheryl Reynolds obtained RALs from defendants in 1992 and 1993 (collective Exhibit A). Ms. Reynolds is not a party to an arbitration agreement in a RAL agreement.

DEFENDANTS

23. Defendant H&R Block, Inc. is a publicly traded corporation, with its principal office at 4410 Main Street, Kansas City, Missouri 64111. H&R Block is in the business, *inter alia* of individual tax preparation, tax return filing and tax advice. It wholly owns, operates or franchises, directly or through subsidiaries of H&R Block Services, Inc. and H&R Block Tax Services, Inc. hundreds of permanent or seasonal offices throughout the country which hold themselves out and do business as "H&R Block" and engage in the preparation and filing of federal, state and local tax returns and tax advice.

24. In its January 31, 2003 10-Q, H&R Block described its involvement with RALs as follows:

The Company offers RAL products to its clients through a relationship with Household. In previous years, the Company purchased participation interests in RALs...Revenue from participation was calculated as the Company's percentage participation multiplied by a fee paid by the customer to Household.

25. Defendant H&R Block Services, Inc. is a Missouri corporation with its principal office at 4400 Main Street, Kansas City, Missouri. Effective January 6, 2003 H&R Block Services, Inc. became the entity with primary responsibility for operating the RAL program.

26. Defendant H&R Block Tax Services, Inc. generally does business as H&R Block. Formerly a wholly owned subsidiary of H&R Block, H&R Block Tax Services, Inc. is now a

wholly owned subsidiary of H&R Block Services, Inc. Throughout most of the class period, H&R Block Tax Services, Inc. worked with Beneficial and other RAL lenders to draft the RAL application used nationwide in all H&R Block offices. H&R Block Tax Services, Inc. is headquartered at 44120 Main Street, Kansas City, Missouri.

27. Defendant H&R Block Eastern Tax Services, Inc. generally also does business as "H&R Block". H&R Block Eastern Tax Services, Inc. is a wholly owned subsidiary of H&R Block Tax Services, and thus is an indirect wholly owned subsidiary of H&R Block, Inc. H&R Block Eastern Tax Services, Inc. is headquartered at 4410 Main Street, Kansas City, Missouri.

28. Defendant Block Financial Corp. is a wholly owned subsidiary of H&R Block, Inc. organized under the laws of Delaware with its principal office at 4410 Main Street, Kansas City, Missouri.

29. Defendant HRB Royalty is a Delaware corporation with its principal place of business at 4400 Main Street, Kansas City, Missouri and the owner of the H&R Block trademark and logo that appears on all of the documents employed by defendants in effectuating the RAL scheme to defraud consumers.

30. Beneficial National Bank was formerly a federally chartered bank with its principal office at 12 Rodney Square, Wilmington, Delaware. By itself and with its former subsidiaries, Beneficial Tax Masters, Inc. and Beneficial Franchise Corporation, Beneficial National Bank developed and patented the RAL process. Beneficial operated and funded the RAL program from 1987 through 1998 when its operations were acquired by Household International Inc.

31. According to its public filings, including its December 2002 10-K, Household International, Inc. is principally a non-operating holding company incorporated in Delaware, with

its principal place of business at 2700 Sanders Road, Prospect Heights, Illinois 60070. Through its subsidiaries, which include the operations of Beneficial Corporation which Household acquired in 1998, Household Bank, f.s.b and Household Finance Corp., Household offered RALs.

Household International Inc.'s December 2002 10-K states:

Our refund lending business is one of the largest providers of consumer tax refund lending in the United States. We currently have approximately 5,300 tax preparer relationships covering approximately 14,000 outlets (including 9,900 H&R Block and 546 Jackson Hewitt locations) We provide loans to customers who are entitled to tax refunds and who electronically file their income tax returns with the Internal Revenue Service. This business is seasonal with most revenues generated in the first three months of each calendar year. The majority of customers who utilize this product are renters with average household incomes of \$20,000 who are entitled to refunds of greater than \$2,000. In 2002 we originated approximately 7 million accounts and generated a loan volume of approximately \$10.7 billion.

32. Defendant Household Bank, f.s.b. is a federal savings bank and a successor in interest to Beneficial National Bank. From July 19, 1998 until January 6, 2003, Household Bank f.s.b was the originating bank for RALs.

