

**UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION**

COMMISSIONERS: **Jon Leibowitz, Chairman**
 J. Thomas Rosch
 Edith Ramirez
 Julie Brill
 Maureen K. Ohlhausen

In the Matter of

**KEY HYUNDAI OF MANCHESTER, LLC,
HYUNDAI OF MILFORD, LLC,
limited liability corporations.**

DOCKET NO. C-4358

COMPLAINT

The Federal Trade Commission, having reason to believe that Key Hyundai of Manchester, LLC, and Hyundai of Milford, LLC, corporations (“Respondents”), have violated provisions of the Federal Trade Commission Act (“FTC Act”), the Truth in Lending Act (“TILA”), and the Consumer Leasing Act (“CLA”), and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Key Hyundai of Manchester, LLC, (“Manchester”) is a Connecticut limited liability corporation with its principal office or place of business at 21 Hartford Turnpike, Vernon, CT, 06066. Manchester offers automobiles for sale and lease.
2. Respondent Hyundai of Milford, LLC, (“Milford”) is a Connecticut limited liability corporation with its principal office or place of business at 566 Bridgeport Ave., Milford, CT, 06460. Milford offers automobiles for sale or lease.
3. Respondents advertise their automobiles for sale or lease jointly. Both Respondents are responsible for disseminating or causing to be disseminated the advertisements referenced herein.
4. The acts or practices of Respondents 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.

5. Since at least March 2010, Respondents have disseminated or have caused to be disseminated advertisements promoting the purchase, financing, and leasing of their automobiles.
6. Respondents' advertisements include, but are not necessarily limited to, advertisements posted on the website YouTube.com, copies of which are attached as Exhibits A through C. These advertisements include the following statements:
 - a. "I want your trade no matter how much you owe or what you're driving. In fact I'll pay off your trade when you upgrade to a nicer, newer vehicle." (Exhibit A (DVD containing 5/27/11 capture of You Tube advertisement "Pay off Your Trade Sales Event at Key Hyundai of Manchester CT and Key Hyundai of Milford CT" at 0:08-0:11)).
 - b. "We'll pay off your lease or loan no matter how much you owe." (*id.* at 0:25-0:30).
 - c. "[W]e will pay off your trade no matter what you owe." (Exhibit B (Print-out of text accompanying You Tube advertisement "Pay off Your Trade Sales Event at Key Hyundai of Manchester CT and Key Hyundai of Milford CT"))).
 - d. "I'll pay off your loan no matter what you owe." (Exhibit C (DVD containing 7/14/11 capture of You Tube advertisement "Key Hyundai Drive Lucky March Sales" at 1:08-1:11)).
7. Respondents also have disseminated or have caused to be disseminated advertisements 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, on the website YouTube.com, copies of which are attached as Exhibits B and D. These advertisements include the following statements:
 - a. "We will get you into the car of your dreams, like a 2010 Hyundai Sonata with 0% financing for 72 months. For more information, visit us on the web at <http://keycars.com>." (Exhibit B).
 - b. **"2011 Hyundai Sonata \$199 Per Mo"** (Exhibit D (DVD containing 7/14/11 capture of You Tube advertisement "Key Hyundai April Sales Promotion" at 0:32-0:35)).
 - c. **"2011 Hyundai Elantra \$149 Per Mo"** (*id.* at 0:36-0:39).

No additional information regarding the cost or terms of financing a vehicle appears on this website.

8. Respondents also have disseminated or have caused to be disseminated at least one advertisement promoting 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, on their website, a copy of which is attached as Exhibit E (printout of 5/16/11 capture of web advertisement at 1). This advertisement includes the following statement:

“Lease for only \$159 / MO*”

No additional information regarding the cost or terms of leasing a vehicle appears in this advertisement.

VIOLATION OF THE FEDERAL TRADE COMMISSION ACT

Misrepresentation of Financing Terms

9. Through the means described in Paragraph 6, Respondents have represented expressly or by implication that, when a consumer trades in a used vehicle in order to purchase another vehicle, Respondents will pay off the balance of the loan on the trade-in vehicle such that the consumer will have no remaining obligation for any amount of that loan.
10. In truth and in fact, in many instances, when a consumer trades in a used vehicle with a loan balance that exceeds the vehicle’s value (*i.e.* the trade-in has negative equity) in order to purchase another vehicle, Respondents will not pay off the balance of the loan on the trade-in vehicle such that the consumer will have no remaining obligation for any amount of that loan. Instead, Respondents include some or all of the negative equity in the loan for the newly purchased vehicle.
11. Therefore, the representation set forth in Paragraph 9 of this Complaint was, and is, false or misleading, in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

VIOLATIONS OF THE TRUTH IN LENDING ACT AND REGULATION Z

12. Under Section 144 of the TILA and Section 226.24(d) of Regulation Z, advertisements promoting closed-end credit in consumer credit transactions are required to make certain disclosures if they state any of several terms, such as the monthly payment (“TILA triggering terms”). In addition, the rate of the finance charge must be stated as an “annual percentage rate” using that term or the abbreviation “APR.” 15 U.S.C. § 1664; 12 C.F.R. § 226.24(c).
13. Respondents’ advertisements promoting closed-end credit, including but not necessarily limited to those described in Paragraph 7, are subject to the requirements of the TILA and Regulation Z.

Failure to Disclose or Disclose Clearly and Conspicuously Required Credit Information

14. Respondents’ advertisements promoting closed-end credit, including but not necessarily limited to those described in Paragraph 7, have included TILA triggering terms, but have

failed to disclose or disclose clearly and conspicuously, 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, which reflect the repayment obligations over the full term of the loan, including any balloon payment.
 - c. The “annual percentage rate,” using that term, and, if the rate may be increased after consummation, that fact.
15. Therefore, the practices set forth in Paragraph 14 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.

Failure to State Rate of Finance Charge as Annual Percentage Rate

16. Respondents’ advertisements promoting closed-end credit, including but not necessarily limited to those described in Paragraph 7, have stated a rate of finance charge without stating that rate as an “annual percentage rate” using that term or the abbreviation “APR.”
17. Therefore, the practices set forth in Paragraph 16 of this Complaint have violated Section 144 of the TILA, 15 U.S.C. § 1664, and Section 226.24(c) of Regulation Z, 12 C.F.R. § 226.24(c).

VIOLATION OF THE CONSUMER LEASING ACT AND REGULATION M

18. Under Section 184 of the CLA and Section 213.7 of Regulation M, advertisements promoting consumer leases are required to make certain disclosures 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.
19. Respondents’ advertisements promoting consumer leases, including but not necessarily limited to those described in Paragraph 8, are subject to the requirements of the CLA and Regulation M.

Failure to Disclose or Disclose Clearly and Conspicuously Required Lease Information

20. Respondents’ advertisements promoting consumer leases, including but not necessarily limited to those described in Paragraph 8, have included CLA triggering terms, but have failed to disclose or disclose clearly and conspicuously additional terms required by the CLA and Regulation M, including one or more of the following:

- a. The total amount of any initial payments required on or before consummation of the lease or delivery of the property, whichever is later.
 - b. Whether or not a security deposit is required.
 - c. The number, amount, and timing of scheduled payments.
 - d. 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.
21. Therefore, the practices set forth in Paragraph 20 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.
22. The acts and practices of Respondents as alleged in this complaint constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the FTC Act, violations of the Truth in Lending Act and Regulation Z, and violations of the Consumer Leasing Act and Regulation M.

THEREFORE, the Federal Trade Commission, this fourth day of May, 2012, has issued this complaint against Respondents.

By the Commission, Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary

SEAL: