

## Complaint

IN THE MATTER OF

## CREDIT BUREAU OF LORAIN, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE  
FEDERAL TRADE COMMISSION AND THE FAIR CREDIT REPORTING ACTS*Docket C-2287. Complaint, Sept. 19, 1972—Decision, Sept. 19, 1972.*

Consent order requiring a Lorain, Ohio, credit bureau among other things to cease violating the Fair Credit Reporting Act by failing to require users of consumer reports to identify themselves and certify in writing the purpose for which the information is sought and not used for any other purpose; failing to incorporate in "Membership Contracts" that information will be requested only for the members' exclusive use in connection with the extension of credit, employment, insurance, governmental use, or other legitimate business transaction involving the consumer; failing to require non-consumer credit customers to furnish required information; failing to forbid employees to obtain reports on themselves or associates; and failing to cease doing business with any user of the reports who does not follow the procedures specified by this order.

## COMPLAINT

Pursuant to the provisions of the Fair Credit Reporting Act and the Federal Trade Commission Act, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Credit Bureau of Lorain, Inc., a corporation, and Harry C. Koller, individually and as an officer of said corporation, hereinafter referred to as respondents, have violated the provisions of said Acts, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Credit Bureau of Lorain, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Ohio, with its principal office and place of business located at 314 9th Street, Lorain, Ohio.

Respondent Harry C. Koller is an individual and is an officer of the corporate respondent. He formulates, directs and controls the acts and practices of the corporate respondent, including those hereinafter set forth. His business address is the same as that of the corporate respondent.

PAR. 2. Respondents are now, and for sometime in the past have been, for monetary fees and/or dues, regularly engaged in the practice of assembling or evaluating information on consumers for the purpose of furnishing to third parties consumer reports, as "consumer report" is defined in Section 603(d) of the Fair Credit Reporting Act. Re-

## Complaint

81 F.T.C.

spondents regularly use a means or facility of interstate commerce for the purpose of preparing and furnishing said consumer reports. Therefore, respondents are a consumer reporting agency, as "consumer reporting agency" is defined in Section 603(f) of the Fair Credit Reporting Act.

PAR. 3. Subsequent to April 25, 1971, in the ordinary course and conduct of their business as a consumer reporting agency, respondents:

1. Failed, as to users of respondents' credit reporting service who were users or "members" prior to April 25, 1971, to establish procedures requiring said users to certify the purposes for which the information on consumers is sought and that the information will be used for no other purpose.

2. Failed to require prospective users who became "members" of respondents' service after April 25, 1971, to certify the purposes for which the requested information was sought.

Therefore, respondents failed to maintain reasonable procedures designed to limit the furnishing of consumer reports to the purposes specified under Section 604 of the Fair Credit Reporting Act, thereby violating Section 607 of the Fair Credit Reporting Act.

PAR. 4. In the ordinary course and conduct of respondents' business, as aforesaid, respondents contracted to provide their services to persons such as private legal counsel, who do not, in the ordinary course of business, regularly extend credit or insurance for personal, family or household use. Respondents knew, or should have known, that said persons may not have a permissible purpose for consumer reports pursuant to Section 604 of the Fair Credit Reporting Act. Despite such knowledge, respondents provided consumer reports to such persons when they had no permissible purpose for a report under Section 604 of the Act. Further, respondents failed to obtain from such persons, at the time of their request for the consumer reports, a written certification of the purpose for which the reports were sought. Accordingly, respondents failed to maintain reasonable procedures designed to limit the furnishing of consumer reports to the purposes specified under Section 604 of the Fair Credit Reporting Act, thereby violating Section 607 of the Fair Credit Reporting Act.

PAR. 5. Respondents' aforesaid failures to comply with the provisions of the Fair Credit Reporting Act constitute violations of that Act and, pursuant to Section 621 thereof, respondents have thereby violated the Federal Trade Commission Act.

381

## Decision and Order

## DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the Cleveland Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violation of the Federal Trade Commission Act; and

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondents of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as alleged in such complaint and waivers and other provisions as required by the Commission's rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of thirty (30) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Credit Bureau of Lorain, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Ohio, with its principal office and place of business located at 314 9th Street, in the city of Lorain, State of Ohio.

Respondent Harry C. Koller is an individual and is an officer of the corporate respondent. He formulates, directs and controls the acts and practices of said corporation, and his principal office and place of business is located at the above-stated address.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

## ORDER

*It is ordered,* That respondents Credit Bureau of Lorain, Inc., a corporation, its successors and assigns, and its officers, and Harry C. Koller, individually and as an officer of said corporation, and respondents' agents, representatives and employees, directly or through any

corporation, subsidiary, division, or other device, in connection with the collecting, assembling or furnishing of consumer reports, as "consumer report" is defined in the Fair Credit Reporting Act (15 U.S.C. 1601 *et seq.*), shall forthwith cease and desist from:

1. Failing to require all prospective users of consumer reports to identify themselves and to certify, in writing, through a "Membership Contract" with the respondents, the purpose for which the information is sought and that the information will be used for no other purpose, in accordance with Section 607 of the Fair Credit Reporting Act.

2. Failing to require prospective users of consumer reports, who are not, in the ordinary course of business, regularly extending consumer credit and/or consumer insurance, to identify themselves and to certify, in writing, either at the time the prospective users seek each consumer report, or within ten (10) business days after an oral certification of a request for each consumer report, the purpose for which the information is sought and that the information will be used for no other purpose, in accordance with Section 607 of the Fair Credit Reporting Act.

3. Failing to incorporate the following statements on the face of all "Membership Contracts" between the respondents and the prospective users of consumer reports, with such conspicuousness and clarity as is likely to be read and understood by the prospective users of consumer reports:

1. Information will be requested only for the Members' exclusive use, and the Member certifies that inquiries will be made only for one or more of the following permissible purposes and no other:

a. In connection with a credit transaction involving the consumer on whom the information is to be furnished and involving the extension of credit to, or review or collection of an account of, the consumer; or

b. In connection with employment purposes; or

c. In connection with the underwriting of insurance involving the consumer; or

d. In connection with a determination of the consumer's eligibility for a license or other benefit granted by a governmental instrumentality required by law to consider an applicant's financial responsibility or status; or

e. In connection with a legitimate business need for the information in connection with a business transaction involving the consumer.

2. Member, who is not, in the ordinary course of business, regularly extending consumer credit and/or consumer insurance, agrees to inform the Credit Bureau of the purpose for which each report is sought, at the time each such report is ordered.

3. Reports on employees will be requested only by the Members' designated representatives. Employees will be forbidden to attempt to obtain reports on themselves, associates, or any other person except in the exercise of their official duties.

4. It is understood by the member that Public Law 91-508, § 619, states "Any person who knowingly and willfully obtains information on a consumer from a consumer reporting agency under false pretenses shall be fined not more than \$5,000 or imprisoned not more than one year, or both."

4. Failing to cease doing business with any prospective user or user of consumer reports who does not follow any of the oral or written procedures as specified by this order.

*It is further ordered,* That respondents deliver a copy of this order to cease and desist to all present and future personnel of respondents engaged in the assembling or evaluating of information on consumers for the purpose of furnishing to third parties consumer reports and that respondents secure a signed statement acknowledging receipt of said order from each such person.

*It is further ordered,* That the individual respondent named herein promptly notify the Commission of the discontinuance of his present business or employment and of his affiliation with a new business or employment. Such notice shall include respondent's current business or employment in which he is engaged, as well as a description of his duties and responsibilities.

*It is further ordered,* That respondents notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondent, such as dissolution, assignment or sale, resultant in the emergence of a successor corporation, the creation or dissolution of subsidiaries, or any other change in the corporation which may affect compliance obligations arising out of the order.

*It is further ordered,* That respondents shall, within sixty (60) days after service upon them of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with the order to cease and desist contained herein.

---

IN THE MATTER OF

VIRGINIA CRAFTS, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE  
FEDERAL TRADE COMMISSION AND THE FLAMMABLE FABRICS ACTS

*Docket C-2288. Complaint, Sept. 19, 1972—Decision, Sept. 19, 1972.*

Consent order requiring a Keysville, Virginia, manufacturer of carpets and rugs, among other things to cease manufacturing for sale, selling, importing, or distributing any product, fabric, or related material which fails to conform to an applicable standard of flammability or regulation issued under the provisions of the Flammable Fabrics Act.

Complaint

81 F.T.C.

## COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and the Flammable Fabrics Act, as amended, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Virginia Crafts, Inc. a corporation, and J. C. Riepe, Jr., individually and as an officer of the said corporation, hereinafter referred to as respondents, have violated the provisions of the said Acts and the rules and regulations promulgated under the Flammable Fabrics Act, as amended, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Virginia Crafts, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Virginia. Respondent J. C. Riepe, Jr., is an officer of the said corporate respondent. He formulates, directs, and controls the acts, practices, and policies of the said corporation.

Respondents are engaged in the manufacture and sale of carpets and rugs, with their principal place of business located at Keysville, Virginia.

PAR. 2. Respondents are now and for some time last past have been engaged in the manufacturing for sale, sale and offering for sale, in commerce, and have introduced, delivered for introduction, transported and caused to be transported in commerce, and have sold or delivered after sale or shipment in commerce, products, as the terms "commerce" and "product," are defined in the Flammable Fabrics Act, as amended, which products fail to conform to an applicable standard or regulation continued in effect, issued or amended under the provisions of the Flammable Fabrics Act, as amended.

Among such products mentioned hereinabove were carpets and rugs Style "No. 449" subject to Department of Commerce Standard for the Surface Flammability of Carpets and Rugs (DOC FF 1-70).

PAR. 3. The aforesaid acts and practices of respondents were and are in violation of the Flammable Fabrics Act, as amended, and the rules and regulations promulgated thereunder, and as such constituted, and now constitute unfair methods of competition and unfair and deceptive acts and practices in commerce, within the intent and meaning of the Federal Trade Commission Act.

## DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the Division of Textiles and Furs proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violation of the Federal Trade Commission Act, and the Flammable Fabrics Act, as amended; and

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondents of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Acts, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of thirty (30) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Virginia Crafts, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Virginia.

Respondent J. C. Riepe, Jr. is an officer of the said corporation. He formulates, directs, and controls the acts, practices and policies of the said corporation.

Respondents are engaged in the manufacture and sale of carpets and rugs, with the office and principal place of business of respondents located at Keysville, Virginia.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

## ORDER

*It is ordered,* That respondent Virginia Crafts, Inc., a corporation, its successors and assigns, and its officers, and respondent J. C. Riepe, Jr., individually and as an officer of said corporation and respondents'

agents, representatives and employees directly or through any corporation, subsidiary, division, or other device, do forthwith cease and desist from manufacturing for sale, selling, offering for sale, in commerce, or importing into the United States, or introducing, delivering for introduction, transporting or causing to be transported in commerce, or selling or delivering after sale or shipment in commerce, any product, fabric or related material; or manufacturing for sale, selling, or offering for sale, any product made of fabric or related material which has been shipped or received in commerce, as "commerce," "product," "fabric" and "related material" are defined in the Flammable Fabrics Act, as amended, which product, fabric or related material fails to conform to an applicable standard or regulation continued in effect, issued or amended under the provisions of the aforesaid Act.

*It is further ordered,* That respondents notify all of their customers who have purchased or to whom have been delivered the products which gave rise to this complaint, of the flammable nature of said products and effect the recall of said products from such customers.

*It is further ordered,* That the respondents herein either process the products which gave rise to the complaint so as to bring them into conformance with the applicable standard of flammability under the Flammable Fabrics Act, as amended, or destroy said products.

*It is further ordered,* That respondents herein shall, within ten (10) days after service upon them of this order, file with the Commission a special report in writing setting forth the respondents' intentions as to compliance with this order. This special report shall also advise the Commission fully and specifically concerning (1) the identity of the products which gave rise to the complaint, (2) the identity of the purchasers of said products, (3) the amount of said products on hand and in the channels of commerce, (4) any action taken and any further actions proposed to be taken to notify customers of the flammability of said products and effect the recall of said products from customers, and of the results thereof, (5) any disposition of said products since April 4, 1972, and (6) any action taken or proposed to be taken to bring said products into conformance with the applicable standard of flammability under the Flammable Fabrics Act, as amended, or to destroy said products, and the results of such action. Respondents will submit with their report, a complete description of each style of carpet or rug currently in inventory or production. Upon request, respondents will forward to the Commission for testing a sample of any such carpet or rug.

*It is further ordered,* That respondents notify the Commission at least 30 days prior to any proposed change in the corporate respondent



385

## Complaint

such as dissolution, assignment or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or any other change in the corporation which may affect compliance obligations arising out of the order.

*It is further ordered,* That the respondent corporation shall forthwith distribute a copy of this order to each of its operating divisions.

*It is further ordered,* That the individual respondent named herein promptly notify the Commission of the discontinuance of his present business or employment and of his affiliation with a new business or employment. Such notice shall include respondent's current business or employment in which he is engaged as well as a description of his duties and responsibilities.

*It is further ordered,* That the respondents herein shall, within sixty (60) days after service upon them of this order, file with the Commission a report in writing setting forth in detail the manner and form in which they have complied with this order.

## IN THE MATTER OF

## GEORGIA FABRIC CORPORATION, ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE FEDERAL TRADE COMMISSION, THE TEXTILE FIBER PRODUCTS IDENTIFICATION AND THE WOOL PRODUCTS LABELING ACTS

*Docket C-2289. Complaint, Sept. 21, 1972—Decision, Sept. 21, 1972.*

Consent order requiring an Atlanta, Georgia, purchaser and wholesaler of fabrics, among other things to cease falsely advertising, deceptively guaranteeing, and misbranding his textile fiber products; misbranding the fiber content of his wool products; and misrepresenting the prices of certain products as being at "cost or below" and discounted from the "regular" price.

## COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, the Wool Products Labeling Act of 1939, and the Textile Fiber Products Identification Act, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Georgia Fabric Corporation, a corporation, and Elliott I. Reich, individually and as an officer of Georgia Fabric Corporation, hereinafter referred to as respondents, have violated the provisions of said Acts and the rules and regulations promulgated under the Wool Products Labeling Act of 1939, and the Textile Fiber Products Identification Act, and it now appearing to the Commission that a proceeding by it in

respect thereto would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Georgia Fabric Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Georgia. The respondent corporation maintains its main offices and principal place of business at 4440 Commerce Circle, S.W., Atlanta, Georgia.

Respondent Elliott I. Reich is an officer of said corporation. He assists in formulating, directing and controlling the practices of the corporate respondent. He maintains offices at 108 W. 39th Street, New York, New York.

Respondents are engaged in the business of purchasing fabrics from various sources, and the wholesaling of such fabrics throughout the United States.

PAR. 2. Respondents are now and for some time last past have been engaged in the introduction, delivery for introduction, manufacture for introduction, sale, advertising, and offering for sale, in commerce, and in the transportation or causing to be transported in commerce, and in the importation into the United States, of textile fiber products; and have sold, offered for sale, advertised, delivered, transported and caused to be transported, textile fiber products which have been advertised or offered for sale in commerce; and have sold, offered for sale, advertised, delivered, transported, and caused to be transported after shipment in commerce, textile fiber products, either in their original state or contained in other textile fiber products, as the terms "commerce" and "textile fiber product" are defined in the Textile Fiber Products Identification Act.

PAR. 3. Certain of said textile fiber products were misbranded by respondents within the intent and meaning of Section 4(a) of the Textile Fiber Products Identification Act and the rules and regulations promulgated thereunder, in that they were falsely and deceptively stamped, tagged, labeled, invoiced, advertised or otherwise identified as to the name or amount of the constituent fibers contained therein.

Among such misbranded textile fiber products, but not limited thereto, were textile fiber products, namely fabric, which were advertised in commerce as "Color Linens" and "Bonded Linen" by Georgia Fabric Corporation but which, in fact, did not contain the fiber linen but substantially different types of fibers.

PAR. 4. Certain of said textile fiber products were misbranded by respondents in that they were not stamped, tagged, labeled, or otherwise identified as required under the provisions of Section 4(b) of the Textile Fiber Products Identification Act, and in the manner and form

as prescribed by the rules and regulations promulgated under said Act.

Among such misbranded textile fiber products, but not limited thereto, were textile fiber products, namely fabric, with labels affixed by Georgia Fabric Corporation which failed to disclose the true generic names of the fibers present.

Also among such misbranded textile fiber products were fabrics offered by Georgia Fabric Corporation which did not have labels affixed thereto disclosing:

1. The percentages of the fibers present by weight.
2. The name, or other identification issued and registered by the Commission, of the manufacturer of the products or one or more persons subject to Section 3 with respect to such products.

PAR. 5. Respondents, in violation of Section 5(a) of the Textile Fiber Products Identification Act, have caused and participated in the removal of, prior to the time textile fiber products subject to the provisions of the Textile Fiber Products Identification Act were sold and delivered to the ultimate consumer, labels required by the Textile Fiber Products Identification Act to be affixed to such products, without substituting therefore labels conforming to Section 4 of said Act and in the manner prescribed by Section 5(b) of said Act.

PAR. 6. Respondents, in substituting a stamp, tag, label, or other identification pursuant to Section 5(b) of the Textile Fiber Products Identification Act, have not kept such records as would show the information set forth on the stamp, tag, label, or other identification that was removed, and the name or names of the person or persons from whom such textile fiber products were secured in violation of Section 6(b) of said Act.

PAR. 7. Respondents, in violation of Section 4(c) of the Textile Fiber Products Identification Act, have falsely and deceptively advertised textile fiber products by disclosing or implying fiber content in written advertisements without disclosing therein the same information as that required to be shown on the stamp, tag, label, or other identification under Section 4(b) (1) and (2), of said Act, except percentages of the fibers present need not be stated.

Among such textile fiber products falsely and deceptively advertised, but not limited thereto, were those fabrics described by Georgia Fabric Corporation solely through the terms "Orlons," "Dacron," and "Corduroy."

PAR. 8. Respondents, in violation of Section 10(b) of the Textile Fiber Products Identification Act, have furnished a false guaranty under said Act by falsely claiming textile fiber products will not be misbranded or falsely or deceptively invoiced or advertised within the

meaning of the Textile Fiber Products Identification Act and the rules and regulations thereunder when such is not the fact.

PAR. 9. The acts and practices of respondents as set forth above were, and are, in violation of the Textile Fiber Products Identification Act and the rules and regulations promulgated thereunder, and constituted, and now constitute, unfair methods of competition and unfair and deceptive acts and practices, in commerce, under the Federal Trade Commission Act.

PAR. 10. Respondents, now and for some time last past, have manufactured for introduction into commerce, introduced into commerce, sold, transported, distributed, delivered for shipment, shipped, and offered for sale, in commerce, as "commerce" is defined in the Wool Products Labeling Act of 1939, wool products as "wool product" is defined therein.

PAR. 11. Certain of said products were misbranded by respondents in that they were not stamped, tagged, labeled, or otherwise identified as required under the provisions of Section 4(a)(2) of the Wool Products Labeling Act of 1939 and in the manner and form prescribed by the rules and regulations promulgated under said Act.

PAR. 12. The acts and practices of the respondents as set forth above were, and are, in violation of the Wool Products Labeling Act of 1939 and the rules and regulations promulgated thereunder, and constituted, and now constitute, unfair methods of competition and unfair and deceptive acts and practices, in commerce, within the meaning of the Federal Trade Commission Act.

PAR. 13. Respondents, Georgia Fabric Corporation and Elliott I. Reich, are now and for some time last past have been engaged in the advertising, sale, offering for sale and distribution of fabrics, in commerce, as "commerce" is defined in the Federal Trade Commission Act.

In the course and conduct of their business, the said respondents have advertised their fabrics by means of circulars sent through the United States mails to numerous persons in the State of Georgia and various other States of the United States.

Also in the course and conduct of their business, said respondents now cause, and for some time last past have caused, their fabrics when sold, to be shipped from their place of business in the State of Georgia to purchasers thereof located in various other States of the United States.

Said respondents maintain and at all times mentioned herein have maintained, a substantial course of trade in said fabrics in commerce as "commerce" is defined in the Federal Trade Commission Act.

PAR. 14. The said respondents in the course of their business, as aforesaid, have made certain statements with respect to the pricing of

