

Complaint

79 F.T.C.

IN THE MATTER OF

CARTE BLANCHE CORPORATION

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE
FEDERAL TRADE COMMISSION ACT

Docket C-2006. Complaint, Aug. 13, 1971—Decision, Aug. 13, 1971

Consent order requiring a major credit card service with headquarters in Los Angeles, Calif., to cease misrepresenting that any excess payment by a cardholder will be applied to the customer's account so as to decrease the amount of finance charges imposed, misrepresenting that no affirmative action by cardholder is required to so credit excess payments, and failing to clearly incorporate a statement on its monthly bills that excess payments will be credited against customer's deferred airline contract.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that Carte Blanche Corporation, a corporation, hereinafter referred to as respondent, has violated the provisions of said Act, 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 Carte Blanche Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its principal office and place of business located at 3460 Wilshire Boulevard, Los Angeles, California.

PAR. 2. Respondent is now, and for some time last past has been, engaged in the advertising, offering for sale, and sale of memberships in a credit card service known as "Carte Blanche" to individuals and business enterprises. Each member cardholder pays an annual membership fee which entitles him to charge purchases and services sold or rendered by many hotels, motels, gasoline service stations, airlines, gift shops, retail stores and similar establishments throughout the United States.

PAR. 3. In the course and conduct of its credit card service, respondent now sells, and for some time last past has sold, from its place of business in the State of California, its credit card service to purchasers thereof located in various other States of the United States, and maintains and at all times mentioned herein has maintained, a substantial course of trade in said credit card service in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of its business, respondent contracts with sellers of goods and services to accept its "Carte Blanche" credit card in lieu of cash. Respondent pays the seller for purchases made by its member cardholders and bills the individual cardholders monthly for those purchases.

By the terms of respondent's agreement with its cardholders, all amounts are due and payable at the time the billing statement is received, except certain amounts reflecting the purchase of airline tickets, which may be paid in monthly installments if the cardholder so elects. A finance charge is imposed on the unpaid balance of any amount reflecting an airline ticket purchase which is paid in monthly installments.

PAR. 5. In the course and conduct of its business, and for the purpose of inducing its cardholders to make payments in excess of the minimum installment due, respondent makes the following statements on its monthly billing statement sent to member cardholders:

AIRLINE CHARGES

EXPLANATION OF EXTENDED PAY PLAN

If you purchased air transportation and requested billing under the airline extended pay plan, monthly installments are billed as follows:

AMOUNT OF INDIVIDUAL TICKET	MONTHLY INSTALLMENT
\$600 or less	1/12th (min. \$10 per mo.)
\$600.01 to \$900	1/18th
\$900.01 or more	1/24th

Larger payments may be made, or the entire remaining balance may be paid at any time without penalty.

A monthly FINANCE CHARGE imposed at the periodic rate of 1½ percent of the unpaid balance at billing date is added in accordance with tariff filed by airline. This is an ANNUAL PERCENTAGE RATE OF 18 PERCENT.

Default in any payment due may, at our option, render the entire balance due.

PAR. 6. Through the use of the statements set forth in Paragraph Five, respondent has represented, directly or by implication:

1. That any monthly amount paid to respondent which exceeds the sum of amounts past due, total current charges, and the minimum installments due on deferred airline contracts, would be credited to the unpaid balance on deferred airline contracts.
2. That the excess payment, as aforesaid, would be applied so as to decrease the amount of finance charges imposed.
3. That no affirmative action would be required on the part of the customer to insure that such excess payments would be applied so as to reduce finance charges imposed.

PAR. 7. In truth and in fact:

1. Amounts paid which exceed the sum of past due amounts, total current charges, and the minimum installments due on deferred airline contracts, are credited against total current charges, excluding the balance due on deferred airline contracts.

2. Excess payments are not applied so as to reduce finance charges; rather, a credit balance is created which in no way reduces finance charges that are imposed on the balance due on deferred airline contracts.

3. In order for excess payments to be credited to the unpaid balance in any deferred airline contract account, the customer must inform respondent in writing or otherwise of his affirmative desire to have such payments so credited, before they will be applied so as to reduce the amount of finance charges imposed.

As a result of the practice set forth above, a customer who submits a monthly payment in excess of the sum of amounts past due, total current charges, and the minimum installments due on deferred airline contracts incurs finance charges which he would not incur if payments were in fact allocated as represented in Paragraphs Five and Six.

Therefore, the statements and representations as set forth in Paragraphs Five and Six hereof were and are false, misleading and deceptive.

PAR. 8. In the conduct of its business, and at all times mentioned herein, respondent has been and is, engaged in substantial competition, in commerce, with corporations and firms engaged in the sale of memberships in and operation of credit card services of the same general kind and nature as those of respondent.

PAR. 9. The use by respondent of the aforesaid false, misleading and deceptive statements, representations and practices has had, and now has, the capacity and tendency to mislead members of the purchasing public into the erroneous and mistaken belief that such statements were and are true and into the use of respondent's credit card service by reason of said erroneous and mistaken belief.

PAR. 10. The aforesaid acts and practices of respondent, as herein alleged, were, and are, all to the prejudice and injury of the public and of respondent's competitors and constituted, and now constitute, unfair methods of competition in commerce and unfair and deceptive acts and practices in commerce in violation of Section 5 of the Federal Trade Commission Act.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violation of Section 5 of the Federal Trade Commission Act; and

The respondent and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent 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 respondent 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 respondent has violated the said Acts, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent 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 Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Carte Blanche Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 3460 Wilshire Boulevard, Los Angeles, California.

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

ORDER

It is ordered, That respondent Carte Blanche Corporation, a corporation, and respondent's officers, agents, representatives and employees, directly or through any corporate or other device, in connection with the advertising, offering for sale, and sale of its credit card service memberships, and in connection with the advertising and disclosure of the credit terms offered by it by representations made on monthly billing statements or elsewhere, in commerce, as "commerce"

is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Representing, directly or by implication, that any monthly amount paid to respondent which exceeds the sum of amounts past due, total current charges, and the minimum payment or payments due on any deferred airline contract account or accounts, will be credited to the unpaid balance outstanding on deferred airline contract accounts, unless the conditions under which those amounts will be so credited are clearly disclosed.

2. Representing, directly or by implication, that any excess payment made by the customer will be applied to the customer's account so as to decrease the amount of finance charges imposed, unless the conditions under which said excess payments will be so applied are clearly disclosed.

3. Representing, directly or by implication, that no affirmative action is required by the customer so that excess payments will be applied to the balance on which a finance charge is imposed, unless no such action is in fact required.

4. Failing to clearly and conspicuously incorporate the following statement in its monthly periodic statement provided to customers who utilize the deferred airline payment plan:

Any payment made in excess of the "amount due" shown on this statement will be applied against the unpaid "new balance" of your deferred airline contract, unless specific request is made for alternate treatment of such a payment.

It is further ordered, That respondent shall forthwith deliver a copy of this order to cease and desist to all present and future personnel of respondent responsible for formulating the corporate policy of respondent in the offering for sale, or sale of respondent's products or services, in the billing of respondent's member cardholders and that respondent secure a signed statement acknowledging receipt of said order from each such person.

It is further ordered, That respondent notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondent which may affect compliance obligations arising out of this order, such as dissolution, assignment or sale resulting in the emergence of a successor corporation or the transfer of that portion of respondent's business affected hereby to any subsidiary.

It is further ordered, That the respondent herein shall, within sixty (60) days after service upon it of this order, file with the Commission a report in writing, setting forth in detail the manner and form in which it has complied with this order.

IN THE MATTER OF
COQUETTE FROCKS, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE
FEDERAL TRADE COMMISSION AND THE TEXTILE FIBER PRODUCTS IDENTI-
FICATION ACTS

Docket C-2007. Complaint, Aug. 17, 1971—Decision, Aug. 17, 1971

Consent order requiring a New York City manufacturer of bridesmaids dresses and party dresses to cease misbranding its textile fiber products and furnishing false guaranties.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and Textile Fiber Products Identification Act and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Coquette Frocks, Inc., a corporation, and Edward J. Impastato and Bernard F. Fontana individually and as officers of said corporation, hereinafter referred to as respondents, have violated the provisions of said Acts and the rules and regulations promulgated under the Textile Fiber Products Identification Act, 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 Coquette Frocks, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York.

Respondents Edward J. Impastato and Bernard F. Fontana are officers of the corporate respondent. Their address is 1385 Broadway, New York, New York.

Respondents are engaged in the manufacture of bridesmaids dresses and party dresses.

PAR. 2. Respondents are now and for some time last past have been, engaged in the introduction, delivery for introduction, manufacture for introduction, sale, advertising, and offering for sale, in commerce, of textile fiber products; and have sold, offered for sale, advertised, delivered, transported and caused to be transported, textile fiber products which have been advertised or offered for sale in commerce; and have sold, offered for sale, advertised, delivered, transported and caused to be transported, after shipment in commerce, textile fiber products, either in their original state or contained in other textile fiber products, as the terms "commerce" and "textile fiber product" are defined in the Textile Fiber Products Identification Act.