

4. 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.

5. 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.

6. 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.

LEASE ADVERTISING

7. Respondents have disseminated or have caused to be disseminated consumer lease advertisements ("lease advertisements") for automobiles in the print media, including but not necessarily limited to the attached Exhibits A through E. These lease advertisements contain the following statements:

- A. "NO PAYMENT TIL APRIL '95
'95 GRAND AM SEDAN
\$225** per mo. lease"

[A fine print statement at the bottom of the ad states, "***36 mo. lease with 10% of MSRP cap reduction plus first payment sec. deposit & license plus tax with 12,000 mi. per yr. and approved credit."]

* * *

- "NO PAYMENT TIL APRIL '95
1995 THUNDERBIRD LX . . .
\$275** per mo. lease"

[A fine print statement at the bottom of the ad states, "***24 mo. lease with 10% of MSRP cap reduction plus first payment sec. dep. & license plus tax with 15,000 mi. per year and approved credit."] (Exhibit A)

- B. "NO PAYMENT TIL APRIL '95
'95 BONNEVILLE SE SEDAN . . .
\$281** per mo. lease"

[A fine print statement at the bottom of the ad states, "***36 mo. lease with 10% of MSRP cap reduction plus first payment sec. deposit & license plus tax with 12,000 mi. per yr. and approved credit."]

* * *

"1994 ESCORT LX
\$178** per mo. lease"

[A fine print statement at the bottom of the ad states, "***24 mo. lease with 10% of MSRP cap reduction plus first payment sec. dep. & license plus tax with 15,000 mi. per year and approved credit."] (Exhibit B)

C. "1995 PONTIAC GRAND AM COUPE . . .
LEASE \$188** 36 MONTHS"

[A fine print statement at the bottom of the ad states, "*All prices include all rebates and incentives, and commercial rebates where applicable. For conv. vans add \$799 for trim kit. Vehicle pictures may differ from actual pictures. 10% of MSRP cap reduction plus first payment sec. deposit and license plus tax with 12,000 miles per year and approved credit."]

* * *

"LEASE \$249** PER MO.
\$13,999*
1995 TAURUS"

[A fine print statement at the lower right hand corner of the ad states, "*** 24 mo. Lease with 10% of MSRP cap reduction plus first payment sec. dep & license plus tax with 15,000 mi. per year and approved credit."] (Exhibit C)

D. "NO PAYMENT TIL MARCH '95
'95 GRAND AM COUPE SE . . .
LEASE \$262** per mo."

[A fine print statement at the bottom of the ad states, "***36 mo. lease with 10% of MSRP cap reduction plus first payment sec. deposit & license plus tax with 15,000 mi. per yr. and approved credit."] (Exhibit D)

* * *

"\$1995 PROBE
LEASE \$215** PER MO."

[A fine print statement at the bottom of the ad states, "***24 mo. lease with 10% of MSRP cap reduction plus first payment sec. dep. & license plus tax with 15,000 mi. per year and approved credit."] (Exhibit D)

E. ``95 CENTURY SEDAN
\$249** per mo. lease"

[A fine print statement at the bottom of the ad states, ``**36 mo. lease with 10% of MSRP cap reduction plus first payment sec. deposit & license plus tax with 15,000 mi. per yr. and approved credit."] (Exhibit E)

FEDERAL TRADE COMMISSION ACT VIOLATIONS
Count I: Misrepresentation of Inception Fees

8. In lease advertisements, including but not necessarily limited to Exhibits A, B, and D, respondents have represented, expressly or by implication, that consumers have no monetary obligations at lease signing, including no obligation to pay a periodic payment.

9. In truth and in fact, consumers are required to pay significant amounts at lease signing, including but not limited to one or more of the following: a downpayment, security deposit, documentary fee, a periodic payment, and taxes. Therefore, respondents' representation as alleged in Paragraph 8 was, and is, false or misleading.

10. 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 Adequately Inception Fees

11. In lease advertisements, including but not necessarily limited to Exhibits A through E, 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.

12. These lease advertisements do not adequately disclose additional terms pertaining to obligations at lease inception, including but not necessarily limited to one or more of the following charges: a required downpayment, security deposit, documentary fee, first month's payment, and taxes. This information does not appear at all, appears in very fine print, and/or is referenced by asterisks that do not correspond to the asterisks depicted in the main text of the advertisements.

13. These additional terms would be material to consumers in deciding whether to visit respondents' dealership and/or whether to lease an automobile from respondents. The failure to disclose adequately these additional terms, in light of the representation made, was, and is, a deceptive practice.

14. 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 Required Information
Clearly and Conspicuously

15. In lease advertisements, including but not necessarily limited to Exhibits A through E, respondents have stated a monthly payment amount and/or the number of required payments.

16. These lease advertisements have failed to disclose clearly and conspicuously the following items of information required by Regulation M: the total amount of any payment such as a security deposit or capitalized cost reduction required at the consummation of the lease or that no such payments are required; the total of scheduled payments due under the lease; a statement of whether or not the lessee has the option to purchase the leased property and at what price and time or, in lieu of disclosure of the price, the method of determining the purchase-option price; and a statement of the amount or method of determining the amount of any liabilities the lease imposes upon the lessee at the end of the term.

17. Respondents' practices have violated Section 184 of the Consumer Leasing Act, 15 U.S.C. § 1667c, and Section 213.5(c) of Regulation M, 12 C.F.R. § 213.5(c).

CREDIT ADVERTISING

18. Respondents have disseminated or have caused to be disseminated credit sale advertisements ("credit advertisements") for automobiles in the print media, including but not necessarily limited to the attached Exhibits A, B, and E. These advertisements contain the following statements:

A. "'95 FIREBIRDS . . . \$17,995*"

[A fine print statement at the bottom of the ad states, "*All prices include all rebates & incentives. Also includes \$1000 cash or trade equity and commercial rebates where applicable. . ."] (Exhibit A)

B. "'95 SONOMA . . . \$13,995*"

[A fine print statement at the bottom of the ad states, "*All prices include all rebates & incentives. Also includes \$1000 cash or trade equity and commercial rebates where applicable. . ."]

* * *

"FORD CARS 3.9% FINANCING" (Exhibit B)

- C. Along with the statements described in Paragraph 5, Exhibit C contains the following credit terms, "6.75% A.P.R. FINANCING ON CONTOURS for 48 Mos. PLUS \$500 REBATE"

* * *

"3.9% FINANCING or \$600 REBATE . . .
1995 RANGER XLT"
(Exhibit C)

- D. "2.9% APR FINANCING FOR 48 MONTHS OR \$750 CASH BACK '95 FORD TAURUS"
(Exhibit D)

- E. "'95 BONNEVILLE SE SEDAN . . .
3.6% FINANCING Available on Bonneville . . .
\$18,995*" [A bar is superimposed over this sale price figure that states "MAKE US AN OFFER!"]

[A fine print statement at the bottom of the ad states, "***\$1000 DOWN CASH OR TRADE EQUITY. FOR QUALIFIED FIRST TIME NEW CAR OR TRUCK BUYERS & GMC REBATE."]
(Exhibit E)

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

19. In credit advertisements, including but not necessarily limited to Exhibits A through E, respondents have stated the amount of a downpayment and/or the number of payments or period of repayment as terms for financing the purchase of the advertised vehicles.

20. These advertisements have failed to disclose the following items of information required by Regulation Z: the amount or percentage of the downpayment, the terms of repayment, and/or the "annual percentage rate," using that term and if the rate may be increased after consummation, that fact.

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

Count V: Failure to State Rate of Finance Charge as an Annual Percentage Rate

22. In credit advertisements, including but not necessarily limited to Exhibits B, C, and E, respondents have stated a rate

of finance charge without stating that rate as an "annual percentage rate," using that term or the abbreviation "APR," as required by Regulation Z.

23. Respondents' practices have violated Section 144 of the TILA, 15 U.S.C. § 1664, and Section 226.24(b) of Regulation Z, 12 C.F.R. § 226.24(b).

THEREFORE, the Federal Trade Commission this fifth day of January, 1998, has issued this complaint against respondents.

By the Commission, Commissioner Thompson and Commissioner Swindle not participating.

Donald S. Clark
Secretary

SEAL

[Exhibits A-E are attached to paper copies of the complaint, but are not available in electronic form]