

Complaint

IN THE MATTER OF

CONTINENTAL FURNITURE SALES, INC., DOING
BUSINESS AS AL AND LEON'S, ET AL.

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

Docket C-1991. Complaint, July 26, 1971—Decision, July 26, 1971

Consent order requiring a Seattle, Wash., seller of furniture and household goods to cease violating the Truth in Lending Act by failing to use on installment contracts the terms cash price, cash downpayment, unpaid balance of cash price, amount financed, annual percentage rate, total of payments, and deferred payment price, and failing to provide other information as required by Regulation Z of said Act.

COMPLAINT

Pursuant to the provisions of the Truth in Lending Act and the implementing regulation promulgated thereunder, 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 Continental Furniture Sales, Inc., a corporation, and Leon B. Mezistrano, and Neiso H. Moscatel, individually and as officers of said corporation, hereinafter referred to as respondents, have violated the provisions of said Acts and implementing regulation, 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 Continental Furniture Sales, Inc., is a corporation organized existing and doing business under and by virtue of the laws of the State of Washington with its principal office and place of business located at 2037 First Avenue, Seattle, Washington.

Respondents Leon B. Mezistrano, and Neiso H. Moscatel are officers of the corporate respondent. They formulate, direct and control the policy, acts and practices of the corporation, including the acts and practices hereinafter set forth. Their address is the same as that of the corporate respondent.

PAR. 2. Respondents are now, and for some time last past have been engaged in selling furniture and household goods to the public.

PAR. 3. In the ordinary course of their business as aforesaid, respondents regularly extend consumer credit and arrange for the ex-

tension of consumer credit, as "consumer credit" and "arrange for the extension of consumer credit" are defined in Regulation Z, the implementing regulation of the Truth in Lending Act, duly promulgated by the Board of Governors of the Federal Reserve System.

PAR. 4. Subsequent to July 1, 1969, in the ordinary course of their business as aforesaid, and in connection with their credit sales, as "credit sale" is defined in Regulation Z, respondents have caused and are causing their customers to enter into contracts for the sale of respondent's goods and services. On these contracts, hereinafter referred to as the "contract," respondents provide certain consumer credit cost information. Respondents do not provide these customers with any other consumer credit cost disclosures.

By and through use of the contract, respondents:

1. Fail to use the term "unpaid balance of cash price" to describe the difference between the cash price and the total downpayment as required by Section 226.8(c) (3) of Regulation Z.

2. Fail to disclose the sum of the cash price, all charges which are included in the amount financed but which are not part of the finance charge, and the finance charge, and to describe that sum as the "deferred payment price," as required by Section 226.8(c) (8) (ii) of Regulation Z.

3. Fail to disclose the "annual percentage rate" accurately to the nearest quarter of one percent, in accordance with Section 226.5 of Regulation Z, as required by Section 226.8 (b) (2) of Regulation Z.

4. Fail to disclose the "amount financed" as required by Section 226.8(c) (7) of Regulation Z.

5. Fail to disclose the number of payments scheduled to repay the indebtedness as required by Section 226.8(b) (3) of Regulation Z.

PAR. 5. Respondents fail in rental agreements with an option to buy when such agreements fall within the definition of "credit sale," as defined by Regulation Z Section 226.2(n), to make all of the disclosures required by Section 226.8 of Regulation Z, in the manner and form prescribed therein.

PAR. 6. Pursuant to Section 103(k) of the Truth in Lending Act, respondents' aforesaid failures to comply with the provisions of Regulation Z constitute violations of that Act and, pursuant to Section 108 thereof, respondents have thereby violated 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 Seattle 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 Truth in Lending Act.

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 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 § 2.34(b) of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order.

1. Respondent Continental Furniture Sales, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Washington with its principal offices and principal place of business located at 2037 First Avenue, Seattle, Washington.

Respondents Leon B. Mezistrano and Neiso H. Moscatel are officers of said corporation and their address is the same as that of said corporation. They formulate, direct and control the policies, acts and practices of said corporation.

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

ORDER

It is ordered, That respondents Continental Furniture Sales, Inc., a corporation, and its officers, and Leon B. Mezistrano and Neiso H. Moscatel, individually and as officers of said corporation, and respondents' agents, representatives, and employees, directly or through any corporate or other device, in connection with any con-

sumer credit sale of furniture or any other merchandise or service, as "credit sale" is defined in Regulation Z (12 CFR § 226) of the Truth in Lending Act (Pub. L. 90-321, 15 U.S.C. 1601 *et seq.*), do forthwith cease and desist from:

(1) Failing to employ the term "*cash price*" as defined in Regulation Z, to describe the price at which respondents offered to sell for cash the goods or services which are the subject of a consumer credit transaction, as required by Section 226.8(c) (1) of Regulation Z.

(2) Failing to employ the term "*cash downpayment*" to describe any downpayment in money, as required by Section 226.8(c) (2) of Regulation Z.

(3) Failing to employ the term "*unpaid balance of cash price*" to describe the difference between the cash price and the total downpayment, as required by Section 226.8(c) (3) of Regulation Z.

(4) Failing to disclose the "*amount financed*," using that term, to describe the balance financed, as required by Section 226.8(b) (7) of Regulation Z.

(5) Failing to disclose the "*finance charge*" and the "*annual percentage rate*," using those terms, in credit transactions where finance charges are imposed in the manner and form required by Sections 226.4, 226.5, 226.6 and 226.8 of Regulation Z.

(6) Failing to disclose the "*total of payments*," using that term, to describe the dollar amount of the payments scheduled to repay the indebtedness, as required by Section 226.8(b) (3) of Regulation Z.

(7) Failing to disclose the number, amount and due dates or periods of payments scheduled to repay the indebtedness, and to describe any payment which is more than twice the amount of an otherwise regularly scheduled equal payment as a "balloon payment" as required by Section 226.8(b) (3) of Regulation Z.

(8) Failing to disclose the "*deferred payment price*," using that term, to describe the sum of the cash price, all other charges individually itemized, and the finance charge as required by Section 226.8 (c) (8) (ii) of Regulation Z.

(9) Failing to identify the method of computing any unearned portion of the finance charge in the event of prepayment of the obligation, or failing to state the amount or method of computation of any charge that may be deducted from the amount of any rebate of such finance charge that will be cred-

ited to the obligation or refunded to the customer, whether by failing to state that such charge will be deducted before or after computation of the unearned portion or otherwise, as required by Section 226.8(b) (7) of Regulation Z.

(10) Failing, in any credit transaction to make all disclosures required by Sections 226.6, 226.7 and 226.8 of Regulation Z in any manner and form prescribed therein.

(11) Failing, in any transaction in which respondents retain or acquire a security interest in real property which is used or is expected to be used as the principal residence of the customer, to comply with all requirements regarding the right of rescission set forth in Section 226.9 of Regulation Z.

(12) Stating, in any advertisement, that a specific installment amount can be arranged, unless respondents usually and customarily arrange or will arrange installments in that amount, as required by Section 226.10 (a) (1) of Regulation Z.

(13) Stating, in any advertisement, the rate of any finance charge unless respondents state the rate of that charge expressed as an "annual percentage rate," as required by Section 226.10(d) (1) of Regulation Z.

(14) Stating the amount of the downpayment required and the amount of monthly installment payments which can be arranged in connection with a consumer credit transaction, without also stating all of the following items, in terminology prescribed under Section 226.8 of Regulation Z, as required by Section 226.10(d) (2) thereof:

(i) The cash price;

(ii) The amount of the downpayment required or that no downpayment is required, as applicable;

(iii) The number, amount, and due dates or period of payments scheduled to repay the indebtedness if the credit is extended;

(iv) The amount of the finance charge expressed as an annual percentage rate; and

(v) The deferred payment price.

It is further ordered, That a copy of this order to cease and desist be delivered to all present and future personnel of respondents engaged in the consummation of any consumer credit transaction or in any aspect of preparation, creation, and placing of advertising, and to secure from each such person a signed statement acknowledging receipt of said order.

Decision and Order

79 F.T.C.

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, 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 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.
