

FTC Settles Advertising Cases With Nine Dealerships Action Pending Against a Tenth Dealership

The Federal Trade Commission (FTC) announced January 9, 2014, that nine auto dealers in six states agreed to settle deceptive advertising charges, and the agency is taking action against a tenth dealer, in a nationwide sweep focusing on the sale, financing, and leasing of motor vehicles.

According to the complaints, the dealers made a variety of misrepresentations in print, Internet, and video advertisements that violated the FTC Act, falsely leading consumers to believe they could purchase vehicles for low prices, finance vehicles with low monthly payments, and/or make no up-front payment to lease vehicles. One dealer even misrepresented that consumers had won prizes they could collect at the dealership. In addition, the complaints indicated the dealers violated the Truth-in-Lending Act and/or the Consumer Leasing Act by failing to disclose certain lending or lease related terms.

“Operation Steer Clear” is the latest effort from the FTC to monitor auto dealer advertising practices. In September 2013, the FTC settled similar cases against two other dealerships. The dealerships that settled are charged as follows:

Casino Auto Sales of La Puente, California, and Rainbow Auto Sales, of South Gate, California, allegedly violated the FTC Act by deceptively advertising that consumers could purchase vehicles at specific low prices when, in fact, the price was \$5,000 higher. Both dealers’ ads involved a mix of English and Spanish. Honda of Hollywood, Los Angeles, and Norm Reeves Honda of Cerritos, California, violated the FTC Act by deceptively advertising that consumers could pay \$0 up-front to lease a vehicle when, in fact, the advertised amounts excluded substantial fees and other amounts. The ads also allegedly violated the Consumer Leasing Act (CLA) and Regulation M, by failing to disclose certain lease related terms. Norm Reeves Honda’s ads also allegedly violated the Truth in Lending Act (TILA) and Regulation Z, by failing to disclose certain credit related terms.

Nissan of South Atlanta of Morrow, Georgia, allegedly violated the FTC Act by deceptively advertising that consumers could finance a vehicle purchase with low monthly payments when, in fact, the payments were temporary “teasers” after which consumers would owe a different amount. The ads also allegedly violated TILA and Regulation Z, by failing to disclose certain credit related terms.

Infiniti of Clarendon Hills of Clarendon Hills, Illinois, allegedly violated the FTC Act by deceptively advertising that consumers could pay \$0 up-front to lease a vehicle when, in fact, the advertised amounts excluded substantial fees and other amounts. The ads also allegedly violated the CLA and Regulation M, by failing to disclose certain lease related terms.

Paramount Kia of Hickory, North Carolina, allegedly violated the FTC Act by deceptively advertising that consumers could finance a purchase with low monthly payments when, in fact, the payments were temporary “teasers” after which the consumer would owe a much higher amount, by several hundred dollars. The ads also allegedly violated the TILA and Regulation Z, by failing to clearly and conspicuously disclose certain credit related terms.

Fowlerville Ford of Fowlerville, Michigan, allegedly violated the FTC Act by sending mailers that deceptively claimed consumers had won a sweepstakes prize, when, in fact, they had not. Some of their ads also allegedly violated TILA and Regulation Z, by failing to disclose certain credit related terms.

Southwest Kia companies, including New world Auto Imports, Dallas, Texas, New World Auto Imports of Rockwall, Rockwall, Texas, and Hampton Two Auto Corporations, Mesquite, Texas, allegedly violated the FTC Act by deceptively advertising that consumers could purchase a vehicle for specific low monthly payments when, in fact, consumers would owe a final balloon payment of over \$10,000. The companies also allegedly deceptively advertised that consumers could drive home a vehicle for specific low up front amounts and low monthly payments when, in fact, the deal was a lease and they would owe substantially more up-front. The ads also allegedly violated the CLA and Regulation M, by failing to disclose certain lease related terms, and the TILA and Regulation Z, by failing to disclose certain credit related terms.

The proposed consent orders settling the FTC's charges in the nine cases are designed to prevent the dealerships from engaging in similar deceptive advertising practices in the future. When relevant, the proposed consent orders also address the alleged TILA and CLA violations by requiring the dealership to clearly and conspicuously disclose terms required by these credit and lease laws. In the case where the dealerships misrepresented that consumers had won a prize, the proposed order also prohibits misrepresenting material terms of any prize, sweepstakes, giveaway, or other incentive.

Information regarding advertising guidelines is available on the "Compliance" page of the OIADA website at www.e-oiada.com.