

UNITED STATES OF AMERICA  
FEDERAL TRADE COMMISSION

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In The Matter of	)	
	)	
NORRISTOWN AUTOMOBILE CO., INC.,	)	DOCKET NO. C-3922
a corporation,	)	
	)	
also d/b/a/ NORRISTOWN FORD, and	)	
	)	
WILLIAM MILLIKEN,	)	
individually and as an	)	
officer of the corporation.	)	
_____	)	

COMPLAINT

The Federal Trade Commission, having reason to believe that Norristown Automobile Co., Inc., a corporation, doing business as Norristown Ford, and William Milliken, individually and as an officer of the corporation, ("respondents"), have violated the provisions of the Federal Trade Commission Act, 15 U.S.C. §§ 45-58, as amended, the Consumer Leasing Act, 15 U.S.C. §§ 1667-1667f, as amended, and its implementing Regulation M, 12 C.F.R. § 213, as amended, and the Truth in Lending Act, 15 U.S.C. §§ 1601-1667, as amended, and its implementing Regulation Z, 12 C.F.R. § 226, as amended, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Norristown Automobile Co., Inc. is a Pennsylvania corporation with its principal office or place of business at Ridge Pike, Norristown, Pennsylvania 19404. Respondent offers automobiles for sale or lease to consumers.

2. Respondent William Milliken is an officer of the corporate respondent. Individually or in concert with others, he formulates, directs, controls, and participates in the policies, acts, or practices of the corporation, including the acts or practices alleged in this complaint. His principal office or place of business is the same as that of the corporate respondent.

3. Respondents have disseminated advertisements to the public that promote consumer leases, as the terms "advertisement" and "consumer lease" are defined in Section 213.2 of Regulation M, 12 C.F.R. § 213.2, as amended.

4. Respondents have disseminated advertisements to the public that promote credit sales and other extensions of closed-end credit in consumer credit transactions, as the terms "advertisement," "credit sale," and "consumer credit" are defined in Section 226.2 of Regulation Z, 12 C.F.R. § 226.2, as amended.

5. 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, 15 U.S.C. § 44.

6. Respondents have disseminated or have caused to be disseminated advertisements promoting consumer leases ("lease advertisements") and credit sales ("credit advertisements") for automobiles, including but not necessarily limited to the attached Norristown Exhibits A and B. Norristown Exhibits A and B are advertisements in the print media. These lease and/or credit advertisements contain the following statements:

A.

[Norristown Exhibit A states numerous lease and credit offers, including:]

**"NEW 1998 FORD  
TAURUS GL SEDAN. . .**

MSRP.....\$19,070  
Pkg Disc./Rebate...\$1,000  
College Grad.....\$400  
Norristown Disc....\$1,242  
Cash or Trade.....\$3,000

**LEASE FOR           \$169**  
                          24  
                          MOS.  
**or BUY FOR**  
                          **\$13,428"**

[A fine print disclosure at the bottom of the ad states, ". . . . Prices and payments are based upon \$3000 down cash or trade. All rebates including recent 24 months college grad rebate applied.

All leases are closed end with 1st month payment, security deposit, bank fee, tax and tags due at lease signing. All purchase prices exclude title, tax and tags. . . ."] (Norristown Exhibit A)

B.

[Norristown Exhibit B states numerous lease and credit offers, including:]

**"FINANCING\***

AS **0.9%** . . .  
LOW  
AS

NEW 1998 FORD  
**TAURUS SE SEDAN . . .**

MSRP.....\$20,425  
Rebate.....\$750  
College Grad.....\$400  
Cash or Trade.....\$3,000  
Norristown Discount..\$2,360

**BUY \$13,915**  
FOR

OR **\$195** PER  
LEASE MONTH  
FOR 24  
MONTHS"

[A fine print disclosure at the bottom of the ad states, ". . . Prices and payments on new vehicles and special purchase vehicles are with \$3000 down cash or trade. All rebates including recent 24 months college grad rebate applied. All leases are closed end with 1st month payment, security deposit, bank fee, tax and tags due at lease signing. All purchase prices exclude title, tax and tags. . . ."] (Norristown Exhibit B)

FEDERAL TRADE COMMISSION ACT VIOLATIONS

Count I: Failure to Disclose, and/or Failure to Disclose Adequately, Lease Terms

7. In lease advertisements, including but not necessarily limited to Norristown Exhibits A and B, respondents have represented, expressly or by implication, that consumers can lease the advertised vehicles at the terms prominently stated in the advertisements, including but not necessarily limited to the monthly payment amount and/or the downpayment amount.

8. These lease advertisements have failed to disclose, and/or failed to disclose adequately, additional terms pertaining to the lease offer, such as the total amount due at lease inception. This information does not appear at all or appears in fine print in the advertisements. This information would be material to consumers in deciding whether to visit respondents' dealerships and/or whether to lease an automobile from respondents. The failure to disclose, and/or failure to disclose adequately, these additional terms, in light of the representation made, was, and is, a deceptive practice.

9. Respondents' practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a).

Count II: Failure to Disclose Credit Terms

10. In credit advertisements, including but not necessarily limited to Norristown Exhibits A and B, respondents have represented, expressly or by implication, that consumers can purchase the advertised vehicles at the terms prominently stated in the advertisements, including but not necessarily limited to the sales price and downpayment amount.

11. These credit advertisements have failed to disclose additional terms pertaining to the credit offer, such as the annual percentage rate and the terms of repayment. This information would be material to consumers in deciding whether to visit respondents' dealerships and/or whether to purchase an automobile from respondents. The failure to disclose these additional terms, in light of the representation made, was, and is, a deceptive practice.

12. Respondents' practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a).

CONSUMER LEASING ACT AND REGULATION M VIOLATIONS  
Count III: Failure to Disclose, and/or Failure to Disclose  
Clearly and Conspicuously, Required Information

13. Respondents' lease advertisements, including but not necessarily limited to Norristown Exhibits A and B, state a monthly payment amount and downpayment amount, but fail to disclose, and/or fail to disclose clearly and conspicuously, certain additional terms required by the Consumer Leasing Act and Regulation M, including one or more of the following terms:

- 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. This total amount may: 1) exclude third-party fees that vary by state or locality, such as taxes, licenses, and registration fees, and disclose that fact or 2) provide a total that includes third-party fees based on a particular state or locality as long as that fact and the fact that such fees may vary by state or locality are disclosed;
- c. whether or not a security deposit is required;
- d. the number, amounts, and timing of scheduled payments; and
- e. that an extra charge may be imposed at the end of the lease term in a lease where the liability of the consumer is based on the difference between the residual value of the leased property and its realized value at the end of the lease term.

14. The lease disclosures required by Regulation M, if provided, are not clear and conspicuous because they appear in fine print and/or in an inconspicuous location.

15. Respondents' practices have violated Section 184 of the Consumer Leasing Act, 15 U.S.C. § 1667c, and Section 213.7 of Regulation M, 12 C.F.R. § 213.7.

Count IV: Failure to Disclose the Total Amount Due  
at Lease Signing with Equal Prominence

16. Respondents' lease advertisements, including but not necessarily limited to Norristown Exhibits A and B, state a

downpayment amount more prominently than the disclosure of the total amount due at lease signing, in violation of Section 213.7(b)(1) of Regulation M, 12 C.F.R. § 213.7(b)(1).

17. Respondents' practices have violated Section 213.7(b)(1) of Regulation M, 12 C.F.R. § 213.7(b)(1).

TRUTH IN LENDING ACT AND REGULATION Z VIOLATIONS  
Count V: Failure to Disclose Required Information

18. In credit advertisements, including but not necessarily limited to Exhibits A and B, respondents have stated the downpayment amount, but have failed to disclose the following items of information required by Regulation Z: the annual percentage rate and the terms of repayment.

19. Respondents' practices have violated Section 144 of the Truth in Lending Act, 15 U.S.C. § 1664, and Section 226.24(c) of Regulation Z, 12 C.F.R. § 226.24(c).

COUNT VI: Failure to State Rate of Finance Charge  
as Annual Percentage Rate

20. In credit advertisements, including but not necessarily limited to Norristown Exhibit B, respondents have stated a rate of finance charge without stating that rate as an "annual percentage rate," using that term or the abbreviation "APR."

21. Respondents' practice constitutes a violation of Section 144 and 107 of the TILA, 15 U.S.C. §§ 1664 and 1606, respectively, and Sections 226.24(b) and 226.22 of Regulation Z, 12 C.F.R. §§ 226.24(b) and 226.22, respectively.

THEREFORE, the Federal Trade Commission this seventh day of February, 2000, has issued this complaint against respondents.

By the Commission.

Donald S. Clark  
Secretary

SEAL: