

IN THE MATTER OF
GENERAL MOTORS CORPORATION, CHEVROLET MOTOR
COMPANY, OLDS MOTOR WORKS, PONTIAC MOTOR
COMPANY, BUICK MOTOR COMPANY, CADILLAC MOTOR
CAR COMPANY, AND GENERAL MOTORS ACCEPTANCE
CORPORATION

COMPLAINT, FINDINGS, AND ORDER IN REGARD TO THE ALLEGED VIOLATION
OF SEC. 5 OF AN ACT OF CONGRESS APPROVED SEPT. 28, 1914

Docket 3001. Complaint, Nov. 30, 1936—Decision, Dec. 8, 1939

Where a corporation engaged in manufacture of a line of motor vehicles and in sale thereof, under various brand names, to public through a number of corporate subsidiaries and, after said subsidiaries' dissolution, through selling subsidiary, and a second concern which it organized to furnish credit to dealers in its said cars and to purchasers at retail buying same from dealer on a deferred payment or credit base, and which concern it entirely owned and controlled—

Featured, or caused to be featured, in numerous and extended advertisements of various kinds and in descriptions therein of their new "6%" plan, as published, directly and through said corporate subsidiaries and through neon lights, mats, and sample advertisements made available to their dealers for use in local advertising, symbol "6%," and so featured same in most of said advertising or advertisements, and in most of which there was not set forth extended explanation found in initial announcement of plan, that attention of purchaser was immediately drawn to said symbol or term and impression gained that there was meant 6 percent simple interest per annum, computed on declining balance as reduced by monthly payments;

Facts being that under method employed of applying charge of one-half of 1 percent per month for period of contract to initial unpaid balance and dividing by number of months involved sum of said balance and figure secured as aforesaid to derive monthly payment of customer, latter paid at rate in excess of 11 percent simple interest on amounts owed on transaction, as reduced by contract's monthly payments;

With effect of causing trade to be unfairly diverted to said corporation and, prior to their dissolution, to its various said subsidiaries, and to said concern, from competitors who did not in any manner misrepresent cost of credit charge for purchasing motor vehicles on installment or deferred payment plan in offer for sale or sale of their said products; to the substantial injury of competitors in commerce among the various States and in the District of Columbia:

Held, That such acts and practices were all to the prejudice and injury of the public and competitors, and constituted unfair methods of competition.

Before *Mr. Edward E. Reardon*, trial examiner.

Mr. James M. Hammond for the Commission.

Mr. John Thomas Smith, of New York City, for respondents.

COMPLAINT

Pursuant to the provisions of an act of Congress, approved September 26, 1914, entitled "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes," the Federal Trade Commission, having reason to believe that General Motors Corporation, Chevrolet Motor Co., Olds Motor Works, Pontiac Motor Co., Buick Motor Co., Cadillac Motor Co., and General Motors Acceptance Corporation, hereinafter referred to as respondents, have been and are using unfair methods of competition in commerce, as "commerce" is defined in said act of Congress, and it appearing to said 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, General Motors Corporation, is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, and having its principal place of business at Detroit, in the State of Michigan.

The respondents, Chevrolet Motor Co., Olds Motor Works, Pontiac Motor Co., Buick Motor Co., and Cadillac Motor Co. are all corporations respectively, organized, existing, and doing business under and by virtue of the laws of the State of Michigan, with their principal place of business at Detroit, in said State.

Respondent, General Motors Acceptance Corporation is a corporation organized, existing, and doing business under and by virtue of the laws of the State of New York, having its principal place of business located in the city of New York, in said State.

PAR. 2. Respondent, General Motors Corporation, for several years last past has been engaged in the business of manufacturing motor vehicles. Said manufacturing business is conducted through its several operating divisions producing Chevrolet, Oldsmobile, Pontiac, Buick, Cadillac, and LaSalle motorcars. The products thus manufactured are sold and shipped by the said General Motors Corporation either directly, or through its wholly owned respondent subsidiary selling corporations, to wit: Chevrolet Motor Co., Olds Motor Works, Pontiac Motor Co., Buick Motor Co., and Cadillac Motor Co. These said motor vehicles, when so sold, are transported from the State or States in which they are manufactured to the purchasers thereof located in a State or States other than the State in which such shipment or shipments originate. Said products also are extensively sold and shipped to various foreign countries.

The said respondent, General Motors Corporation, also owns the respondent, General Motors Acceptance Corporation, which was

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organized by the said respondent, General Motors Corporation, to provide a time-payment plan offered exclusively by dealers in General Motors products. The officers and directors of respondent, General Motors Corporation, are in some instances officers and directors of the respondent subsidiary selling corporations, and also of the respondent, General Motors Acceptance Corporation.

In the course and conduct of business, the respondents have been, and are in competition with other corporations, individuals, firms, and partnerships likewise engaged in similar businesses involving the offering for sale, the sale and distribution of motor vehicles in commerce among and between the various States of the United States and with foreign countries.

PAR. 3. In the course and conduct of business as described in paragraph 2 hereof, the respondent, General Motors Corporation, acting concertedly and in combination and cooperation with each of its respondent subsidiary selling corporations, and with respondent, General Motors Acceptance Corporation, devised, worked out, effectuated, adopted, and used a plan or method of financing the purchase of motor vehicles on a deferred or time payment plan, in connection with the offering for sale and the sale of motor vehicles in commerce among and between the various States of the United States and with foreign countries. The said respondent, General Motors Corporation, and its said respondent subsidiary selling corporations, and their authorized dealers, and the said respondent, General Motors Acceptance Corporation, acting concertedly and in cooperation each with the other, caused advertising matter to be distributed, or circulated between and among the various States of the United States, and also internationally, and through the media of newspapers, magazines, trade journals, circulars, posters, and other printed matter. In such advertising, said plan or method of financing was represented, designated, and referred to as a "6% Plan" and "New GMAC 6% Time Payment Plan."

PAR. 4. In truth and in fact, the aforementioned plan or method of financing the purchase of motor vehicles is not properly, truthfully, or accurately referred to in the advertising as represented in the preceding paragraph in that it tends to convey and conveys to purchasers and prospective purchasers of motor vehicles that said plan or method is a 6 percent simple interest plan of financing, whereas it actually refers to a plan of financing involving a 6 percent interest charge on the full amount of the account originally financed from the date it begins to run to the date the account is closed, regardless of the fact that the account is divided into, and amortized gradually and regularly by, monthly payments of equal amounts. For that

reason, the said plan or method actually is a financing plan which involves the payment of interest at a rate much in excess of, or substantially 100 percent greater than the "6%" feature in the aforesaid advertising.

PAR. 5. The advertising matter as represented in paragraph 3 has the capacity and tendency to mislead and deceive, and does mislead and deceive a substantial part of the purchasing public into the erroneous belief that the said finance plan or method as above set forth contemplates a simple interest charge at the rate of 6 percent per annum upon the deferred and unpaid balances of the purchase price of motor vehicles and tends to and causes such purchasing public to buy motor vehicles in that belief. The interest rate of said finance plan or method actually amounts to almost 12 percent.

PAR. 6. The acts and practices of the several respondents, as herein set out, including the use of such advertising, as above set forth, have the capacity and tendency to, and do, serve to cause trade to be unfairly diverted to respondent, General Motors Corporation, its respondent subsidiary companies and authorized dealers, and to the respondent, General Motors Acceptance Corporation, and its affiliated companies, from competitors who do not adopt or use equivalent methods of advertising in the offering for sale or sale of motor vehicles. As a result thereof, substantial injury has been and is now being done by each and all of the respondents to competition in commerce among and between the various States of the United States.

PAR. 7. The aforementioned methods, acts, and practices of respondents are all to the prejudice of the public and respondents' competitors as hereinabove alleged. Said methods, acts, and practices constitute unfair methods of competition in commerce within the intent and meaning of section 5 of an act of Congress, entitled "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes," approved September 26, 1914.

REPORT, FINDINGS AS TO THE FACTS, AND ORDER

Pursuant to the provisions of the Federal Trade Commission Act, the Federal Trade Commission issued a complaint on November 30, 1936, against the respondents in this proceeding, General Motors Corporation, Chevrolet Motor Co., Olds Motor Works, Pontiac Motor Co., Buick Motor Co., Cadillac Motor Car Co., and General Motors Acceptance Corporation, and caused the complaint to be served upon the respondents, charging them with the use of unfair methods of competition in commerce in violation of the provisions of the Federal Trade Commission Act.

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The respondents, General Motors Corporation, Chevrolet Motor Co., Olds Motor Works, Pontiac Motor Co., Buick Motor Co., and Cadillac Motor Car Co., filed their joint answer to the complaint on December 23, 1936.

The respondent, General Motors Acceptance Corporation, filed its separate answer to the complaint on December 23, 1936.

Thereafter, testimony and other evidence in support of the allegations of the complaint were introduced by James M. Hammond, attorney for the Commission, before Edward E. Reardon, theretofore duly designated an examiner of the Commission. At the conclusion of the taking of testimony and other evidence in support of the allegations of the complaint, the respondents, by their attorney John Thomas Smith, represented by Anthony J. Russo of counsel, rested the case without the introduction of testimony or evidence in opposition to the allegations of the complaint.

The testimony and other evidence introduced were duly recorded and filed in the office of the Commission.

Thereafter, the proceeding regularly came on for final hearing before the Commission upon the complaint; the joint answer of the respondents, General Motors Corporation, Chevrolet Motor Co., Olds Motor Works, Pontiac Motor Co., Buick Motor Co., and Cadillac Motor Car Co.; the separate answer of respondent, General Motors Acceptance Corporation; the testimony and other evidence; brief in support of the complaint and brief of respondents in opposition thereto; and, the Commission having duly considered the matter, and being now fully advised in the premises, finds that this proceeding is in the interest of the public and makes this its findings as to the facts and its conclusion drawn therefrom:

FINDINGS AS TO THE FACTS

PARAGRAPH 1. The respondent, General Motors Corporation (hereinafter referred to as General Motors) was organized pursuant to the laws of the State of Delaware in 1916.

At all times since its incorporation it has been engaged in the manufacture and sale of motor vehicles. Its products are sold under the names and are commonly referred to as Chevrolets, Oldsmobiles, Pontiacs, Buicks, Cadillacs, and various and sundry other names. Its extended interests are administered through the medium of a number of subsidiaries by which means it promotes its various activities involving the sale of its cars, accessories, and parts to the purchasing public and the financing of credit transactions pertaining to those sales. Its principal office and place of business is at Detroit,

Mich., in which State its principal factories also have their situs. It operates other factories and a considerable number of assembly plants in various other States. Its products are shipped from the State of Michigan and from its assembly plants to points throughout the United States and into the District of Columbia, for sale to the purchasing and consuming public through subsidiary corporations organized for that purpose.

PAR. 2. The respondent, Chevrolet Motor Co. (hereinafter referred to as the Chevrolet Co.) was incorporated under the laws of New Jersey prior to 1916. The respondents, Olds Motor Works (hereinafter referred to as the Olds Co.), the Pontiac Motor Co. (hereinafter referred to as the Pontiac Co.), the Buick Motor Co. (hereinafter referred to as the Buick Co.), and the Cadillac Motor Car Co. (hereinafter referred to as the Cadillac Co.), were each incorporated under the laws of Michigan prior to 1920, except the Pontiac Co., which was organized as a Michigan corporation prior to 1933. The principal place of business of all five of these companies was, prior to their dissolution at Detroit, Mich.

All of the capital stock of these five subsidiaries prior to their dissolution, except the necessary qualifying shares held in the names of individuals, was owned by General Motors. The functions of these five subsidiaries in the General Motors organization for a long time prior to the issuance of the complaint herein and up to the time of their dissolution consisted solely in marketing the cars manufactured by General Motors.

PAR. 3. At about the time of the issuance of the complaint herein, the Chevrolet, Pontiac, Olds, Buick, and Cadillac companies were dissolved and their assets transferred to General Motors. All of their functions were immediately assumed by a single corporation newly organized for that purpose known as the General Motors Sales Corporation. The new company was incorporated in 1936, pursuant to the laws of the State of Delaware and is a wholly owned subsidiary of General Motors with its principal office and place of business in the General Motors Building, Detroit, Mich. It is now, and has been since its organization, engaged in selling substantially all of the cars manufactured by General Motors for domestic consumption. It exercises within the General Motors organization all of the functions of the now dissolved Chevrolet, Pontiac, Olds, Buick, and Cadillac companies. At all times since it commenced operating it has exercised the same duties as the pre-existing Chevrolet, Pontiac, Olds, Buick, and Cadillac companies to whose functions it succeeded in the General Motors organization.

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PAR. 4. The respondent, General Motors Acceptance Corporation (hereinafter referred to as GMAC), was incorporated in 1919 in the State of New York. It is entirely owned and controlled by General Motors and was organized by that company for the purpose of furnishing credit to dealers when purchasing cars from General Motors or its subsidiaries, and to retail purchasers when cars are bought by them on a deferred payment or credit basis.

Its credit facilities are made available to retail purchasers by furnishing a ready means whereby the retail dealer may dispose of the installment contracts given him by retail purchasers. By this process the retail purchaser may contract to buy a car manufactured by General Motors on a deferred-payment basis. The dealer in turn is at liberty to assign this contract to GMAC, if acceptable to that company, and receives the approximate value therefor, whereupon GMAC collects the monthly installments from the retail purchaser as they become due. GMAC functions exclusively in connection with sales negotiated by authorized dealers in cars manufactured by General Motors except as to used cars of other makes taken by those dealers in trade.

PAR. 5. At all times since 1934 General Motors has manufactured all of its cars regardless of the type or brand name under which they are commonly sold. Immediately following their manufacture these cars were sold to the Chevrolet, Olds, Pontiac, Buick, and Cadillac companies up to the time of their dissolution as above stated. These companies functioned only as selling agencies and, except for the small percentage of cars sold by them at their own retail stores, or sold by General Motors itself, as hereinafter described, disposed of the entire General Motors production of cars to authorized retail dealers in General Motors' cars, of whom there are several thousand located in all parts of the United States. The retail dealers in turn sold these cars to the public, being aided in that respect by the entire General Motors corps of subsidiaries named as respondents herein and the General Motors Sales Corporation following its organization.

Since dissolution of the Chevrolet, Olds, Pontiac, Buick, and Cadillac companies in the fall of 1936, the General Motors Sales Corporation has taken title to substantially all cars manufactured by General Motors for domestic distribution and disposed of them to the public through the medium of its authorized dealers in the same manner as the dissolved subsidiaries carried out their functions in this respect prior to their dissolution. The names of the dissolved corporations were continued as division names in the new selling company, such as Chevrolet division, General Motors Sales Corporation. The retail stores formerly maintained by the dissolved

companies continued to be and still are operated by the General Motors Sales Corporation.

PAR. 6. All of the respondents named in this proceeding, including the five dissolved selling subsidiaries, at the time of the institution of this proceeding and for a long time prior thereto, were in competition with other companies likewise engaged in the sale of motor vehicles in commerce among and between the various States of the United States and in the District of Columbia. The General Motor Sales Corporation has been likewise engaged in competition in said commerce since it took over the functions of the five dissolved selling subsidiaries as above described.

PAR. 7. Prior to their dissolution the Chevrolet, Pontiac, Buick, and Cadillac companies maintained several retail stores wherein cars manufactured by General Motors were sold direct to the public. Two of these stores were maintained by the Chevrolet Co. in Michigan. The Cadillac Co. maintained retail stores in New York, Michigan, and Illinois, which sold both Cadillac and LaSalle cars. The Buick Co. and the Pontiac Co. both maintained retail stores in Michigan. All of the balance of the cars manufactured by General Motors, except a few sold by General Motors itself, passed through the hands of its selling subsidiaries direct to the public through the medium of the authorized dealers in General Motors products. General Motors does not deal with these dealers direct, but through its selling subsidiaries.

The relationship between the dealer and the selling subsidiary of General Motors with whom he dealt was and is established by contract which was subject to cancellation on short notice. These contracts outline generally the way in which the dealer shall conduct his business and the manner in which he may purchase and sell the type of car in which he deals. Respondents furnished, or made available to the dealers, the necessary forms for keeping their accounts, making reports, purchasing and selling cars and computing the charges under the "6%" plan hereinafter described.

General Motors Sales Corporation now sells, and prior to its organization the five dissolved companies sold, the cars manufactured by General Motors either to the dealer for cash or on credit arranged through General Motors Acceptance Corporation. The dealer in turn sold to the retail purchaser for cash or on credit. In the latter case a conditional sales contract, chattel mortgage, or similar credit device, was executed by the retail purchaser, depending upon the law of the State in which the transaction occurred, providing for the discharge of the debt in monthly payments, usually over a period of 12, 18, or 24 months.

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PAR. 8. The control of General Motors over its subsidiaries, to wit, Chevrolet, Olds, Pontiac, Buick, Cadillac, GMAC, and General Motors Sales Corporation, was and is complete, both through stock control and through the medium of an interlocking directorate. Directors and officers of General Motors were likewise officers and directors of each of these subsidiaries.

PAR. 9. In the fall of 1935 the respondent General Motors, through its various subsidiaries, announced a plan of financing the purchase of the several brands of motor vehicles manufactured and distributed by it, as aforesaid, on a deferred or installment payment plan which was referred to and described as the "6%" or "Six Per Cent" plan. This plan was first advertised by General Motors through its subsidiary GMAC in an advertisement which appeared in newspapers of wide and general circulation on October 2, 1935. The initial advertisement was as follows:

GMAC

GENERAL MOTORS ACCEPTANCE CORPORATION

REDUCES TIME PAYMENT COSTS ON NEW CARS

With a new 6% Plan

SIMPLE AS A, B, C

A—TAKE YOUR UNPAID BALANCE

B—ADD COST OF INSURANCE

C¹—MULTIPLY BY 6%—12 months' plan

(One-half of one percent per month for periods more
or less than 12 months)

That's your *whole* financing cost. No extras. No
service fees. No other charges.

GMAC announces today a new, economical way to buy any new General Motors car from General Motors dealers all over the United States.

It's the plan you've been waiting for—a plan you can understand at a glance. It is far simpler and more economical than any other automobile time payment arrangement you've ever tried.

Actually as simple as A, B, C—this new plan provides for convenient time payments of the unpaid balance on your car—including cost of insurance and a financing cost of 6%. This represents a considerable reduction in the cost of financing car purchases. It is not 6% interest, but simply a convenient multiplier anyone can use and understand. Nothing is added in the way of so-

¹ In some States a small legal documentary fee is required.

called *service* or *carrying* charges. There are no extras. Simply a straight forward, easy-to-understand transaction.

This simple step brings the world's finest cars within reach of thousands who have long needed new cars. When you buy a new Cadillac or Buick, Chevrolet or Pontiac, Oldsmobile or LaSalle, on this new plan, you actually save money!

And finally—buyers under this new plan receive an insurance policy in the *General Exchange Insurance Corporation* which protects them against Fire, Theft, and Accidental Damage to their cars.

(Block here asking owners to make comparison with other finance plans.)

OFFERED ONLY BY DEALERS IN

CHEVROLET CARS & TRUCKS—PONTIAC—OLDSMOBILE—
BUICK—LaSALLE—CADILLAC

* * * * *

Following the appearance of this advertising matter many similar advertisements were published both by GMAC and by the other five selling subsidiaries of respondent, to wit, the Chevrolet, Pontiac, Olds, Buick, and Cadillac companies. Some of them gave an extended explanation of the "6%" plan, such as is given in the advertisement quoted in full above, but most of them did not and confined themselves to a short reference to the "6%" plan. Typical references to the "6%" plan in these advertisements are as follows:

Chevrolet:

Compare Chevrolet's low delivered prices and the new, greatly reduced GMAC 6% Time Payment Plan.

Pontiac:

All Pontiac cars can be bought on GMAC's new 6% Plan which greatly reduces the cost of buying on time.

Olds:

New 6% GMAC Time Payment Plan.

Buick:

The new GMAC 6% TIME PAYMENT PLAN not only simplifies financing but actually cuts the cost of buying a car on time.

LaSalle:

Available on GMAC's new 6% Time Payment Plan.

Cadillac:

Available on GMAC's new 6% time payments.

In addition to these advertisements, the "6%" plan was highly publicized by the use of billboards and window posters. In many of these advertisements the symbol "6%" was featured in a size far greater than most of the other lettering in the advertisement. All of these advertisements were paid for by GMAC or the other selling subsidiaries of General Motors as indicated herein, entirely from their

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own funds or from a fund known as the "dealers' fund," which was collected and controlled by the selling subsidiaries. Money for the "dealers' fund" was raised by billing the dealers a specified amount in the invoice pertaining to each car sold to them. This charge was in turn passed along to the retail purchaser by the dealer. Neon signs featuring the term "6%" were also made available by said subsidiaries to dealers as were mats and sample advertisements for use in inserting advertisements in local newspapers, magazines, or circulars, at the dealer's expense.

The function and purpose of all this advertising, including that published by GMAC, was to promote and further the sale to the purchasing public of new cars manufactured by General Motors.

PAR. 10. The announcement and use of the "6%" plan by General Motors gave that company such an advantage over competitive motorcar manufacturers that all of its principal competitors promptly announced similar plans for financing the sale of new cars on a deferred-payment basis, and by the middle of January 1936, all of these competitors had announced similar "6%" financing plans. Complaints were issued by the Commission against all of these manufacturers. The names of the principal respondents and the docket numbers of these cases are as follows:

Docket 3000—Nash Motors Co.

Docket 3002—Chrysler Corporation, et al.

Docket 3003—Graham-Paige Motors Corporation, et al.

Docket 3004—Hudson Motor Car Co., et al.

Docket 3005—Ford Motor Co., et al.

Docket 3006—Reo Motor Car Co.

Docket 3007—Packard Motor Car Co.

The complaints in these cases were substantially similar to the complaint in the instant proceeding. All of these respondents, with the exception of the Ford Motor Co., chose to stipulate the facts and agreed to cease and desist from the acts and practices alleged in these complaints. These agreements were executed at various dates during the spring and summer of 1936. These companies were forced to adopt the "6%" plan to promote the sale of motor vehicles because of the competitive disadvantage at which they were placed in view of the prior adoption and advertisement of such plan by General Motors and its subsidiaries.

PAR. 11. The respondent General Motors and its subsidiaries discontinued advertising the "6%" plan during the spring or summer of 1936. The General Motors Sales Corporation never published a "6%" plan advertisement although General Motors through its subsidiaries

has placed in the hands of its dealers the requisite contract forms, tabulations, and data necessary to compute the "6%" plan, which plan is still used by the respondent General Motors and its subsidiaries although not publicly advertised by them.

PAR. 12. In most of the "6%" advertising sponsored by the respondents herein, the term "6%" was featured in such a way that the attention of the purchaser or prospective purchaser was immediately drawn to it. The testimony of the members of the public who were called to explain the impression they gained from these advertisements shows, and the Commission finds, that when the term "6%" is used in connection with monthly payments, it is understood to mean 6 percent simple interest per annum computed on the declining balance as reduced by said monthly payments.

As actually carried out in practice by the respondent General Motors and its subsidiaries the "6%" plan was computed by multiplying the unpaid balance on the car purchased by 6 percent in cases where the balance was to be paid in monthly installments over a period of 1 year. If for a shorter or longer period, the charge was one-half of 1 percent per month, so that for a period of 18 months the multiplier was 9 percent and for 24 months it was 12 percent. The sum thus obtained by this computation was then added to the original unpaid balance of the purchase price of the car and the total divided by the number of months over which the contract extended, for the purpose of obtaining the amount of each monthly installment. By this means there was no reduction of the amount charged under the "6%" plan to correspond with the diminution of the original unpaid balance by the monthly installments paid by the retail purchaser. The purchaser paid 6 percent, 9 percent, or 12 percent as the case might be, on the total amount originally owed which resulted in a charge of approximately 11½ percent simple interest per annum on an original balance as reduced by monthly payments instead of 6 percent interest as was generally implied. An example showing the difference in the amount paid by the purchaser under the 6 percent-plan and the amount that would have been paid at 6 percent simple interest per annum computed on the declining balance as reduced by the monthly installment payments made is as follows:

On an original unpaid balance of \$400 amortized in equal monthly installments over a period of 18 months, the total charge for financing under the 6-percent plan was \$36, which amounts to 11.3684 percent simple interest per annum. If the \$400 balance were amortized in a like manner in equal monthly installments over 18 months, the charge

for this credit computed at the rate of 6 percent interest per annum on the declining balance as reduced by the monthly payments would amount to a total of only \$19 or \$17 less than that charged under the "6%" plan. Other computations show that on an original balance of \$300 paid in monthly installments over 1 year the "6%" plan charge was at the rate of 11.0769 percent interest per annum; on a 24-month debt of \$600 the charge was equivalent to 11.52 percent interest.

The advertisements published by GMAC all furthered the sale of cars manufactured by General Motors. It was financially interested in promoting these sales. It was a subsidiary of General Motors and dealt exclusively with General Motors dealers. The record shows that during 1936 alone, it purchased 710,924 installment contracts covering new cars sold by General Motors dealers and that the unpaid balance on these contracts averaged \$550 each. This business represented between 65 percent and 70 percent of all time-payment contracts on new cars negotiated by General Motors retail dealers during that year. Although GMAC was organized primarily as a finance company, to furnish credit to dealers and retail purchasers of General Motors cars, its activities in promoting the sales of General Motors cars, at retail as herein found, places it in the same category as the other sales subsidiaries of General Motors and it has and does promote the sale of such motor vehicles through such advertising matter. Other companies engaged in automobile financing of a general nature found a considerable reduction in business following the announcement of respondents' "6%" plan.

PAR. 13. There was, and is, a regular flow of commerce in said motor vehicles from the factories of the respondent General Motors in the State of Michigan to the retail purchasers thereof in other States, through retail dealers and, prior to their dissolution, through the Chevrolet, Pontiac, Olds, Buick, and Cadillac companies, and subsequently through their successor, General Motors Sales Corporation and this movement of motor vehicles manufactured by General Motors from the factories maintained by it in the State of Michigan, to said retail purchasers in other States was furthered, aided and assisted by the acts and practices of the respondent GMAC. General Motors and its subsidiaries, including GMAC, aided and assisted in the promotion and sale of motor vehicles by retail dealers through the medium of said "6%" or "six per cent" plan of financing deferred or installment payments on new motor vehicles and the advertisement and use of this plan by General Motors and its subsidiaries, including GMAC, increased the retail sale of new motor vehicles manufactured by General Motors to the benefit of it and its subsidiaries.

PAR. 14. The advertisements of the respondents herein as outlined in paragraph 9 hereof have the capacity and tendency to mislead and deceive, and have misled and deceived, a substantial part of the purchasing public into the erroneous and mistaken belief that the said "6%" or "six per cent" finance plan, as above set forth, contemplates a simple interest charge of 6 percent per annum upon the deferred and unpaid balance of the purchase price of the motor vehicles sold by the respondents, and tends to cause, and has caused, such purchasing public to buy motor vehicles manufactured by General Motors because of that erroneous and mistaken belief, when in truth and in fact the total of the credit charge, computed in accordance with said "6%" or "six per cent" plan, amounts to approximately 11½ per cent simple interest per annum upon the deferred and unpaid balance, as diminished by the installment payments made, of the price of the motor vehicles sold to the purchasing public.

PAR. 15. The acts and practices of the several respondents herein had the capacity and tendency to and did, cause trade to be unfairly diverted to respondents General Motors, GMAC, and, prior to their dissolution, to the Chevrolet, Pontiac, Olds, Buick, and Cadillac companies, from competitors who did not, and who (including those stipulating to cease and desist) do not, in any manner misrepresent the cost of the credit charge for purchasing motor vehicles on the installment or deferred-payment plan in the offering for sale or sale of motor vehicles. As a result thereof, substantial injury has been done by the respondents to competitors in commerce among and between the various States of the United States and in the District of Columbia.

CONCLUSION

The aforesaid acts and practices of the respondent General Motors Corporation and its subsidiary, the respondent General Motors Acceptance Corporation, and prior to their dissolution, the respondents Chevrolet Motor Co., Olds Motor Works, Pontiac Motor Co., Buick Motor Co., and Cadillac Motor Car Co., were and are all to the prejudice and injury of the public and of competitors of said respondents, and constitute unfair methods of competition in commerce within the intent and meaning of the Federal Trade Commission Act.

ORDER TO CEASE AND DESIST

This proceeding having been heard by the Federal Trade Commission upon the complaint of the Commission, the joint answer of respondents, General Motors Corporation, Chevrolet Motor Co., Olds

Motor Works, Pontiac Motor Co., Buick Motor Co., and Cadillac Motor Car Co., and the separate answer of the General Motors Acceptance Corporation, testimony and other evidence taken before Edward E. Reardon, an examiner of the Commission theretofore duly designated by it in support of the allegations of said complaint, and in opposition thereto, briefs, filed herein by James M. Hammond, counsel for the Commission, and by John Thomas Smith, represented by Anthony J. Russo, of counsel, attorneys for the respondents, and the Commission having made its findings as to the facts and its conclusion that said respondents have violated the provisions of the Federal Trade Commission Act.

It is ordered, That the respondent General Motors Corporation, directly or through its subsidiary, General Motors Sales Corporation, or any other subsidiary, and respondent General Motors Acceptance Corporation, their respective officers, representatives, agents, and employees, in connection with the offering for sale, sale, and distribution of motor vehicles or any other products in interstate commerce or in the District of Columbia, do forthwith cease and desist from:

1. Using the words "six per cent" or the figure and symbol "6%" or any other words, figures or symbols indicating percentage, in connection with the cost of, or the additional charge for, the use of a deferred or installment payment plan of purchasing motor vehicles or any other product, when the amount of such cost or charge collected from, or to be paid by, the purchaser of a motor vehicle or any other product under such plan is in excess of simple interest at the rate of 6 percent per annum, or at the rate indicated by such words, figures, or symbols, calculated on the basis of the unpaid balance due as diminished after crediting installments as paid;

2. Acting concertedly or in cooperation with any company, firm, or individual, or with any of their agents or dealers, in a way calculated to further the sale of motor vehicles or any other product through use of the methods referred to in paragraph 1 of this order.

It is further ordered, That the complaint be, and the same hereby is, dismissed as to the respondents Chevrolet Motor Co., Olds Motor Works, Pontiac Motor Co., Buick Motor Co., and Cadillac Motor Car Co., in view of the dissolution of these corporations since the institution of this proceeding.

It is further ordered, That the respondents shall, within 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.

Syllabus

IN THE MATTER OF
FORD MOTOR COMPANY AND UNIVERSAL CREDIT
CORPORATION

COMPLAINT, FINDINGS, AND ORDER IN REGARD TO THE ALLEGED VIOLATION
OF SEC. 5 OF AN ACT OF CONGRESS APPROVED SEPT. 26, 1914

Docket 3005. Complaint, Dec. 1, 1936—Decision, Dec. 8, 1939

Where a corporation engaged, as one of largest producers and with wide influence, in manufacture of all types of automobiles, including trucks, and in transportation and sale of its said products and parts from its place of business and assembly plants at various points in the United States to several thousand retail dealer outlets throughout the United States;

Acting concertedly and in cooperation with a concern which it originally organized and incorporated to furnish credit to its dealers and retail purchasers, and which concern confined its business entirely to financing sale of cars, accessories, and parts made by said corporation and sold to its dealers and to financing retail sales of said corporation's cars by dealers to public, excepting only such used cars of other makes as were taken in trade by dealers, and which simultaneously published advertisements similar to those hereinbelow set forth, and following the announcement and adoption of similar plans by various competitors of such corporation—

Announced, through press release and in newspaper advertisements, its "\$25-A-MONTH TIME PAYMENTS AND A NEW UCC 6% FINANCE PLAN," and referred thereto in many other advertisements, some of which, like original announcement, contained explanatory data with reference to working of plan in question, and others of which merely referred to so-called "6%" plan in some such way as "new UCC 6% finance plan" and "6% Plan of Financing. Total cost of credit is only $\frac{1}{2}$ % monthly on original unpaid balance and insurance. (6% for 12 months);"

Facts being plan in question, under which there was added to the original unpaid balance charge amounting to one-half of 1 percent a month for the number of months provided for payment thereof in particular contract, and sum thus arrived at, together with insurance coverage, was divided by said number of months to arrive at amount of customer's monthly payment, did not result in charge of 6 percent simple interest on amount owed under contract by customer as reduced from month to month by payments made, but amounted to approximately $11\frac{1}{2}$ percent simple interest per annum on indebtedness as provided by customer's contract;

With effect of misleading and deceiving substantial part of purchasing public into erroneous belief that said finance plan or method, as above set forth contemplated a simple interest charge at the rate of six percent per annum upon the deferred and unpaid balance of the purchase price of motor vehicles, and of causing such public to buy said products from it through its authorized dealers and agents because of such belief, and of causing trade to be unfairly diverted to it and to its authorized dealers from competitors who did not in any manner misrepresent the cost of the credit charge for