COMMISSIONERS: Edith Ramirez, Chairwoman
Julie Brill
Maureen K. Ohlhausen
Terrell P. McSweeney

In the Matter of

LITHIA MOTORS, INC.,
a corporation;

DOCKET NO.

COMPLAINT

The Federal Trade Commission, having reason to believe that Lithia Motors, Inc., a corporation (“Respondent”), has violated provisions of the Federal Trade Commission Act (“FTC Act”), and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent is an Oregon corporation with its principal office or place of business at 150 North Bartlett Street, Medford OR 97591. Respondent has marketed, advertised, offered for sale, and sold used motor vehicles.

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 January 2015, Respondent has disseminated or has caused to be disseminated advertisements promoting the sale of used motor vehicles.

4. Respondent’s advertisements include, but are not necessarily limited to, advertisements and marketing materials posted on the website www.lithia.com, excerpts of which are attached as Exhibits A through D. On its website, on a page prominently touting the features of the dealer-backed, Lithia “60 Day/3,000 Mile” warranty Lithia claims that its “60 Day/3,000 Mile vehicles are put through an exhaustive 160-checkpoint Quality Assurance Inspection.” It goes on to state, “We want the vehicles to look, feel and smell as new as possible. We inspect everything from the tires and the brakes to suspension, drive train, engine components and even the undercarriage. Only vehicles that pass all
160 checkpoints (as appropriate to vehicle content) can receive our 60 Day/3,000 miles Limited Warranty.”

Exhibit A.

5. Even though it makes the claims set forth in Paragraph 4, Respondent has advertised numerous used “60 Day/3,000 Mile” vehicles with open recalls for safety issues on its website.

6. In some instances, these open recalls for safety issues have included recalls for defects that can cause serious injury. For example, Respondent has advertised used “60 Day/3,000 Mile” vehicles that have an open recall for safety issues for a key ignition switch defect, which can affect engine power, power steering, power braking, and airbag deployment, thereby increasing the risk of a crash and occupant injury. Respondent also has advertised used vehicles that have an open recall for safety issues for a side impact airbag wiring harness defect, which could result in the failure of side impact airbags and seat belt pretensioners to deploy in a crash, increasing the risk of injury.

7. In numerous instances, when Respondent has advertised used “60 Day/3,000 Mile” vehicles that are subject to open recalls for safety issues making the claims set forth in Paragraph 4, it has provided no accompanying clear and conspicuous disclosure of this fact.

8. When consumers search for particular categories of vehicles on Respondent’s website, there is no disclosure regarding open recalls for safety issues. An example of such search results includes the following:
9. When consumers view specific vehicle listings on Respondent’s website, there is no disclosure of open recalls for safety issues. An example of such a listing with an open safety recall includes the following:
2013 Chevrolet Cruze LTZ Sedan

Submit our "Get ePrice" form below for great pricing online!

Price: $15,995

Your estimated monthly payment:
$253 per month
85 Months @ 0.9% APR, (estimated financing rate: 3.149% Down Payment)
Calculate another payment

Fuel Efficiency Rating
City MPG: 26
Hwy MPG: 38

Actual ratings will vary with options, driving conditions, habits and vehicle condition.

Location
Lithia Kia of Anchorage
4434 Old Seward Highway
Anchorage, AK 99503
Sales: 877-475-1723

Similar
2013 Chevrolet Sonic LTZ Auto Hatchback
$12,995

2012 Chevrolet Traverse LT1 SUV
$19,495

2014 Chevrolet Impala Limited LTZ Sedan
$17,961
Comments: ONLY 23,505 Miles! PRICED TO MOVE $800 below Kelley Blue Book! EPA 38 MPG Hwy/26 MPG City! Heated Leather Seats, CD Player, iPod/MP3 Input, Remote Engine Start, Onboard Communications System, Turbo Charged, Aluminum Wheels SEE MORE!

KEY FEATURES INCLUDE:
Leather Seats, Heated Driver Seat, Back-Up Camera, Turbocharged, Satellite Radio, iPod/MP3 Input, CD Player, Onboard Communications System, Aluminum Wheels, Remote Engine Start, Heated Seats, Heated Leather Seats, MP3 Player, Keyless Entry, Child Safety Locks, Steering Wheel Controls, Heated Mirrors, LTZ with SILVER ICE METALLIC exterior and JET BLACK interior features a 4 Cylinder Engine with 138 HP at 4900 RPM.

EXPERTS ARE SAYING:
CarAndDriver.com explains The Cruz brings a compelling mix of elegant styling and fuel economy to the compact-car ranks. Great Gas Mileage: 38 MPG Hwy.

A GREAT VALUE:
AutoCheck One Owner This Cruz is priced $800 below Kelley Blue Book.

WHO WE ARE:
By taking a page from Kia themselves, Lithia Kia of Anchorage challenges many consumers’ perspective of exactly what is the quintessential car-buying experience. When you visit Lithia Kia of Anchorage for complete car specs or to take a test drive, you’ll find we deliver an extensive product lineup, deft service and auto repair, and perhaps most importantly - a one-of-a-kind mix of professionalism and approachability. Stop by and see us today!

Pricing analysis performed on 12/10/2014. Horsepower calculations based on trim engine configuration. Fuel economy calculations based on original manufacturer data for trim engine configuration. Please confirm the accuracy of the included equipment by calling us prior to purchase.

*While every reasonable effort is made to ensure the accuracy of this information, we are not responsible for any errors or omissions contained on these pages. Please verify any information in question with Lithia Auto Store.

User Reviews

Nothing posted yet.

Post a Review

Exhibit C
10. Another example of a listing for a vehicle with an open safety recall appears as follows:

![Image of a vehicle listing with open safety recall]

Exhibit D.

11. To uncover any information about open recalls for safety issues through Respondent’s website, a consumer viewing a listing such as the one shown in Paragraph 10 would have
to locate and click on the “Carfax” links on the search results page or the vehicle listing page to access a vehicle history report. In other instances, such as the listing shown in Paragraph 9, the vehicle history report contains no information about open recalls for safety issues.

VIOLATION OF THE FEDERAL TRADE COMMISSION ACT

Count I

12. In connection with the marketing, advertising, offering for sale, or sale of used motor vehicles, Respondent has represented, directly or indirectly, expressly or by implication, that used motor vehicles it sells have been subject to rigorous inspection, including for safety issues.

13. In numerous instances in connection with the representation set forth in Paragraph 12, Respondent has failed to disclose, or disclose adequately, that used vehicles it sells are subject to open recalls for safety issues.

14. Respondent’s failure to disclose, or disclose adequately, the material information set forth in Paragraph 13 above, in light of the representation described in Paragraph 12, above, constitutes a deceptive act or practice in or affecting commerce in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

THEREFORE, the Federal Trade Commission, this ____ day of _____, ____, has issued this complaint against Respondent.

By the Commission.

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Donald S. Clark
Secretary

SEAL: