

**UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION**

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

In the Matter of

PARAMOUNT KIA OF HICKORY, LLC,
a limited liability company.

DOCKET NO. C-4450

COMPLAINT

The Federal Trade Commission, having reason to believe that Paramount Kia of Hickory, LLC, a limited liability company (“Paramount”), has violated provisions of the Federal Trade Commission Act (“FTC Act”), 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 Paramount Kia of Hickory, LLC, is a North Carolina limited liability company with its principal office or place of business at 1205 South Center Street, Hickory, North Carolina 28602. Paramount offers automobiles for sale or lease to consumers.
2. The acts or practices of Paramount 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 July 2012, Paramount has disseminated or caused to be disseminated advertisements to the public promoting the purchase, finance, and leasing of automobiles.
4. Paramount 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.
5. One such advertisement has been posted on the website YouTube.com. A video copy of the advertisement is attached as Exhibit A, and a screenshot capture of one image on the video is attached as Exhibit B.

The video attached as Exhibit A depicts a new Kia Sportage, accompanied by prominent graphics stating:

ZERO \$ DOWN
2013 KIA SPORTAGE
\$99/MO

While this language appears on screen, a person who appears on the screen states, “Drive any vehicle like the new 2013 Kia Sportage: zero down \$99 a month.”

Also, while these statements appear on screen, a statement consisting of small white text that blends in against a silver and black background – the tire and hubcap of the Kia Sportage – appears on the bottom left corner of the screen, stating:

Example 2013 Kia Sportage
STK#4886. Sale Price \$27,444, \$0
down, graduated payment plan:
payments 1-3 \$99, payments 4-72
\$531/mo @ 9.99% APR Plus tax,
tag, title and \$599 administrative
fee. On approved credit. On
select vehicles. See dealer for
details.

Thus, instead of owing \$99 per month, consumers will owe \$531 per month for 69 of 72 months. Further, the advertisement fails to clearly and conspicuously disclose the repayment obligations over the full term of the loan and the “annual percentage rate,” using that term.

6. Other advertisements that Paramount has disseminated or has caused to be disseminated have been posted on Paramount’s website, paramountkia.com. One example is the screenshot attached as Exhibit C, which depicts a new Kia Soul, accompanied by prominent graphics representing:

Drive Any Vehicle
\$99/mo

Below this statement, the following fine-print statement appears:

Ex.Stk#6818 2012 Kia Soul Base. Sale Price \$12980 \$0 down graduated
payment plan: payments 1-3 \$99; 4-72 \$251/mo. @ 9.99% APR. Plus tax, tag and
\$599 admin. fee. OAC. On select vehicles. See dealer for details.

Thus, instead of owing \$99 per month, consumers will owe \$251 per month for 69 of 72 months. Further, the advertisement fails to clearly and conspicuously disclose the repayment obligations over the full term of the loan and the “annual percentage rate,” using that term.

FEDERAL TRADE COMMISSION ACT VIOLATIONS

Count I

Misrepresentation Regarding Monthly Payment Amount

7. Through the means described in Paragraphs 5 and 6, Paramount has represented, expressly or by implication, that consumers can finance the purchase of vehicles for the prominently advertised terms, including the advertised monthly payment amount.
8. In truth and in fact, consumers cannot finance the purchase of vehicles for the prominently advertised terms, including the advertised monthly payment amount. In numerous instances, consumers’ monthly payments increase dramatically after the first three payments of \$99. Therefore, Paramount’s representation as alleged in Paragraph 7 was, and is, false and misleading.
9. Paramount’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).

VIOLATIONS OF THE TRUTH IN LENDING ACT AND REGULATION Z

10. 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 (“additional terms”) if they state any of several terms, such as the monthly payment (“TILA triggering terms”).
11. Paramount’s advertisements promoting closed-end credit, including but not necessarily limited to those described in Paragraphs 5 and 6, are subject to the requirements of the TILA and Regulation Z.

Count II

Failure to Disclose or Disclose Clearly and Conspicuously Required Credit Information

12. Paramount’s advertisements promoting closed-end credit, including, but not necessarily limited to those described in Paragraphs 5 and 6, 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 down payment.

- 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.
13. Therefore, the practices set forth in Paragraph 12 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 eleventh day of April, 2014, has issued this complaint against Paramount.

By the Commission.

Donald S. Clark
Secretary