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RCI Hit With Class Action Suits

Complaints filed same day allege improper rentals, fraud

Two separate class action Complaints, co-incidentally both filed on March 14, 2006 in New Jersey, charge RCI with fraudulently marketing its exchange programs because weeks that are spacebanked or converted to points by its members are rented to the general public instead of remaining available for exchange by Weeks and Points members. The suits allege that RCI makes more money from renting the weeks than it makes from the exchange fees, and that rentals of prime weeks are made to non-members through a variety of websites having secret agreements with RCI.

One Complaint, *Murillo v. Resort Condominiums International*, filed in the United States District Court for New Jersey, includes an introduction summarizing the allegations as follows:

“As RCI tells it, each member can deposit his or her timeshare with RCI - thereby making it available for other members of the program - and can then withdraw a timeshare [that] another member has deposited. A key selling point is that only members of the program can access the deposited timeshares. This concept of a one-for-one exchange exclusively among RCI members is RCI’s bedrock marketing principle. Unfortunately, RCI creates this image of its program through a uniform fraudulent, deceptive and unconscionable marketing scheme.

“In practice, the RCI members are not the only persons with access to the timeshares. While RCI members deposit their timeshares into the system, RCI does not make all these timeshare available for exchange. Instead, RCI skims a large percentage of the timeshares from the system, including many prime timeshares, and rents these out to the general public for profit. RCI also uses these timeshares for promotional purposes and as fringe benefits for its employees, further depleting the number of timeshare available for member exchanges.

“Through these and other business practices, RCI converts many of the prime timeshare deposits into cash, leaving much less desirable timeshares in the system for member exchanges. As a result of these fraudulent practices, the actual experiences of many RCI members is that no matter how meticulously they follow RCI’s rules and procedures, no matter how far in advance they begin looking for an exchange, they simply cannot find any comparable exchanges. RCI profits by these practices at the expense of its members, whose timeshares and RCI “benefits” are rendered virtually worthless.”



A portion of RCI booth at recent ARDA show

The *Murillo* Complaint further alleges that, despite RCI’s claims that the timeshares rented to the general public are weeks that RCI members historically do not want or use, many prime vacation weeks are being rented.

RCI attempts to explain these rentals of prime weeks, according to the Complaint, with a “cover story” that the prime weeks were deposited in exchange for a cruise or plane ticket and thus did not come from the timeshare exchange inventory. However, according to the Complaint, the vast majority of these prime weeks “was deposited by RCI members in good faith to support the concept of one-for-one exchange.”

The allegations of the *Murillo* Complaint include claims that

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RCI Class Action Suits

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RCI secretly enters into agreements with third-party vendors who purchase high-demand timeshare weeks which had been deposited by members and resell them to the general public through various Websites, while concealing any relationship with RCI. The prime weeks available for exchange are further diminished, according to the Complaint, by RCI's practice of giving its employees free use of these weeks, and using such prime weeks for the promotion of other products sold by RCI affiliates.



The class action filed in New Jersey Superior Court, Chace v. Resort Condominiums International, makes the same basic allegations: RCI, despite its public pronouncements to the contrary, uses weeks deposited by members to provide inventory for its various affiliated rental programs.

Both the Murillo and Chace Complaints include a count that RCI's misrepresentations about its rental programs constitute a violation of New Jersey's Consumer Fraud Act, entitling the Plaintiffs to triple damages. The relief sought by the Plaintiffs is a refund of all moneys received by RCI and "other appropriate legal and equitable relief," which would presumably include an order barring RCI from continuing to rent prime weeks out of the exchange inventory if Plaintiffs are able to prove their allegations.

RCI's attorneys, Pitney Hardin, have filed a motion to remove the New Jersey case from the state to the Federal Court. Both suits have been assigned to the same Judge and it is likely that they will be consolidated into one case, since they involve similar allegations.

When contacted for comment about these lawsuits, RCI's Ray Shepherd stated: "RCI's policy is to not comment on matters in litigation."

The Plaintiff's attorney in Chace v. RCI is David C. Berman of Morristown, NJ. In Murillo v. RCI, Plaintiff's local counsel is Christopher M. Placitella of Red Bank, NJ, backed by law firms in New York, Washington, DC and Illinois. For further information, send an email to information@ghrdc.com.

Owners comment on lawsuits against RCI

It is welcome news that RCI's practices are being challenged. As a member since 1978 with resort weeks located in Hawaii with excellent trading power, I found it harder and harder to exchange once the weeks were deposited. In fact, last year I had been searching for two weeks in Myrtle Beach for almost a year until at the end, I had to forego the search and rented the weeks from RCI instead. It seems there are so many weeks available on their rental program and very little when it comes to exchanging weeks. It's amazing to see the deals sometimes on extra vacations and all the availability and no match when it comes to exchanging.

Antonia Del Gaudio

I definitely agree that RCI weeks members should join together to sue RCI. I have had requests in for two years for a dozen different resorts in Florida in the winter and never got them. That is after depositing my resort two years in advance. I also am a member of Interval International and they have found me great resorts also. For two years, I wondered why there was such a difference.

Annette Thompson

We've been timeshare owners and members of RCI since 1996. We have made five or six weeks exchanges and have never felt we received equal value for what we traded. Our most recent experience is typical. So, we ended up trading a Gold Crown Hawaii two-bedroom week for a Silver Crown Arizona one-bedroom week - not an equal trade.

Marion E. Haynes, Kerrville, Texas

I'm brand new to RCI; I deposited a week and when I looked for an exchange, I was very limited. But if I searched for an extra week during the same time period, there was a lot more choice. So I agree with the lawsuit that exchanges get pushed to the bottom of the barrel.

Alan Householder

I have suspected precisely what is being alleged against RCI. I hope someone nails them good.

R Bartruff

While on a traded week at the EL Nakuti resort in Costa Rica, I talked with a retired federal employee. I did not get any personal information from him, so can not validate the following:

However, he stated that he would never buy a timeshare. He does ALL his travel using the Federal Travel Agency. They always have plenty of timeshare weeks available for his use at around \$248 a week. Therefore, he sees no reason to spend the amount of money necessary for purchase and maintenance of a timeshare.

May I be included in the complaint, residing in Maryland?

Robert Stern

I am very pleased to see a lawsuit filed against RCI on behalf of the Weeks Owners. It is pretty obvious that RCI has been pulling out good weeks for their own selfish financial gain. All you have to do is go to their website and compare the few measly weeks on their "Last Call" option to the preponderance of many good weeks on their "Extra Vacation" option.

Three cheers for the lawsuit.

John C. Paisley

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