



Better Business Bureau Shuts Down Southern California Chapter

The Better Business Bureau has announced that it has expelled its Southern California chapter following years of allegations that the local unit fostered a "pay for play" environment, requiring businesses to pay membership fees in order to obtain the highest ratings under the organization's "A to F" rating system.

The local chapter has caused significant frustration for numerous Southern California businesses and industries as a result of questionable practices that have come to light over the years.

Allegations that the Southern California BBB used misleading methods to solicit memberships and promised that consumer complaints could be "erased" if merchants purchased BBB memberships date as far back as May 2002, when the Orange County Register ran a series of reports on the chapter. The Orange County District Attorney and California's Attorney General reportedly investigated the complaints.

In November 2010, an ABC News report on the television show "20/20" brought national attention to the alleged pay-for-play scandal, which was reportedly designed by the Southern California chapter. The show reported that businesses could obtain A-plus ratings only if they agreed to pay an accreditation fee; companies that refused to become BBB members reportedly often received grades of F. According to the news report, a group of Southern California business owners, determined to demonstrate that the rating system was bogus, created fictitious businesses that applied for and obtained BBB accreditation. These included a nonexistent sushi restaurant and a business called Hamas, both of which received grades of A minus. The show also depicted other Los Angeles business owners being told by BBB marketers that their C ratings could be raised to A pluses if they would agree to become BBB members.

Following the "20/20" report, the national Council of Better Business Bureaus announced an investigation of the Southern California chapter, the largest in the BBB system. In December 2010, during the national organization's audit of the chapter, William Mitchell, president of the Southern California chapter, announced his resignation. Within three months, however, Mitchell reportedly rescinded the resignation, announcing in February 2011 that he would continue to lead the local chapter, at the behest of its board of directors, to "defend ourselves against [the national] Council's unlawful overtures."

In announcing the decision to expel the chapter, a national BBB spokesperson told ABC News: "They did not meet our standards. It resulted in expulsion."

The BBB's spokesperson said that it is looking to partner with a new organization to serve the Southern California area in the future but will continue to provide support to consumers through its national website.

For more information about the content of this alert, please contact [Michael Mallow](#) or [Michael Thurman](#).

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