

Consent order requiring a Seattle, Wash., corporation engaged in selling new and used automobiles to cease violating the Truth in Lending Act by failing to include in the finance charge the premiums for credit life insurance, failing to disclose the accurate annual percentage rate, and making other representations in violation of Regulation Z of said Act. Respondent is also forbidden to misrepresent that its credit terms are "easy" or that a buyer will be allowed to select his own credit terms.

Complaint

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 S. L. Savidge, Inc., a corporation, hereinafter referred to as respondent, has 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 S. L. Savidge, 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 9th and Lenora, Seattle, Washington.

PAR. 2. Respondent is now, and for some time last past has been engaged in the offering for sale, and sale of new and used automobiles and has engaged in the advertising of such in various media.

COUNT I

Alleging violations of the Truth in Lending Act and Regulation Z.

PAR. 3. In the ordinary course of its business as aforesaid, respondent regularly extends consumer credit, as "consumer credit" is 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 its business as aforesaid, and in connection with its credit sales, as "credit sale" is defined in Regulation Z, respondent has entered into and is entering into contracts for the sale of respondent's goods and services. On these contracts, hereinafter referred to as "the contract," respondent provides certain consumer credit cost information, but does not provide its customers with other consumer credit cost disclosures.

By and through use of the contract, respondent:

1. Fails to include in the "finance charge" the amount of premiums for credit life insurance required by respondent to be purchased in connection with the credit sale, as required by Section 226.4(a)(5) of Regulation Z.

2. Fails 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.

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PAR. 5. Pursuant to Section 103(k) of the Truth in Lending Act, respondent's aforesaid failures to comply with the provisions of Regulation Z constitute violations of the Act and, pursuant to Section 108 thereof, respondent has thereby violated the Federal Trade Commission Act.

COUNT II

Alleging violations of the Federal Trade Commission Act.

PAR. 6. The allegations of Paragraphs One and Two are incorporated herein by reference in COUNT II as though fully set forth herein.

PAR. 7. Respondent has advertised in daily newspapers which circulate substantial numbers of copies outside of the State of Washington that "Easy Credit To Car Buyers Started With Savidge 45 Years Ago" thereby leading car buyers and potential car buyers to believe that consumer credit is extended without determining the debtor's financial ability to pay or his credit rating or that consumer credit is extended to persons whose ability to pay or credit rating is below typical standards of credit-worthiness.

PAR. 8. In truth and in fact, respondent does not extend credit without determining the debtor's financial ability to pay or his credit rating and credit is not regularly extended to persons whose ability to pay or credit rating is below typical standards of credit-worthiness.

PAR. 9. Respondent has advertised in daily newspapers which circulate substantial numbers of copies outside of the State of Washington that buyers can "Name Your Own Terms" thereby leading car buyers and potential car buyers to believe that the buyer would be allowed to select his own credit terms.

PAR. 10. In truth and in fact, respondent will not allow a car buyer to select his own credit terms, as, for example, respondent will not accept terms of no downpayment or time payments exceeding 48 months in duration.

PAR. 11. In the course and conduct of their business, and at all times mentioned herein, respondent has been, and now is, in substantial competition with corporations, firms and individuals in the sale of products of the same general kind and nature as that sold by respondent.

PAR. 12. The use by respondent of the aforesaid unfair and false, misleading and deceptive statements, representations and practices, as aforesaid, has had, and now has, the capacity and tendency to mislead members of the purchasing public into the erroneous and mistaken belief that said statements and representations were, and are, true and complete, and into the purchase of substantial quantities of said products by reason of said erroneous and mistaken belief.

PAR. 13. The aforesaid acts and practices of respondent, as herein alleged in COUNT II, 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 the Federal Trade Commission Act and the Truth in Lending Act.

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 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 S. L. Savidge, 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 principal place of business located at 9th and Lenora, Seattle, Washington.

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

Decision and Order

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ORDER

It is ordered, That respondent S. L. Savidge, Inc., a corporation and its officers, and respondent's agents, representatives and employees, directly or through any corporate or other device, in connection with any consumer credit sale, as "consumer credit" and "credit sale" are defined in Regulation Z (12 CFR Part 226) of the Truth in Lending Act (Public Law 90-321, 15 U.S.C. 1601 *et seq.*), do forthwith cease and desist from:

1. Failing to include in the "finance charge" the amount of premiums for credit life insurance required by respondent to be purchased in connection with the credit sale, as required by Section 226.4(a)(5) of Regulation Z.

2. Failing 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.

3. Engaging in any consumer credit transactions or disseminating any advertising within the meaning of Regulation Z of the Truth in Lending Act without making all disclosures that are required by Sections 226.6, 226.8, and 226.10 of Regulation Z in the amount, manner and form specified therein.

It is further ordered, That respondent S. L. Savidge, Inc., a corporation, respondent's officers, representatives, employees and agents, directly or through any corporate or other device, in connection with the advertising, offering for sale, sale or distribution of automobiles or any other merchandise, 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 respondent's terms of credit are lenient, including, but not limited to the representation that respondent offers "easy credit."

2. Representing, directly or by implication, that respondent will allow a buyer to select his own credit terms, including, but not limited to the representation "Name Your Own Terms."

It is further ordered, That respondent deliver a copy of this order to cease and desist to all present and future personnel of respondent engaged in the consummation of any extension of consumer credit or in any aspect of preparation, for sale or sale of any product, 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 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 effect compliance obligations arising out of the order.

It is further ordered, That the respondent 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 the order to cease and desist contained herein.

IN THE MATTER OF

BONNE BELL, INC.