

Complaint

representing the savings available to purchasers, failing to maintain adequate records to support savings claims, failing to make requested refunds within a reasonable time, and making deceptive guarantees.

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 Valmor Products Company, a corporation, and Morton G. Neumann, individually and as an officer of said corporation, hereinafter referred to as respondents, have 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 Valmor Products Company, is a corporation, organized, existing and doing business under and by virtue of the laws of the State of Illinois, with its principal office and place of business located at 2411 South Prairie Avenue, Chicago, Illinois.

Respondent Morton G. Neumann is an individual and officer of the corporate respondent. He formulates, directs and controls the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. His 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 the advertising, offering for sale, sale and distribution of wigs and other products to the public.

PAR. 3. In the course and conduct of their business as aforesaid, respondents now cause, and for some time last past have caused, their said products, when sold, to be shipped from their place of business in the State of Illinois to purchasers thereof located in various other States of the United States, and maintain, and at all times mentioned herein have maintained, a substantial course of trade in said products in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their aforesaid business, and for the purpose of inducing the purchase of their products, the respondents have made, and are now making, numerous statements and representations in advertisements inserted in magazines and in their catalogs which are disseminated by and through the United States mails to prospective purchasers located in various states other than the State of Illinois with respect to the prices, guarantees, refunds, and origin of said products.

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Typical and illustrative of said statements and representations, but not all inclusive thereof, are the following:

The finest Wigs Come From Valmor

Never before such low prices

No. H-234A \$29.99 was \$100

No. H-235 was \$85 now \$39.95

No. H-236 was \$79.95 now \$37.50

Order now! Satisfaction Guaranteed. Order C.O.D.

Valmor guarantees BEST for your money. Quick Delivery, Best Quality, Order today, satisfaction guaranteed. If not satisfied on inspection, return and money cheerfully refunded.

PAR. 5. By and through the use of the above quoted statements and representations and others of similar import and meaning but not expressly set out herein, the respondents have represented, and now are representing, directly or by implication:

1. That the aforesaid prices, designated by the term "Was," are the actual bona fide prices at which the wigs referred to have been openly and actively offered for sale in good faith for a reasonably substantial period of time in the recent regular course of respondents' business and that purchasers save the difference between respondents' advertised selling prices and the corresponding higher price amounts.

2. That respondents unconditionally guarantee the return of the purchaser's money in full and at once on request of the purchaser and return of the merchandise.

PAR. 6. In truth and in fact:

1. The aforesaid prices designated by the term "Was," are not the actual bona fide prices at which the wigs have been openly and actively offered for sale in good faith for a reasonably substantial period of time in the recent regular course of respondents' business but at a remote period in the past if at all. Moreover, purchasers do not save the difference between respondents' selling prices and the corresponding higher price amounts since the higher price amounts are fictitious and the savings based thereon are likewise fictitious.

2. A substantial number of purchasers who return merchandise to respondents for refund do not receive payment at once but only after numerous requests and long delays if at all. Moreover, the guarantee is subject to terms, conditions and limitations which are not set forth in the advertising. Typical and illustrative of said conditions and limitations, but not all inclusive thereof are the following:

- (a) Return of merchandise within ten days of receipt of said merchandise.

(b) Return of certain sales slips sent to the customer with the wigs.

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

PAR. 7. In the course and conduct of their aforesaid business, and at all times mentioned herein, respondents have been, and now are, in substantial competition, in commerce, with corporations, firms and individuals in the sale of wigs of the same general kind and nature as those sold by respondents.

PAR. 8. The use by respondents 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 said statements and representations were and are true and into the purchase of substantial quantities of respondents' products by reason of said erroneous and mistaken belief.

PAR. 9. The aforesaid acts and practices of respondents, as herein alleged, were and are all to the prejudice and injury of the public and of respondents' 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 respondents named in the caption hereof, and the respondents 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 respondents with violation of Section 5 of the Federal Trade Commission Act; and

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 Act, 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. Respondent Valmor Products Company is a corporation organized and doing business under and by virtue of the laws of the State of Illinois, with its office and principal place of business located at 2411 South Prairie Avenue, Chicago, Illinois.

Respondent Morton G. Neumann is an officer of said corporation and his address is the same as that of the corporate respondent.

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

ORDER

It is ordered. That respondent Valmor Products Company, a corporation, and its officers, and Morton G. Neumann, individually and as an officer of said corporation, and respondents' agents, representatives and employees, directly or through any corporate or other device, in connection with the advertising, offering for sale, sale or distribution of wigs and other products, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Using the term "was" or any abbreviation, word, term or expression of similar import or meaning to refer to any amount which is in excess of the price at which such merchandise has been sold or offered for sale in good faith by the respondents for a reasonably substantial period of time in the recent, regular course of their business; or misrepresenting, in any manner, the price at which such merchandise has been sold or offered for sale by the respondents.

2. Falsely representing, in any manner, that savings are available to purchasers or prospective purchasers of respondents' merchandise; or misrepresenting, in any manner, the savings or amount of savings available to purchasers or prospective purchasers of respondents' merchandise.

3. Failing to maintain adequate records for a period of five years (a) which disclose the facts upon which any savings claims, including former pricing claims and comparative value claims, and similar representations of the type described in Paragraphs

1 and 2 of this order are based, and (b) from which the validity of any savings claims, including former pricing claims and comparative value claims, and similar representations of the type described in Paragraphs 1 and 2 of this order can be determined.

4. Failing, when requested, pursuant to a guarantee of satisfaction or of full refund, to refund the purchase price of merchandise within the time specified in respondents' advertisements, or if no time is specified, within a reasonable time not to exceed 30 days.

5. Representing, directly or by implication, that any product or service is guaranteed, unless:

(1) The nature and extent of the guarantee, and the identity of the guarantor and the manner in which the guarantor will perform thereunder are clearly and conspicuously disclosed, and

(2) The guarantor does in fact perform all of the actual and represented obligations under the terms of the guarantee.

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 a subsidiary or any other change in the corporation which may affect compliance obligations arising out of the order.

It is further ordered, That respondents herein 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 this order.

IN THE MATTER OF

MAINWAY BUDGET PLAN, INC., ET AL.

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

Docket C-2028. Complaint, Sept. 3, 1971—Decision, Sept. 3, 1971

Consent order requiring two Chicago, Ill., firms engaged in the financing of insurance premiums to cease violating the Truth in Lending Act by failing to disclose the annual percentage rate correctly, and failing to make all required consumer credit disclosures in accordance with Regulation Z of said Act.