

ALDEN F. ABBOT
General Counsel

GREGORY J. MADDEN
DANIEL O. HANKS
Federal Trade Commission
600 Pennsylvania Ave NW, CC-10232
Washington, DC 20580
(202) 326-2426 / gmadden@ftc.gov
(202) 326-2472 / dhanks@ftc.gov
(202) 326-3768 (fax)

Attorneys for Plaintiff
FEDERAL TRADE COMMISSION

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

BEAM FINANCIAL INC., a
corporation, and

YINAN DU, individually and as an
officer of BEAM FINANCIAL INC.,

Defendants.

Case Number:

**COMPLAINT FOR PERMANENT
INJUNCTION AND OTHER
EQUITABLE RELIEF**

Plaintiff, the Federal Trade Commission (“FTC”), for its Complaint alleges:

1. The FTC brings this action under Section 13(b) of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. § 53(b) to obtain temporary, preliminary, and permanent injunctive relief, rescission or reformation of contracts, restitution, the refund of monies paid, disgorgement of ill-gotten monies, and other equitable

1 relief for Defendants' acts or practices in violation of Section 5(a) of the FTC Act,
2 15 U.S.C. § 45(a), in connection with its mobile banking application.

3 **JURISDICTION AND VENUE**

4 2. This Court has subject matter jurisdiction pursuant to 28 U.S.C.
5 §§ 1331, 1337(a), and 1345.

6 3. Venue is proper in this District under 28 U.S.C. § 1391(b)(1), (b)(2),
7 (c)(1), (c)(2), and (d), and 15 U.S.C. § 53(b).

8 **INTRADISTRICT ASSIGNMENT**

9 4. The conduct at issue in this action took place in substantial part in San
10 Francisco County.

11 **PLAINTIFF**

12 5. The FTC is an independent agency of the United States Government
13 created by statute. 15 U.S.C. §§ 41–58. The FTC enforces Section 5(a) of the
14 FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in
15 or affecting commerce.

16 6. The FTC is authorized to initiate federal district court proceedings, by
17 its own attorneys, to enjoin violations of the FTC Act and to secure such equitable
18 relief as may be appropriate in each case, including rescission or reformation of
19 contracts, restitution, the refund of monies paid, and the disgorgement of ill-gotten
20 monies. 15 U.S.C. § 53(b).

21 **DEFENDANTS**

22 7. Defendant Beam Financial Inc. ("Beam Financial") is a Delaware
23 corporation with its principal place of business at 1540 Market Street, Suite 100,
24 San Francisco, California. Beam Financial transacts or has transacted business in

1 this District and throughout the United States. At all times material to this
2 Complaint, acting alone or in concert with others, Beam Financial has advertised,
3 marketed, and distributed mobile applications to consumers throughout the United
4 States.

5 8. Defendant Yinan Du, also known as Aaron Du, (“Du”) is the founder
6 and sole officer of Beam Financial, holding the positions of chief executive officer,
7 secretary, and chief financial officer. Du is Beam Financial’s signatory on
8 contracts with financial entities used for transferring Beam Financial customers’
9 funds and is invoiced directly by at least one such entity. At all times material to
10 this Complaint, acting alone or in concert with others, he has formulated, directed,
11 controlled, had the authority to control, or participated in the acts and practices of
12 Beam Financial, including the acts and practices set forth in this Complaint.
13 Through his activities and positions as founder and sole officer of Beam Financial,
14 Du has actual knowledge of Beam Financial’s deceptive conduct, has been
15 recklessly indifferent to such conduct, or has intentionally avoided knowledge of
16 such conduct. Defendant Du resides in this District and, in connection with the
17 matters alleged herein, transacts or has transacted business in this District and
18 throughout the United States.

19 COMMERCE

20 9. At all times material to this Complaint, Defendants maintained a
21 substantial course of trade in or affecting commerce, as “commerce” is defined in
22 Section 4 of the FTC Act, 15 U.S.C. § 44.

DEFENDANTS' BUSINESS ACTIVITIES

10. Since March 2018, Defendants have distributed a mobile banking application (the “Beam app”) that they advertise as a high-interest bank account that operates by placing consumers’ funds at unspecified FDIC-insured banks. To induce consumers to deposit funds with the Beam app, Defendants represent that consumers will have “24/7” access to their money, will have access to their money with “NO LOCKUP,” and will have their withdrawn money returned to them in five or fewer business days. In numerous instances, however, consumers who have requested withdrawals from the Beam app have had their money returned to them only after weeks or months of repeated complaints. In numerous other instances, consumers who have requested withdrawals from the Beam app have not had their money returned to them weeks or months later.

11. In light of this, many consumers have complained that Defendants have simply stolen their deposits. Some consumers have highlighted that they have experienced particularly serious hardship because Defendants have not returned their money during an ongoing pandemic. In refusing to respond to a civil investigative demand issued by the FTC, Beam Financial offered no explanation for its failure to timely return consumers’ funds, did not identify the FDIC-insured financial institutions purportedly holding consumers’ funds, and provided no assurances that it is able to and will honor consumers’ withdrawal requests.

12. To induce consumers to deposit funds with the Beam app, Defendants also represent that consumers will receive substantial interest rates, including “minimum base” interest rates on their deposits of at least 0.2% or 1.0%. In truth, consumers who start Beam app accounts receive a base interest rate of 0.04%,

1 which is only a fraction of the represented rates. Moreover, in some
 2 circumstances, Defendants do not calculate or pay any interest at all to consumers.
 3 For example, when a consumer requests to withdraw their money, Defendants
 4 immediately stop calculating or paying interest on those funds, even if Defendants
 5 do not return the consumer's money until weeks or months later.

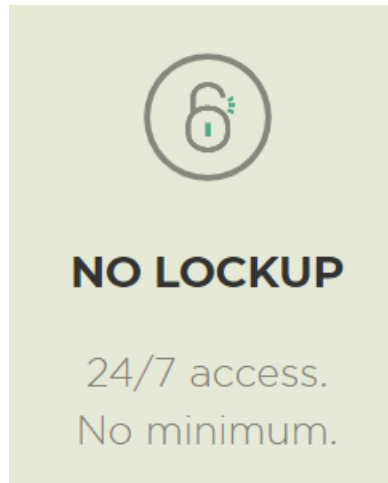
6 **Defendants Misrepresent That Consumers Will Have “24/7” Access**
 7 **to Their Funds and Can Withdraw Funds Any Time**

8 13. Defendants distribute the Beam app through the Apple App Store and
 9 Google Play Store, which are digital marketplaces offering mobile applications for
 10 download. At both, Defendants represent that consumers who deposit funds with
 11 the Beam app will have “24/7 access to [their] funds” with “NO LOCKUP.” At
 12 both, Defendants also represent that consumers who deposit their money with the
 13 Beam app will be able to “[e]asily and securely move funds into/out-of [their]
 14 Beam account[s].” For example, at the Apple App Store, Defendants state the
 15 following about the Beam app:

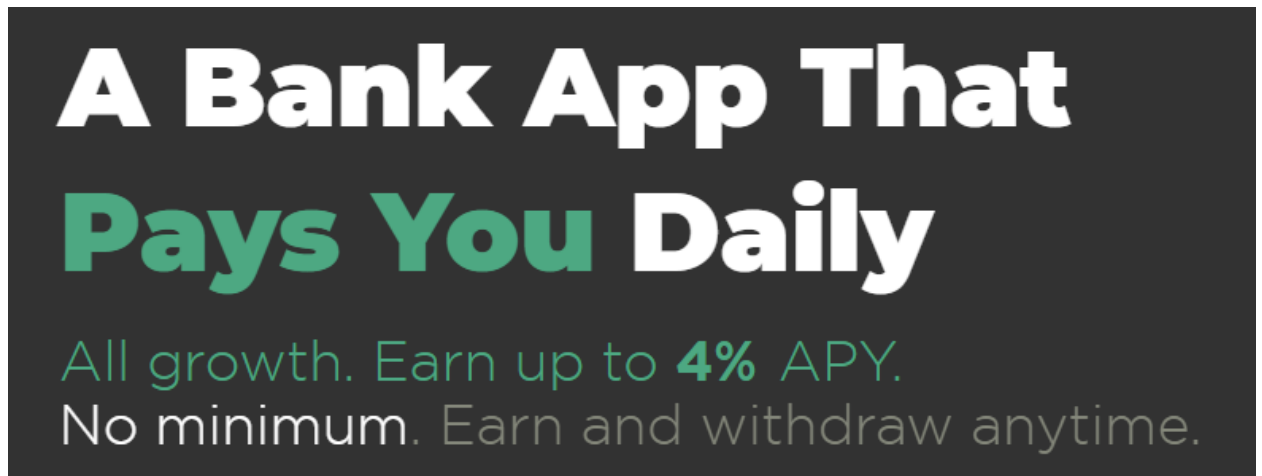
16 **NO LOCKUP**

17 Get 24/7 access to your funds. Easily and securely move
 18 funds into/out-of your Beam account. No minimum
 19 balance.

20 14. Defendants' website, meetbeam.com, includes multiple additional
 21 claims about consumers' access to their money through their Beam app accounts.
 22 For example, the main page of meetbeam.com includes a graphic that represents
 23 that consumers who deposit funds with the Beam app will have “24/7 access” to
 24 their money and access with “NO LOCKUP”:



15. In addition, a prominently-displayed graphic at the top of the main page of meetbeam.com claims, in one of three messages cycling on a loop, that consumers depositing their money with the Beam app can “[e]arn and withdraw anytime”:



16. The main page of the meetbeam.com website includes a section titled “Questions? Answered” that poses the question “How easy is it to withdraw?” Defendants’ website answers that “you can easily make an unlimited number of free transfers into and out of your Beam account at anytime” [sic] and that “[f]unds will arrive in 3–5 business days observing normal bank processing time”:

How easy is it to withdraw? Any balance requirements? —

While Beam does not offer ATM access, you can easily make an unlimited number of free transfers into and out of your Beam account at anytime. Funds will arrive in 3–5 business days observing normal bank processing time.

There is absolutely no minimum balance for using Beam. You can deposit up to \$15,000 when you first onboard Beam. We expect this to be increased to \$50,000 per account as Beam's service matures over time. Beam also provides tailored rates for balances over \$100,000; [contact us](#) for more details.

17. Representations identical to or substantially similar to the representations set forth in Paragraphs 14–16 have appeared continuously on the meetbeam.com website since at least April 2018.

18. In numerous instances, consumers have not received withdrawn funds in a manner consistent with Beam's representations. In some instances, consumers requesting withdrawals have only had their money returned to them after weeks or months of repeated complaints. In other instances, consumers who requested withdrawals have not received their money from Defendants weeks or months later. Since January 1, 2020, more than two hundred reviews posted to the Apple App Store or Google Play Store—representing more than a third of all Beam app consumer reviews posted during this period—involve complaints that Defendants have not returned withdrawn funds to consumers.

19. Consumers who have not received their requested withdrawals complain to Defendants through a variety of methods, including e-mail, text message, and telephone call. Defendants do not answer their telephone line and consumers are limited to leaving a voicemail message. In numerous instances, Defendants do not respond at all to consumer complaints. On occasions when

1 Defendants do respond, the response is most often boilerplate that does not address
2 the particulars of the consumer's complaint.