33. In November 2002, Household International Inc. and HSBC Holdings plc announced that they had entered into a definitive merger agreement under which Household would be merged into a wholly owned subsidiary of HSBC.

34. Effective January 6, 2003, Household Bank f.s.b. ceased its operations in connection with the RAL program and in connection therewith, Household Tax Masters engaged Imperial Capital Bank ("ICB") to perform the origination function for RALs.

35. Defendant Household Finance Corp. is a Delaware corporation with its principal office at 2700 Sanders Road, Prospect Heights, Illinois 60070 that, according to Household International Inc.'s December 2002 10-K, offers "refund anticipation loans. These loans are

marketed to consumers at H&R Block offices, Jackson Hewitt offices and offices of other tax preparation services throughout the United States.”

36. According to H&R Block’s January 31, 2003 10Q, defendant Household Tax Masters is successor in interest to Beneficial Tax Masters, and a Delaware corporation with its principal place of business at 2000 Somerset Corporate Blvd., Bridgewater, New Jersey 088807.

37. Defendant Beneficial Franchise Company, Inc. is a Delaware corporation and owner of the patented RAL process, formerly known as the “Electronic Income Tax Refund Early Payment System”.

HOW THE RAL PROGRAM WORKS

38. On information and belief, defendants take advantage of consumers by locking them into credit transactions without revealing the true cost of credit. Defendants receive substantial financial benefits from the rapid refund program. Each consumer who participates in the RAL program pays Block fees for processing or preparing their income tax return. Block also receives fees for electronically filing the return, “loan document preparation fees” also referred to as surcharges or administrative fees, and an undisclosed kick back for referring RALs to Household.

39. Household requires the taxpayer who wishes to obtain a RAL to first sign a two page application containing information from the taxpayer necessary to make a refund anticipation loan such as the taxpayer’s name, address, and social security number, and an authorization for Block to release the information to Household. The consumer certifies on this agreement that he does not have any delinquencies which permit the IRS to reject the return and thereby withhold a refund (hereafter referred to as “RAL application”).

40. If the taxpayer’s return is accepted for filing by the IRS, Household issues a cashier’s

check in the amount of the customer's refund. Attached to the check is a stub which purports to disclose the terms of the RAL, including the finance charge, the annual percentage rate ("APR"), the amount financed, the prepaid finance charge, the amount paid to the RAL lender and the amount paid to Block. On the back of the RAL check is a loan agreement. Block also gives the RAL borrower a receipt.

41. Defendants use form financing agreements with similar disclosures relating to the cost of credit in all RAL transactions,

42. The disclosures in the RAL application materially misrepresent the cost of the RAL. The amount of the mandatory electronic filing fee is not disclosed in the RAL application. Rather, only the amount of the Finance Charge is disclosed, making it appear that the Finance Charge disclosed in the RAL application is the total cost of the RAL.

43. The disclosures in the RAL application materially misrepresent the cost of the RAL. The amounts of loan document preparation fees, surcharges, and administrative fees are not disclosed in the RAL application. Rather, only the amount of the Finance Charge is disclosed, making it appear that the Finance Charge disclosed in the RAL application is the total cost of the RAL.

44. The amount of the Finance Charge stated on the RAL application is materially misstated. The amount of the Finance Charge stated on the RAL application is lower than the Finance Charge actually paid by the RAL borrower.

45. Had plaintiffs known the true cost of a RAL, they could have sought a RAL lender whose fees were lower, chosen to electronically file their returns elsewhere at a lower cost, or chosen not to apply for a RAL, and simply wait two weeks for the IRS to send their refund.

46. The disclosures on the RAL check stub affirmatively misrepresent the amount paid to Block, and the amount paid Household. Household uniformly states that Household receives the entire Finance Charge. In fact, Block receives part of the Finance Charge in the form of an undisclosed kickback.

47. Household's affirmative misrepresentation that the full amount of the money earmarked as a Finance Charge goes to Household is an intentional falsehood. Household deliberately makes it appear that the entire Finance Charge is a nonnegotiable third party fee. If consumers knew that part of the Finance Charge were paid to Block, the consumer could request Block to reduce the Finance Charge by the amount of the kickback paid to Block.

