

**UNITED STATES OF AMERICA  
FEDERAL TRADE COMMISSION**

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

**In the Matter of**

**NORM REEVES, INC.,  
       a corporation, also d/b/a  
       Norm Reeves Honda Superstore**

**DOCKET NO. \_\_\_\_\_**

**COMPLAINT**

The Federal Trade Commission, having reason to believe that Norm Reeves, Inc., a corporation also doing business as Norm Reeves Honda Superstore (“respondent”), has violated provisions of the Federal Trade Commission Act (“FTC Act”), the Consumer Leasing Act (“CLA”), and its implementing Regulation M, and the Truth in Lending Act (“TILA”), and its implementing Regulation Z, and it appearing to the Commission that this proceeding is in the public interest, alleges:

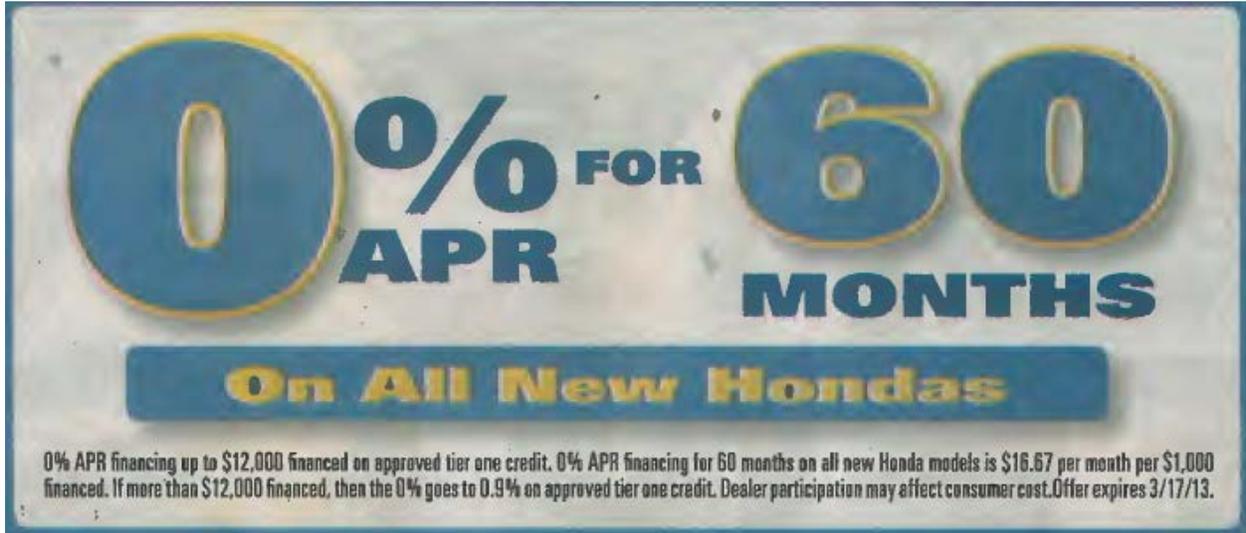
1. Respondent Norm Reeves, Inc. is a California corporation, also doing business as Norm Reeves Honda Superstore, with its principal office or place of business at 18500 Studebaker Road, Cerritos, California 90703. Respondent offers automobiles for sale or lease to consumers.
2. The acts or practices of respondent alleged in this complaint have been in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.
3. Since at least March 16, 2013, respondent has disseminated or caused to be disseminated advertisements to the public promoting the purchase, finance, and leasing of automobiles.
4. Respondent has disseminated or caused to be disseminated advertisements promoting consumer leases for automobiles, as the terms “advertisement” and “consumer lease” are defined in Section 213.2 of Regulation M, 12 C.F.R. §213.2, as amended.
5. Respondent has disseminated or caused to be disseminated advertisements to the public promoting credit sales and other extensions of closed-end credit in consumer credit transactions, as the terms “advertisement,” “closed-end credit,” “credit sale,” and “consumer credit” are defined in Section 226.2 of Regulation Z, 12 C.F.R. § 226.2, as amended.