3 20. When Defendants provide a more specific response, in numerous
4 instances the response states or suggests that the consumer will receive their
5 money by "next week" and may also state or suggest that Defendants will follow
6 up if the consumer's money is not returned on that timeline. In numerous
7 instances, however, consumers who are sent such responses neither receive their
8 money by the next week, nor are contacted by Defendants, leaving the onus on the
9 consumer to again complain to Defendants.

10 21. To the extent Defendants provide a purported reason for their failure
11 to honor consumers' withdrawal requests, Defendants commonly attribute this
12 failure to unspecified issues with unspecified "banking partners" or "technology
13 partners," with the issues described as temporary and/or already resolved. For
14 example, in April 2020, Defendants sent an e-mail to some consumers stating that
15 "[t]here have been significant ACH transaction processing delays, beyond the
16 normal 3 to 5 business days that we expect" as a result of "a temporary issue that
17 was created by the recent COVID-19 situation," but that "we've resolved this
18 issue"

19 22. In numerous instances, consumers have received their money only
20 after telling Defendants that they are reporting the problem to government
21 regulatory or law enforcement officials or, alternatively, suggesting they intend to
22 begin legal action.

23 23. Numerous consumers express concern that Defendants have simply
24 stolen their deposits. For example, the following statements appear in reviews

1 posted at the Apple App Store or the Google Play Store:

2 a. "Don't put your money into beam because you won't get it back.

3 They will hold it to collect as much interest for themselves until

4 I'm assuming someone shuts this company down for fraud."

5 b. "THIS APP IS A SCAM. it seems fine until you try to withdraw

6 your money and it disappears."

7 c. "I am still without my \$2900 and Beam doesn't answer the phone

8 or email. They've stolen my money during a pandemic."

9 d. "This is not a legitimate company. Absolute fraud in the worst

10 sense. . . . I hope the people running this 'bank' rot in jail."

11 e. "Guys WARNING SCAM SCAM. . . . My money is gone."

12 f. "Total scam! They have stolen \$12,200+ of my money."

13 g. "Scammed for 4.5k\$. No answer from support."

14 h. "I will never trust them again. I just want my money back at this

15 point."

16 i. "This organization is running a scam. Any attempt to withdraw

17 your own money is met with delays, no answers, and no

18 interest. . . . This is theft, plain and simple."

19 j. "This is a scam. . . . Anyone who works here needs to be jailed."

20 k. "This is a scam your money is not protected they STEAL it!!!

21 Beware and don't download this app! Thieves!!!"

22 l. "STAY CLEAR OF THIS RIDICULOUS SCAM BUSINESS"

23 m. "Do not put your money in this scam."

1 n. “Beware!!! Huge scam Took my money and would not deposit it
2 back.”

3 o. “This is fraudulent. DO NOT SIGN UP!!”

4 p. “This is a total scam. Don’t be the next victims!!!!”

5 24. Consumers who have not had their money returned to them by
6 Defendants, or have had their money returned only after substantial delay, have
7 experienced inconvenience, hardship, and financial loss as a consequence. For
8 example, the following statements appear in reviews posted at the Apple App Store
9 or the Google Play Store:

10 a. “It’s been almost a month and we still don’t have our money.

11 We’re broke and putting groceries on credit cards”

12 b. “We have a sick child at home and can[’]t afford his medication
13 since we are both out of work because of corona virus.”

14 c. “I’m out of work and need money to pay bills.”

15 d. “I have been laid off, please return my money.”

16 25. Beginning in at least April 2020, Defendants began, in certain
17 contexts, telling consumers requesting withdrawals that some or all consumers are
18 unlikely to receive their money within the time periods advertised by Defendants.
19 For example, Defendants told one consumer that some consumers’ withdrawal
20 transactions “take significantly longer than” the advertised time periods. By at
21 least August 2020, Defendants had revised the text of an automated e-mail to
22 consumers requesting withdrawals to include the following statement:
23 “Transactions are currently taking longer than the typical 3 to 5 business days to
24 process As a result, please allow up to 10 business days for processing.”