48. Had plaintiffs known that part of the Finance Charge was kicked back to Block, they could have requested Block to reduce their fees by the amount of the kickback, or sought a RAL lender whose fees were lower because it paid a lower or no kick back.

49. The RAL application contains an acknowledgment section which states as follows:

ACKNOWLEDGMENT: I acknowledge that the FINANCE CHARGE for my RAL is _____, and I further acknowledge that I have read and understand the important disclosures above and on the reverse side of this Loan Request including that above relating to debt collection. I understand that the amount of any RAL proceeds check I receive will be reduced by the amount of this FINANCE CHARGE.

50. Defendants either fail to complete the blank for the Finance Charge in order to make it appear that the RAL is a refund, rather than a loan, or state the amount of the Finance Charge incorrectly.

51. The "acknowledgment" section of the RAL application does not disclose the amount

of electronic filing fees which the RAL borrower is required to pay in order to obtain a RAL, or the amount of loan document preparation fees, administrative fees and surcharges that the consumer must pay in addition to the stated Finance Charge in order to obtain a RAL. At the time that the taxpayer signs the RAL application, defendants know the amount of these mandatory fees. These fees, which are mandatory only in RAL transactions, are always considered to be Finance Charges and accordingly should be included in the amount of the Finance Charge disclosed in the RAL application. Defendants intentionally conceal the amount over and above the stated Finance Charge that the consumer must pay so that the cost of credit will appear to be only the amount of the stated Finance Charge.

CLASS ALLEGATIONS

52. This action is brought by plaintiff individually and on behalf of the class of persons defined as follows pursuant to Section 801 et. seq. of the Illinois Code of Civil Procedure, 735 ILCS 5/2-801 et seq.

53. The class of persons on whose behalf this action is brought is defined as (the "Class")

Nationwide Class

All persons who obtained a refund anticipation loan from Beneficial n/ka/ Household, and all persons who were Block customers and obtained refund anticipation loans either from Beneficial or another lender. The class period is 1987 through the present. Those persons who, in any year during the class period obtained a RAL from Beneficial through Jackson Hewitt are excluded from the class with respect to the years in which such person obtained a RAL through Jackson Hewitt.

Illinois class

All persons or entities in Illinois who obtained a refund anticipation loan from Beneficial n/ka/ Household, and all persons who were Block customers and obtained refund anticipation loans either from Beneficial or another lender. The class period is 1987 through the present. Those persons who, in any year during the class period, obtained a RAL from Beneficial through Jackson Hewitt are excluded from the class with respect to the years in which such person obtained a RAL through Jackson Hewitt.

REQUIREMENTS FOR CLASS CERTIFICATION

54. This action satisfies the requirements of Section 2-801 of the Illinois Code of Civil Procedure, 735 ILCS 5/2-801, making certification of this action as a class action appropriate.

Numerosity

55. The members of this class are so numerous, numbering in the millions, that joinder of individual actions is impracticable.

Adequacy of Representation

56. Plaintiff has previously been certified as a class representative in federal court, and can and will fairly and adequately protect the interests of the Class as the claims of plaintiff are substantially similar (if not identical) to those of absent class members; (b) there are questions of law and fact that are common to the Class that overwhelmingly predominate over any individual issues, such that by prevailing on its own claims, Plaintiff necessarily will establish Defendants' liability as to all Class Members, (c) without the Class representation provided by Plaintiff, virtually no Class members will receive legal representation or redress for their injuries, (d) Plaintiff and her counsel have the financial resources to adequately and vigorously prosecute this action, and (e)

Plaintiff and Class counsel are aware of their fiduciary duties to the class and are determined to diligently discharge those duties by vigorously seeking the maximum possible recovery for the class.

Common Questions of Law and Fact

57. There are questions of law and fact common to all class members including:

(a) Whether defendants engaged in a deceptive practice by failing to disclose the amount of the electronic filing fee in the RAL application?

(b) Whether defendants engaged in a deceptive practice by failing to disclose the amount of loan document preparation fees, surcharges and/or administrative fees in the RAL application?

(c) Whether defendants engaged in a deceptive practice by materially misrepresenting the cost of the RAL in the RAL application?

(d) Whether defendants have a pattern and practice of affirmatively misrepresenting the amount paid Household and the amount paid Block?