6. Respondent has placed numerous such advertisements promoting consumer leases for automobiles and credit sales and other extensions of closed-end credit in consumer credit transactions in the *Los Angeles Times* newspaper. A copy of one such advertisement that appeared in the *Los Angeles Times* is attached as Exhibit A. This advertisement contains the statements and depictions described in Paragraphs 7 through 8 below. Respondent’s advertisements in other editions of the *Los Angeles Times* contain substantially similar statements and depictions.
7. Respondent’s advertisements deceptively promote lease offers with \$0 due at lease inception.
  - a. For example, the following statement is prominently featured at the top of the advertisement attached as Exhibit A:

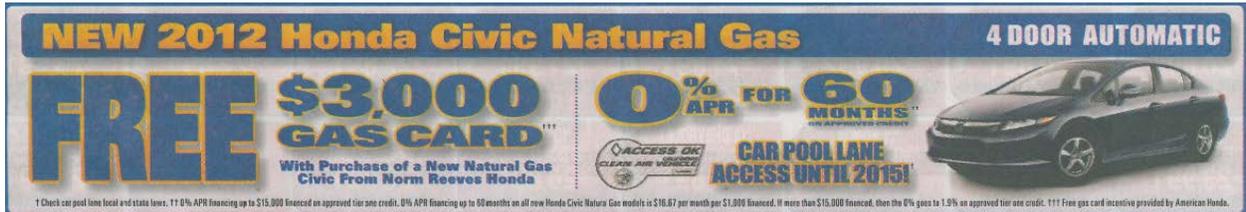


- b. Photographs of several different 2013-model-year automobiles appear below this statement. Each automobile appears in a separate box that includes a bold graphic stating “**\$0 DOWN,**” in addition to a specific monthly payment amount.
    - c. Additional terms are also included below each car in very small print. This fine print states: “All-New 2013 [model name] closed end lease for \$[monthly payment amount shown above] per month plus security deposit, acquisition fee, tax, title and license fees for 36 months on approved credit. \$0 due at lease signing.”
    - d. Additional fine print appears at the very bottom of each of respondent’s advertisements, which states: “All advertised prices exclude government fees and taxes, any finance charges, any dealer document processing charge, any electronic filing charge, and any emission testing charge.”
    - e. Thus, consumers cannot pay the “\$0 DUE AT LEASE SIGNING” that is prominently stated at the top. They must also pay a security deposit and/or fees, including but not limited to an acquisition fee.
8. Respondent’s advertisements also deceptively promote “0% APR” financing on a vehicle purchase. For example, the advertisement attached as Exhibit A includes the following statements and depictions.

- a. The following statement promoting “0% APR” financing on all new Hondas is prominently featured at or near the top of the advertisement:



- b. The advertisement also includes the following statement promoting 0% APR financing on new models of the “2012 Honda Civic Natural Gas”:



- c. However, the text in fine print below each of the statements depicted immediately above states that the 0% APR does not apply if consumers finance more than a certain amount. For example, the fine print under the statement promoting 0% APR financing on all new Hondas states the following:

0% APR financing available up to \$12,000 financed on approved tier one credit. 0% APR financing for 60 months on all new Honda models is \$16.67 per month per \$1,000 financed. If more than \$12,000 is financed, then the 0% goes to 0.9% on approved tier one credit. Dealer participation may affect consumer cost.

## FEDERAL TRADE COMMISSION ACT VIOLATIONS

### Count I

#### Misrepresentation of Amount Due at Lease Inception

9. Through the means described in Paragraph 7, respondent has represented, expressly or by implication, that consumers can pay \$0 at lease inception to lease the vehicles shown in the advertisements for the advertised monthly payment amount.

10. In truth and in fact, consumers cannot pay \$0 at lease inception to lease the vehicles shown in the advertisement for the advertised monthly payment amount. Consumers must also pay a security deposit and/or significant fees, including but not limited to an acquisition fee. Therefore, the representation set forth in Paragraph 9 was, and is, false or misleading.
11. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

## **Count II**

### **Failure to Adequately Disclose APR**

12. Through the means described in Paragraph 8, respondent has represented that consumers who finance new vehicles purchased from respondent will be charged 0% APR on the amount financed. Respondent has failed to disclose adequately that consumers who finance more than a certain amount will be charged more than 0% APR. This fact would be material to consumers. The failure to disclose this fact, in light of the representations made, was, and is, a deceptive practice.
13. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

## **VIOLATION OF THE CONSUMER LEASING ACT AND REGULATION M**

14. Under Section 184 of the CLA and Section 213.7 of Regulation M, advertisements promoting consumer leases are required to make certain disclosures ("CLA additional terms") if they state any of several terms, such as the amount of any payment ("CLA triggering terms"). 15 U.S.C. § 1667c; 12 C.F.R. § 213.7.
15. Respondent's advertisements promoting consumer leases, including but not necessarily limited to the advertisements described in Paragraphs 6 and 7, are subject to the requirements of the CLA and Regulation M.

## **Count III**

### **Failure to Disclose or to Disclose Clearly and Conspicuously Required Lease Information**

16. Respondent's advertisements promoting consumer leases, including but not necessarily limited to the advertisements described in Paragraphs 6 and 7, have included CLA triggering terms, but have failed to disclose or to disclose clearly and conspicuously CLA additional terms required by the CLA and Regulation M, including one or more of the following:

- a. That the transaction advertised is a lease.
  - b. The total amount due prior to or at consummation or by delivery, if delivery occurs after consummation.
  - c. Whether or not a security deposit is required.
  - d. The number, amount, and timing of scheduled payments.
  - e. With respect to a lease in which the liability of the consumer at the end of the lease term is based on the anticipated residual value of the property, that an extra charge may be imposed at the end of the lease term.
17. Therefore, the practices set forth in Paragraph 16 of this Complaint have violated Section 184 of the CLA, 15 U.S.C. § 1667c, and Section 213.7 of Regulation M, 12 C.F.R. § 213.7.

#### **VIOLATIONS OF THE TRUTH IN LENDING ACT AND REGULATION Z**

18. Under Section 144 of the TILA and Section 226.24(d) of Regulation Z, as amended, advertisements promoting closed-end credit in consumer credit transactions are required to make certain disclosures (“TILA additional terms”) if they state any of several terms, such as the monthly payment (“TILA triggering terms”).
19. Respondent’s advertisements promoting closed-end credit, including but not necessarily limited to those described in Paragraph 8, are subject to the requirements of the TILA and Regulation Z.

#### **Count IV**

##### **Failure to Disclose or Disclose Clearly and Conspicuously Required Credit Information**

20. Respondent’s advertisements promoting closed-end credit, including but not necessarily limited to those described in Paragraph 8, have included TILA triggering terms, but have failed to disclose or disclose clearly and conspicuously TILA additional terms required by the TILA and Regulation Z, including one or more of the following:
- a. The amount or percentage of the downpayment.
  - b. The terms of repayment, including any balloon payment.
  - c. The “annual percentage rate,” using that term, and, if the rate may be increased after consummation, that fact.
21. Therefore, the practices set forth in Paragraph 20 of this Complaint have violated Section 144 of the TILA, 15 U.S.C. § 1664, and Section 226.24(d) of Regulation Z, 12 C.F.R. § 226.24(d), as amended.

**THEREFORE**, the Federal Trade Commission, this \_\_\_\_\_ day of \_\_\_\_\_, 2014, has issued this complaint against respondent.

By the Commission.

Donald S. Clark  
Secretary