1 Contrary to this representation, in numerous instances, consumers requesting
2 withdrawals from the Beam app have not had their money returned to them within
3 ten business days.

4 26. Despite Defendants' statements described in Paragraph 25,
5 Defendants continue to induce consumers to deposit funds with the Beam app by
6 representing that consumers will have "24/7" access to their money, will have
7 access to their money with "NO LOCKUP," and will have their withdrawn money
8 returned to them in five or fewer business days.

9 27. In May 2020, the FTC issued a civil investigative demand ("CID") to
10 Beam Financial seeking information about its business practices, including its
11 practices for returning funds that consumers have requested to withdraw and the
12 interest rates it has paid to consumers. Beam Financial has not provided any
13 formal or informal written answers or documentary materials in response to the
14 CID. Significantly, Beam Financial has provided no information in response to the
15 FTC's inquiries related to its failure to promptly return their money to consumers
16 that request withdrawals, and the location and status of consumers' funds.

17 **Defendants Misrepresent Interest Rates**

18 28. Defendants make representations about the interest rates that
19 consumers who deposit funds with the Beam app will receive. Through various
20 representations, Defendants portray these interest rates as substantial.

21 29. Defendants repeatedly represent that the interest rates paid through the
22 Beam app compare favorably with interest rates otherwise available to consumers.
23 These representations include statements at both the Apple App Store and the
24 Google Play Store that the Beam app provides "the industry's best possible rate,"

represents the “best paying high interest bank account” or “best paying bank account,” and pays “more than 200x” the interest that consumers’ deposits would earn elsewhere. For example, the following images appear on the Beam app page at the Apple App Store:



30. In addition, Defendants represent that consumers who deposit funds with the Beam app will begin earning specified “minimum base rates,” which represent a floor for the overall interest rate that consumers will receive through the Beam app. At the Google Play Store, Defendants state that “you begin earning a minimum 0.20% Base Rate interest.” At the Apple App Store, Defendants state that “you begin earning a minimum 1% Base Rate interest.” Images of the current representations made at the Google Play Store and Apple App Store, respectively,

1 appear below:

2 With cash deposited into Beam, you begin earning a minimum 0.20% Base Rate interest and can
3 boost the interest to as high as 7% each day by collecting and using interest boosts (called a "Billie").

4 With cash deposited into Beam, you
5 begin earning a minimum 1% Base Rate
6 interest and can boost the interest to as
high as 7.0% each day by collecting and
using interest boosts (called a "Billie").

7 31. In both the Apple App Store and the Google Play Store, Defendants
8 also prominently display "high interest" claims such as the following:

9 **Beam - High Interest Banking** 
10 Earn up to 4%, FDIC-Insured
11 Beam Financial

12 32. Defendants' representations that consumers will receive substantial
13 interest rates, including minimum base rates of 0.2% or 1%, are false, misleading,
14 or unsubstantiated. For example, consumers who currently start Beam app
15 accounts receive a base interest rate of 0.04%, which is only a fraction of the rates
16 that Defendants represent at the Apple App Store and Google Play Store.

17 33. Moreover, in some circumstances, Defendants do not calculate or pay
18 any interest at all to consumers. For example, when a consumer requests to
19 withdraw their money, Defendants immediately stop calculating or paying interest
20 on those funds, even if Defendants do not return for consumer's money until weeks
21 or months later.

22 34. Further, in response to an FTC civil investigative demand, Beam
23 Financial refused to provide substantiation for its interest rate claims.

24 * * * * *

1 35. Based on the facts and violations of law alleged in this Complaint, the
2 FTC has reason to believe that Defendants are violating or are about to violate laws
3 enforced by the Commission.

4 **VIOLATIONS OF THE FTC ACT**

5 36. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits “unfair or
6 deceptive acts or practices in or affecting commerce.”

7 37. Misrepresentations or deceptive omissions of material fact are
8 deceptive acts or practices prohibited by Section 5(a) of the FTC Act.

9 **Count I**

10 38. In numerous instances in connection with the advertising, marketing,
11 promotion, or offering of the Beam app, including through the means described in
12 Paragraphs 13–17, Defendants represent directly or indirectly, expressly or by
13 implication, that consumers who deposit funds with the Beam app will have “24/7”
14 access to their funds, will have access to their money with “no lockup,” and will
15 have their withdrawn money returned to them in five or fewer business days.

16 39. In truth and in fact, in numerous instances in which Defendants have
17 made the representations set forth in Paragraph 38, consumers who deposit funds
18 with the Beam app do not receive “24/7” access to their money, do not receive
19 access to their money with “no lockup,” and do not have their withdrawn money
20 returned to them in five or fewer business days.

21 40. Therefore, the making of the representation as set forth in
22 Paragraph 38 constitutes a deceptive act or practice in violation of Section 5(a) of
23 the FTC Act, 15 U.S.C. § 45(a).

Count II

41. In numerous instances in connection with the advertising, marketing, promotion, or offering of the Beam app, including through the means described in Paragraphs 28–31, Defendants represent, directly or indirectly, expressly or by implication, that consumers who deposit funds with the Beam app will receive substantial interest rates, including base interest rates on their deposits of at least 0.2% or 1.0%.

42. The representations set forth in Paragraph 41 are false or misleading or were not substantiated at the time the representations were made.

43. Therefore, the making of the representations as set forth in Paragraph 41 constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

CONSUMER INJURY

44. Consumers are suffering, have suffered, and will continue to suffer substantial injury as a result of Defendants' violations of the FTC Act. In addition, Defendants have been unjustly enriched as a result of their unlawful acts or practices. Absent injunctive relief by this Court, Defendants are likely to continue to injure consumers, reap unjust enrichment, and harm the public interest.

THIS COURT'S POWER TO GRANT RELIEF

45. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court to grant injunctive and such other relief as the Court may deem appropriate to halt and redress violations of any provision of law enforced by the FTC. The Court, in the exercise of its equitable jurisdiction, may award ancillary relief, including rescission or reformation of contracts, restitution, the refund of monies paid, and

1 the disgorgement of ill-gotten monies, to prevent and remedy any violation of any
2 provision of law enforced by the FTC.

3 **PRAYER FOR RELIEF**

4 Wherefore, Plaintiff FTC, pursuant to Section 13(b) of the FTC Act,
5 15 U.S.C. § 53(b), and the Court's own equitable powers, requests that the Court:

6 A. Award Plaintiff such preliminary injunctive and ancillary relief as
7 may be necessary to avert the likelihood of consumer injury during the pendency
8 of this action and to preserve the possibility of effective final relief, including
9 temporary and preliminary injunctions;

10 B. Enter a permanent injunction to prevent future violations of the FTC
11 Act by Defendants;

12 C. Award such relief as the Court finds necessary to redress injury to
13 consumers resulting from Defendants' violations of the FTC Act, rescission or
14 reformation of contracts, restitution, the refund of monies paid, and the
15 disgorgement of ill-gotten monies;

16 D. Award Plaintiff the costs of bringing this action, as well as such other
17 and additional relief as the Court may determine to be just and proper.

18
19 Respectfully submitted,

20 ALDEN F. ABBOTT
General Counsel

21 Dated: November 18, 2020

22 /s/ Gregory J. Madden

23 Gregory J. Madden
Daniel O. Hanks

1 Federal Trade Commission
2 600 Pennsylvania Avenue NW, CC-10232
3 Washington, DC 20580
4 Telephone: 202-326-2426 (Madden); 202-
5 326-2472 (Hanks)
6 Facsimile: 202-326-3768

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Attorneys for Plaintiff
FEDERAL TRADE COMMISSION