(e) Whether defendants breached the RAL agreement by charging a higher Finance Charge than stated in the RAL application which is incorporated in the RAL agreement by reference?

(f) Whether Household breached the RAL agreement by paying unauthorized fees to Block?

(g) Whether the plaintiff and the class were damaged, and if so, what is the appropriate measure of damages?

58.. These common questions of law or fact predominate over any questions or issues affecting individual Class members.

Appropriateness

59. A class action is appropriate and superior to any other means available for the fair and

efficient adjudication of this controversy because:

(a) Common questions of law and fact predominate over any individual questions that may arise, such that there would be enormous economies to the Court and the parties in litigating the common issues on a class wide basis, rather than a repetitive individual basis;

(b) The size of each Class member's relatively small claim is too insignificant to make individual litigation an economically viable alternative such that as a practical matter there is no "alternative" means of adjudication to a class action;

(c) Few Class members have any interest in individually controlling the prosecution of separate actions;

(d) Class treatment is required for optimal deterrence and for limiting legal expenses incurred by class members;

(e) Despite the relatively small size of individual Class members' claims, their aggregate volume, coupled with economies of scale, will allow this class action to be litigated on a cost effective basis; and

(f) No unusual difficulties are likely to be encountered in the management of this class action insofar as defendants' liability turns on substantial questions of law or fact that are common to the class and predominate over any individual question.

CAUSES OF ACTION

COUNT I

(Violation of Illinois Consumer Fraud and Deceptive Business Practices Act (815 ILCS 505/1 et seq. and Substantially Similar Laws of Other States)

60. Plaintiff re-alleges the allegations set forth in the preceding paragraphs as if fully set

forth herein.

61. At all relevant times, there were in effect the Illinois Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/1 et seq. and substantially similar state consumer protection statutes (collectively “Consumer Fraud Acts”).

62. Section 2 of Illinois Consumer Fraud Act provides in relevant part:

Unfair methods of competition and unfair or deceptive acts or practices, including but not limited to the use or employment of any deception, fraud, false pretense, false promise, misrepresentation or the concealment, suppression or omission of any material fact, with intent that other rely upon the concealment, suppression or omission of such material fact or the use or employment of any practice described in Section 2 of the “Uniform Deceptive Trade Practices Act....in the conduct of any trade or commerce are hereby declared unlawful whether any person has in fact been misled , deceived or damaged thereby...

63. At all relevant times, similar statutes prohibiting unfair and deceptive acts and practices in consumer transactions were in effect in each state where defendants transact business.

63. Plaintiff and the class are consumers since they purchased credit services.

64. Defendants have committed unfair acts and practices by making false and misleading representations in their pre-printed forms that had the capacity, tendency, or effect of deceiving consumers with respect to the true cost of a RAL until the consumer was irrevocably committed to the RAL transaction.

65. Defendants have committed unfair acts and practices by concealing that less expensive or even free electronic filing was available to class members.

66. Defendants intended plaintiff and the class to rely on their false representations and material omission alleged herein.

68. Defendants' actions were willful, wanton, and constituted intentional violations of the Illinois' Consumer Fraud Act and similar consumer protection statutes of other states.

69. Defendants' unfair and deceptive acts were committed in connection with the conduct of trade and commerce in the provision of financing.

70. Defendants' unlawful, unfair and/or deceptive practices allege herein are continuing and widespread.

71. Plaintiff and the class have suffered damages as a proximate result of defendants' course of conduct in that they paid excessive fees for RALs

WHEREFORE, plaintiff requests the Court to enter judgment in her favor and in favor of the class for the following relief:

- (a) actual damages;
- (b) punitive damages
- (c) statutory damages and penalties;
- (d) prejudgment interest;
- (e) an injunction halting the practices complained of;
- (f) attorneys fees, litigation expenses and costs;
- (g) that this proceeding be maintained as a class action; and
- (h) for such further and other relief as this Court deems appropriate.

COUNT II

For Breach of Contract

72. Plaintiff re-alleges the allegations set forth in the preceding paragraphs as if fully set forth herein.

73. Defendants' RAL application contains an "Authorization" Section. Paragraph 3 D of the Authorization states in relevant part:

I hereby authorize and request BNB to establish an account in my name at BNB to receive annually my tax refund from the Internal Revenue Service ("IRS") and I authorize BNB to deduct funds from the proceeds of either my RAL or my account at BNB and pay my ERO any fees or charges for the preparation and/or filing of my tax return which I have authorized ...

74. The disclosures attached to the RAL check do not disclose that a portion of the Finance Charge is being paid to Block; rather the disclosure states that the entire Finance Charge is being paid to Beneficial n/k/a Household. Neither plaintiff nor any of the class members knew that Beneficial was paying fees to Block in addition to fees stated on the disclosure statement. Neither plaintiff nor any of the class members authorized Beneficial to pay fees to Block in addition to the fees stated on the disclosure statement.

75. The Refund Anticipation Loan Agreement incorporates the terms of the RAL Application by reference. The RAL Agreement states in relevant part:

You further agree to each of the terms of the Loan Agreement and the Loan Application, Authorization and Certification which are incorporated in and hereby made a part of the Loan Agreement.

76. Beneficial breached its respective RAL Agreements with plaintiff and members of the class by making unauthorized payments to Block.

WHEREFORE, plaintiff requests the Court to enter judgment in her favor and in favor of the class for the following relief:

- (a) actual damages;
- (b) punitive damages

- (c) statutory damages and penalties;
- (d) prejudgment interest;
- (e) an injunction halting the practices complained of;
- (f) attorneys fees, litigation expenses and costs;
- (g) that this proceeding be maintained as a class action; and
- (h) for such further and other relief as this Court deems appropriate.

COUNT III

For Breach of Contract

77. Plaintiffs re-allege the allegations set forth in the preceding paragraphs as if fully set forth herein.

78. Defendants breached their respective RAL Agreements with plaintiff and members of the class by charging a higher amount than stated in the RAL application.

79. As a proximate result of Defendants' breach of contract, plaintiff and class members paid excessive fees for RALs.

WHEREFORE, plaintiff requests the Court to enter judgment in her favor and in favor of the class for the following relief:

- (a) actual damages;
- (b) punitive damages
- (c) statutory damages and penalties;
- (d) prejudgment interest;
- (e) an injunction halting the practices complained of;
- (f) attorneys fees, litigation expenses and costs;

- (g) that this proceeding be maintained as a class action; and
- (h) for such further and other relief as this Court deems appropriate.

COUNT IV

Breach of fiduciary duty

80. Plaintiff re-alleges the allegations set forth in the preceding paragraphs as if fully set forth herein.

81. By reason of the foregoing, Block owed contractual, fiduciary and other duties to the plaintiff Reynolds and all other members of the class with whom it dealt and contracted.

82. Block breached its fiduciary duty to plaintiff and other class members by failing to disclose the true cost of a RAL until such time as plaintiffs' RAL was irrevocable and plaintiff had her RAL check in hand, less the actual, higher amount of fees charged by defendants.

WHEREFORE, plaintiff requests the Court to enter judgment in her favor and in favor of the class for the following relief:

- (a) actual damages;
- (b) punitive damages
- (c) statutory damages and penalties;
- (d) prejudgment interest;
- (e) an injunction halting the practices complained of;
- (f) attorneys fees, litigation expenses and costs;
- (g) that this proceeding be maintained as a class action; and
- (h) for such further and other relief as this Court deems appropriate.

COUNT V

Unjust Enrichment

83. Plaintiff re-alleges the allegations set forth in the preceding paragraphs as if fully set forth herein.

84. By virtue of the foregoing conduct, defendants have been unjustly enriched. Household received undisclosed Finance Charges, including surcharges and administrative fees. Block received unauthorized kick backs, loan document preparation fees, electronic filing fees, and tax preparation fees. Both defendants received interest income by virtue of the RALs as well as fee income.

WHEREFORE, plaintiff requests this Court to enter an order directing the defendants to return to plaintiff and the class members:

(a) the unlawful payments made by plaintiffs and the class members (i.e. the Finance Charges, surcharges, administrative fees and electronic filing fees; and/or (b) the related revenue which defendants have derived by virtue of the RALs (i.e. tax preparation fees, electronic filing fees and loan document preparation fees) and interest thereon.

Jury Demand

Plaintiff demands a trial by jury on all issues so triable

Dated: September 13, 2006

Respectfully submitted,

Cheryl Reynolds

By: 

Francine Schwartz
One of her Attorneys

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