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## Lawsuits Charge Fraud in Cleaning Business

By [STEVEN GREENHOUSE](#)

João Padilha had been saving money from his work as a restaurant deliveryman outside Boston when he heard a tantalizing offer to buy a cleaning franchise.

Marcos Martins, a Brazilian immigrant like Mr. Padilha, was looking to go into business.

Tri Duc Nguyen, a Vietnamese immigrant in Portland, Ore., needed a way to make money after Fujitsu closed the factory where he worked.

All three men put thousands of dollars into cleaning franchises and say they were shortchanged.

As Mr. Padilha retells it, the top Boston representative of Coverall Cleaning Concepts said he could make \$3,000 a month cleaning buildings if he paid \$12,880 for a franchise. What is more, Mr. Padilha says he was told he could easily parlay his investment into a large cleaning business.

So Mr. Padilha paid the money and was assigned two women's health clinics, in Haverhill and Newburyport, Mass.

He was told it would take two and a half hours a day to clean the clinics, but it took six hours, he said. Coverall also gave him two dialysis clinics, and soon he was cleaning and shuttling among clinics from 5:30 p.m. to 7 a.m. on weekdays, with six more hours on weekends.

He estimated that he worked 65 hours a week and 280 hours a month. But his receipts show that Coverall, which handled payments, paid him \$1,262 a month, less than half what he says he had been promised.

"I was doing all this work, but the check was for very little money," Mr. Padilha said.

So he went to the director of Coverall's Boston office to complain.

"When I came in, they said I had no more work," Mr. Padilha said. "He said the supervisor of one clinic no longer wanted me. They took all my work away in one fell swoop. I asked for my franchise money back, but they said no."

"It's sad for a man to cry, but I left that room crying," he added.

Mr. Padilha said he recouped none of his investment and soon learned that Mr. Martins had obtained the franchise to clean the dialysis clinics.

Mr. Martins said: "I asked why the person who was doing it before had discontinued the work. The field consultant told me the person had gone back to Brazil."

Mr. Martins put \$5,000 down and promised to pay \$306 a month for two years to obtain a franchise that he was told would generate \$2,000 a month for him. He said he cleaned clinics 72 hours a week, about 300 hours a month, but received just \$1,366.

He, too, was, abruptly terminated at the clinics for reasons he says he never understood.

A dozen franchisees, including Mr. Padilha and Mr. Martins, are suing Coverall, charging it with fraud, breach of contract and failing to pay the minimum wage. They assert that the company took out improperly large commissions and did not have enough customers to supply franchisees.

Jacqueline Vlaming, Coverall's general counsel, said that her company had done nothing wrong and that the service employees union had stirred up janitors against it.

In January, Coverall settled a lawsuit in Los Angeles, for an undisclosed amount, brought by 10 janitors charging it with fraud in franchising.

Ms. Vlaming said there were no minimum wage violations, asserting that franchisees were not employees.

"We procure commercial cleaning contracts," she said, "and we provide them to our franchised owners, who we teach to be in business for themselves."

Coverall was founded in Boca Raton, Fla., in 1983 and says it has 7,500 franchisees and 37,000 accounts. Denying Mr. Padilha's assertion, Ms. Vlaming said Coverall did not fire franchisees to obtain fees from new ones.

"We don't churn," she said. "We don't have to terminate people to sell franchises. It doesn't work that way."

Mr. Nguyen paid \$5,000 to National Maintenance Contractors, which assigned him a law firm to clean in downtown Portland.

The work took four hours a day, about 90 hours a month. Having bought a franchise that was supposed to generate \$1,800 a month, Mr. Nguyen was upset that he received \$932 a month for that work, and when the law firm reduced its floor space, his earnings fell to \$755.

He said that he asked for more buildings to clean but that National Maintenance ignored his calls.

"They won't talk to me," he said. "They don't keep me informed. I feel they're cheating me."

Mr. Nguyen and several other janitors complained to the Oregon attorney general. Daniel H. Rosenhouse, a lawyer with that office, said National Maintenance was under investigation for possible minimum wage and overtime violations involving franchises.

Lyle Graddon, chairman of National Maintenance, which is based in Bellevue, Wash., said his company had many happy franchisees.

"The wage standards office in Washington went through to see if anybody in our company was paid less than the minimum wage," Mr. Graddon said. "They were all paid considerably more than the minimum wage."

In 2003, National Maintenance paid \$300,000 to settle a lawsuit brought by 12 Vietnamese and Cambodian janitors who accused it of deceptive practices and of not returning their franchising fees after their accounts were canceled.

As part of the settlement, the company agreed to repay 75 percent of franchising fees if a janitor's account was canceled for reasons other than customer complaints.