

**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

**MATT BLATT INC., also doing business as
MATT BLATT KIA and MATT BLATT
EGG HARBOR TOWNSHIP,**

and

**GLASSBORO IMPORTS, LLC, also doing
business as MATT BLATT GLASSBORO
SUZUKI, MATT BLATT GLASSBORO, and
MATT BLATT AUTO SALES, corporations.**

DOCKET NO. C-4532

COMPLAINT

The Federal Trade Commission, having reason to believe that Matt Blatt Inc. and Glassboro Imports, LLC (collectively, “Respondents”) have 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 Matt Blatt Inc., also doing business as Matt Blatt KIA and as Matt Blatt Egg Harbor Township (“Matt Blatt Inc.”), is a New Jersey corporation, with its principal place of business at 6211 Black Horse Pike, Egg Harbor Township, New Jersey 08234. At all times material to this Complaint, Matt Blatt Inc. has advertised, marketed, distributed, or sold a “Biweekly Payment Plan” to consumers who are financing the purchase of an automobile.

2. Respondent Glassboro Imports, also doing business as Matt Blatt Glassboro Suzuki, as Matt Blatt Glassboro, and as Matt Blatt Auto Sales (“Glassboro Imports”), is a New Jersey corporation, with its principal place of business at 501 Delsea Drive North, Glassboro, New Jersey 08028. At all times material to this Complaint, Glassboro Imports has offered automobiles for sale and has advertised, marketed, distributed, or sold a “Biweekly Payment Plan” to consumers who are financing the purchase of an automobile. Respondents Matt Blatt Inc. and Glassboro Imports are commonly owned and controlled.

3. The acts and practices of Respondents 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 November 2009, Respondents have advertised, marketed and sold a “Biweekly Payment Plan” (also referred to as the “Biweekly Payment Program”) as an add-on service to consumers financing the purchase of automobiles. Under the Biweekly Payment Plan, consumers make payments on their auto financing contract to a third-party company—National Payment Network, Inc. (“NPN”)—rather than to their financing entity (*e.g.*, a finance company or a bank), and this third-party company makes payments to the financing entity on the consumers’ behalf. In many instances, when enrolling consumers in the Biweekly Payment Plan, Respondents tout the savings it will provide to consumers, but fail to disclose that the significant fees in connection with the program can offset any savings. Respondents also fail to disclose the total amount of these fees, which add up to more than \$775 on a standard five-year auto financing contract.

The Biweekly Payment Plan Is a Third-Party Add-On Service

5. Respondents have entered into agreements with NPN that describe the Biweekly Payment Plan, including its associated fees, and authorize Respondents to advertise and sell the Biweekly Payment Plan to consumers. Pursuant to these agreements, Respondents also receive training and marketing materials, as well as in-person training on how to describe and sell the Biweekly Payment Plan. Respondents receive a commission for each consumer that Respondents enroll in a Biweekly Payment Plan. Between July 2011 and December 2013, Respondents enrolled approximately 1,084 consumers in a Biweekly Payment Plan.

6. Most consumers learn about the Biweekly Payment Plan after they have selected a vehicle to buy at Respondents’ dealerships. When purchasing a vehicle, consumers sign the legal paperwork to close the transaction with Respondents’ Financing and Insurance (“F&I”) departments. In many instances, an F&I employee offers consumers other products and services that can be “added on” to the financing contract; these are commonly called “add-on products and services.” The Biweekly Payment Plan is one such add-on service.

Biweekly Payment Plan Structure and Fees

7. Under most automotive financing contracts, consumers pay the financing entity a specific amount on a monthly basis. Under the Biweekly Payment Plan sold by Respondents, NPN 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. NPN pays the financing entity on the consumer’s behalf on a monthly basis.

8. Under a traditional monthly payment plan, consumers make 12 monthly payments each year to their financing entity. Under the Biweekly Payment Plan sold by Respondents, consumers make 26 biweekly payments each year to NPN, 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.

9. Under the Biweekly Payment Plan sold by Respondents, consumers pay significant fees that they would not pay if they were making payments directly to the financing entity. Specifically, NPN charges fees that total more than \$775 on a standard five-year automotive financing contract:

- First, every consumer enrolling in the Biweekly Payment Plan is assessed a “Deferred Enrollment Fee” of \$399. NPN debits a portion of this fee from consumers during the first month of the contract, and the remainder from the extra payments made by consumers in the early years of the program by paying biweekly. Only after consumers have paid the entire enrollment fee does NPN send any of the extra payments to the consumers' financing entity.
- In addition to the \$399 enrollment fee, in many instances, consumers who enroll in the Biweekly Payment Plan are charged a \$25 “cancellation fee” by NPN. This often occurs even when consumers “cancelled” because they had completed the Biweekly Payment Program or had finished paying off their financing contract.
- A processing fee is also added to every debit from consumers' banks accounts through the Biweekly Payment Plan. 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.

Respondents' Enrollment of Consumers in the Biweekly Payment Program

10. As noted above, Respondents sell consumers the Biweekly Payment Plan when consumers finance an automobile through Respondents. Often, Respondents inform consumers about the purported benefits of paying biweekly—that they would save on interest, match payments to paychecks, or eliminate multiple payments at the end of the loan—but not that the fees associated with the Biweekly Payment Plan can offset any savings, nor the total amount of such fees. Consumers in many instances report that they knew nothing about these fees when enrolling in the program.

11. The description of these fees that appears in the enrollment contracts is in small print, is buried in lengthy paragraphs, and is generally not brought to consumers' attention by Respondents during the automotive financing transaction. For example, in many instances, Respondents present the Biweekly Payment Plan to consumers by providing them with a pre-completed contract and instructing them to sign at the bottom if they would like to make biweekly payments. In addition, some consumers who were enrolled in the program do not recall ever receiving or reviewing an enrollment contract.

12. Respondents' savings claims do not account for the Biweekly Payment Plan's significant fees, which, as noted above, amount to more than \$775 on a standard five-year auto financing contract.

13. In many instances, consumers do not save any money with Respondents' Biweekly Payment Plan because they pay more in fees than they would save using the Biweekly Payment Plan.

FEDERAL TRADE COMMISSION ACT VIOLATIONS

Count I: Failure to Disclose Material Information About Fees and Program Effects

14. In numerous instances in connection with the marketing, promotion, offering for sale, or sale of automobiles or the financing of automotive loans, Respondents have represented, directly or indirectly, expressly or by implication, that consumers who enroll in the Biweekly Payment Plan will save money or achieve other benefits.

15. In numerous instances in which Respondents have made the representations described in Paragraph 14, Respondents have failed to disclose or to disclose adequately to consumers that in many instances:

- a. Consumers are charged fees under the Biweekly Payment Plan that amount to hundreds of dollars; and
- b. Consumers either do not achieve savings overall or end up paying more money than they would under a traditional monthly payment program.

This additional information would be material to consumers in deciding to enroll in the Biweekly Payment Plan offered for sale by Respondents.

16. Respondents' failure to disclose or disclose adequately the material information described in Paragraph 15, in light of the representation described in Paragraph 14, constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

THEREFORE, the Federal Trade Commission, this second day of July, 2015, has issued this complaint against Respondents.

By the Commission.

Donald S. Clark
Secretary

SEAL: