

**UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION**

COMMISSIONERS: **Edith Ramirez, Chairwoman**
 Julie Brill
 Maureen K. Ohlhausen
 Joshua D. Wright
 Terrell McSweeney

In the Matter of

**NATIONAL PAYMENT NETWORK, INC.,
a corporation, also known as NPN, INC.**

DOCKET NO. C-4521

COMPLAINT

The Federal Trade Commission, having reason to believe that National Payment Network, Inc., a corporation, also known as NPN, Inc. (“Respondent”), has violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent National Payment Network, Inc. is a California corporation, with its principal place of business at 1875 S. Grant Street, Suite 250, San Mateo, CA 94402.
2. Respondent has advertised, marketed, distributed, offered for sale, or sold a “Biweekly Payment Program” (hereinafter, the “payment program”) to consumers financing the purchase of automobiles throughout the United States.
3. The acts and practices of the Respondent alleged in this complaint have been in or affecting commerce, as “commerce” is defined in Section 4 of the Federal Trade Commission Act.

Business Practices

4. Since at least 2004 and until at least December 31, 2013, Respondent advertised, marketed, and sold its payment program through a network of authorized auto dealers. Respondent also advertised its payment program on its website, www.nationalpayment.net. Under the payment program, consumers make biweekly payments on their auto financing contract to the Respondent rather than to their financing entity (e.g., a finance company or a bank), and the Respondent makes monthly payments to the financing entity on the consumers’ behalf. Respondent touts the savings the payment program will provide to consumers, but fails to disclose that the significant fees in connection with the program can offset any savings.

Respondent also fails to disclose the total amount of these fees, which add up to more than \$775 on a standard five-year auto financing contract.

Enrollment in Respondent's Program

5. Most consumers learned about Respondent's payment program at the automobile dealership, after they selected a vehicle to buy. When purchasing a vehicle, consumers sign the legal paperwork to close the transaction with the dealer's Financing and Insurance ("F&I") department. In many instances, an F&I employee offers other products and services that can be "added on" to the financing contract; these are commonly called "add-on products and services." Respondent's payment program was one such add-on service.

Respondent's Payment Structure and Fees

6. Under most auto financing contracts, consumers pay the financing entity a specific amount on a monthly basis. Under Respondent's payment program, Respondent debits money from a consumer's bank account on a biweekly basis. The first biweekly debit is in the amount of one full monthly payment. Subsequent biweekly debits consist of half of the consumer's monthly payment, plus a processing fee. Respondent pays the financing entity on the consumer's behalf on a monthly basis.

7. Under a traditional monthly payment plan, consumers make 12 monthly payments each year to their financing entity. Under Respondent's payment program, consumers make 26 biweekly payments each year to the Respondent, which then makes a total of 13 monthly payments to the consumer's financing entity. Thus, under the payment program, consumers make one additional payment a year as compared to a traditional monthly payment plan.

8. Respondent's promotional materials tout the biweekly payment program's ability to save consumers money through these additional payments, but do not disclose that fees it charges in connection with the biweekly payment program can offset any savings. Specifically, Respondent charges at least three fees:

- Respondent charges every consumer a "Deferred Enrollment Fee" of \$399. Respondent collects a portion of this fee from consumers during the first month of the contract. Respondent deducts the remainder of the enrollment fee from the extra payments made by consumers in the early years of the program by paying biweekly.
- In addition to the \$399 enrollment fee, in many instances, Respondent charges a \$25 "cancellation fee." Respondent has often charged consumers this fee even when they "cancelled" because they had completed Respondent's biweekly payment program or had finished paying off their financing contract.
- Respondent also adds a processing fee to every debit from consumers' banks accounts. The fee is currently \$2.99 per debit, but has ranged from \$1.95 up to \$2.99 per debit in prior years. Over the life of a standard five-year auto financing contract, a \$2.99 per-debit fee amounts to more than \$350.

9. These fees total an average of \$775 on a standard five-year auto financing contract. Nowhere does Respondent disclose this fact.

Respondent's Savings Claims

10. Respondent disseminated or caused to be disseminated brochures and videos promoting the payment program to consumers by providing such materials to the auto dealers that sell its payment program. Respondent also promoted its biweekly payment program on its website, www.nationalpayment.net.

11. Two of Respondent's brochures are attached as Exhibits A and B. The brochures both contain the following statements and depictions:

“Our biweekly payment options have helped thousands of customer [sic] save money on their car loan and achieve their long-term financial goals.”

....

“Bi-Weekly payments can help you:

- Save money on your loan
- Match payments to paychecks
- Simplify your budgeting
- Pay off your loan faster”

....

“PROGRAM BENEFITS

- Save money on your loan
- No up-front costs
- Pay off your loan faster
- No more writing or mailing checks
- Minimize the impact of vehicle depreciation
- Simplify your finances”

....

AUTOMOTIVE EXAMPLE		
\$30,000 loan – 8% APR – 6 Year		
Loan Terms	Bi-Weekly Payments	Monthly Payments
Payment amount:	\$ 263	\$ 527
Time to repay:	66 Months	72 Months
Interest reduction:	\$675	\$0
Increased equity in 4 years	\$2,259	\$0

Thus, Respondent’s advertising materials claimed that consumers who enrolled in the biweekly payment program would save money on their loans, and even demonstrated the specific amount of interest savings that a consumer could achieve under certain circumstances. Respondent failed to disclose, however, that in numerous instances, consumers would not achieve savings with Respondent’s program due to Respondent’s significant fees, amounting to more than \$775 on the average contract. On the contrary, depending on consumers’ principal amount, interest rate, and number of payments, in many instances consumers paid more money than they would have under a traditional monthly payment program.

12. In addition, Respondent provided auto dealers authorized to sell its biweekly payment program with marketing tools and other dealer training materials instructing dealers on how to market and sell Respondent’s payment program. One such document is a Dealer Reference Guide, attached as Exhibit C. Respondent’s Dealer Reference Guide repeatedly states that consumers will experience “reduced interest charges” by enrolling in the biweekly payment program without disclosing that numerous consumers do not experience savings overall and may even end up paying more than they would under a traditional monthly payment program. For example, Respondent represented the following:

SAVINGS EXAMPLES

The Biweekly Payment Plan allows consumers to customize the way they make their payments. The result is a loan with reduced interest charges, a lower effective interest rate, a shorter term, and increased equity.

13. Respondent’s reference guide also encouraged dealers to use Respondent’s online calculator to show consumers how much they can save by enrolling in the biweekly payment program. Dealers were instructed to enter the customer’s loan details into the calculator in order to “calculate savings” and generate a “customized savings report.” The online calculator appears as follows in the reference guide:

Input the loan terms. Enter the *days to first payment* here. We recommend you do loans at 45 days to allow time for consumer to receive your welcome materials in the mail.

First Lienholder Payment Due Date: 07/06/2006 Days to First Payment: 45

NPN, Inc © 2006

Biweekly Plan Advantages

Payoff your loan approximately 5 months faster!

	Monthly	Biweekly
Auto Loan Amount:	\$25,000	
Effective Rate:	8.000%	7.37%
Loan Payoff (months):	60	55
Payment:	\$508.47	\$256.19
Equity Acceleration:	\$0	\$2,108
Interest Savings:	\$0	\$425
Equity & Interest Benefit:	\$0	\$2,532
36 Months - Equity & Interest Benefit:	\$0	\$1,515

Buttons: calculate, view report, show dates, welcome letter

Build Equity Faster - Payoff Loan Faster

Calculator shows estimated figures; actual program benefits, interest savings, term reduction, and payments will vary. Depending on the loan terms, in some cases fees charged to borrower may exceed the "Interest Savings". The "Equity Acceleration" refers to the estimated increased equity (after program fees) at time of loan payoff when compared to standard monthly payments. The "Equity & Interest Benefit" is not a total savings figure; it equals the sum of "Equity Acceleration" and "Interest Savings". The "Effective Rate" does not reflect program fees and is not an interest rate or APR. "Effective Rate" is calculated by applying the percent decrease in interest charges to the actual interest rate.

Respondent’s online calculator calculated the specific interest savings each consumer could achieve, but failed to disclose that the specific savings amount would be reduced or even offset by Respondent’s significant fees. Only in the small print below the calculator did Respondent state, “Depending on the loan terms, in some cases fees charged to borrower may exceed the ‘Interest Savings’.”

14. Consumers enrolling in Respondent’s biweekly payment program were presented with NPN biweekly calculator-generated savings calculations by auto dealers. For example, one consumer received a document labeled “NPN Biweekly Calculator,” attached as Exhibit D. The document represents that the consumer will achieve an interest reduction of \$256. Only in the small print below the calculator does Respondent disclose: “Interest Reduction is not a total savings figure; in some cases the fees charged to borrower may exceed the Interest Reduction.”

Biweekly Plan Advantages		
Payoff your loan approximately 5 months faster!		
	Monthly	Biweekly
Loan Amount:	\$19,117.51	
Interest Rate:	6.25%	
Loan Payoff (months):	72	67
Payment Amount:	\$319.92	\$159.97
Interest Reduction:	\$0	\$256
Equity Acceleration (36 months):	\$0	\$610
Equity Acceleration (at payoff):	\$0	\$1,493

FEDERAL TRADE COMMISSION ACT VIOLATIONS

Count I

Failure To Disclose Material Information About Fees

15. Through the means described in Paragraphs 10-14, Respondent has represented, expressly or by implication, that consumers who enroll in the biweekly payment program will save money.

16. When making the representation described in Paragraph 15, Respondent has failed to disclose or failed to disclose adequately that in many instances, consumers do not save any money due to Respondent’s fees, which amount to hundreds of dollars.

17. These facts would be material to consumers in their decision to enroll in Respondent’s biweekly payment program offered for sale in the advertisements. In light of the representation made, the failure to disclose this fact, or to disclose this fact adequately, was, and is, a deceptive practice.

Count II

Failure To Disclose Program Effects

18. Through the means described in Paragraphs 10-14, Respondent has represented, expressly or by implication, that consumers who enroll in the biweekly payment program will save a specific amount in interest.

19. When making the representation described in Paragraph 18, Respondent has failed to disclose or failed to disclose adequately that numerous consumers do not achieve savings overall.

20. This fact would be material to consumers in their decision to enroll in Respondent's biweekly payment program offered for sale in the advertisements. In light of the representation made, the failure to disclose this fact, or to disclose this fact adequately, was, and is, a deceptive practice.

21. The acts and practices of Respondent as alleged in this complaint constitute unfair or deceptive acts or practices, in or affecting commerce in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

THEREFORE, the Federal Trade Commission this fourth day of May, 2015, has issued this complaint against Respondent.

By the Commission.

Donald S. Clark
Secretary

SEAL: