

CPM Achieves \$11 Million Settlement in Whistleblower Lawsuit Against Beauty School Chain

08.15.2016

Cotchett, Pitre & McCarthy, LLP and Skapik Law Group today announced the \$11 million settlement of a case against Marinello Schools of Beauty. The case is a “false claims” action filed in 2013 on behalf of the United States by six whistleblowers, former employees of Marinello. Based on overlapping allegations, on February 1st of this year, the United States Department of Education denied Marinello’s application to requalify its campuses to receive federal student loan funds, forcing Marinello to close its doors. Prior to its closure, Marinello was one of the largest chains of for-profit beauty schools in the United States.

The lawsuit alleged that Marinello and four of its executives engaged in six broad schemes, including: fabrication of high school diplomas through an organization called “Parkridge Private School” with a scheme labeled “Project Diploma;” manipulation of student attendance records to make ineligible students eligible to receive financial aid; and the manipulation and misrepresentation of graduation, licensing and job placement statistics. The case settled three months before the start of trial in the United States District Court for the Central District of California.

Under the False Claims Act, a majority of the \$11 million settlement will be returned to the United States government. The whistleblowers and their attorneys will receive a share of the settlement proceeds as a reward for prosecuting the case. One of the whistleblowers' attorneys, Justin T. Berger of Cotchett, Pitre & McCarthy, LLP, stated, “This is a tremendous victory for taxpayers. Not only are Defendants paying millions of dollars through this settlement, but with the school now closed, taxpayers will save hundreds of millions of dollars over the coming decade.”

Attorneys

Justin T. Berger

Practice Areas

False Claims / Whistleblower Law

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Geralyn Skapik, of Skapik Law Group, stated: "Student loan fraud has increased dramatically, largely due to the misappropriation of taxpayers' money by 'for-profit' schools like Marinello School of Beauty. This is also a victory for all students who truly wish to receive an education but cannot because of lack of funding due to student loan fraud. Our courageous clients put their livelihoods and reputations on the line to stop this corruption and misuse of taxpayers' money and their actions should be applauded. Hopefully, this lawsuit will encourage others to come forward to report taxpayer fraud and abuse. Attorneys Eric Morris and John Graham were also instrumental in this complex litigation, assisting in dissecting Marinello's intricate financial and regulatory schemes."