

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.

Complaint

79 F.T.C.

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 Mainway Budget Plan, Inc., and King Management Corp., corporations, and William N. Reib, Julius Blumoff and William Allen, individually and as officers of said corporations, 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 Mainway Budget Plan, Inc., 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 325 South Wacker Drive, Chicago, Illinois.

Respondent King Management Corp. 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 325 South Wacker Drive, Chicago, Illinois.

Respondents William N. Reib, 211 Central Wilmette, Illinois, Julius Blumoff, 8000 Stanford, University City, Missouri and William Allen, 3110 North Sheridan Road, Chicago, Illinois, are officers of the corporate respondents. They formulate, direct and control the acts and practices of the corporate respondents, including the acts and practices hereinafter set forth.

PAR. 2. Respondents are now, and for some time last past have been engaged in the financing of insurance premiums in sales consummated both by agencies and companies which they control as well as agencies and companies of others, and in the advertising for said financing.

PAR. 3. In the ordinary course and conduct of their business as aforesaid, respondents regularly extend and for some time last past have extended, 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, respondents, in the ordinary course and conduct of their business as aforesaid, and in connection with their extensions of consumer credit as that term is defined in Regulation Z, have failed to disclose the annual percentage rate cor-

rectly, determined in accordance with Section 226.5 of Regulation Z, as required by Section 226.8(b)(2) of Regulation Z. Said annual percentage rate was understated by as much as $\frac{1}{2}$ the true rate.

PAR. 5. Pursuant to Section 103(q) of the Truth in Lending Act, respondents' failures to comply with the provisions of Regulation Z constitute violations of that Act and, pursuant to Section 108 thereof, respondents 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 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 the Truth in Lending 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 Mainway Budget Plan, Inc., is a corporation organized, existing 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 325 South Wacker Drive, Chicago, Illinois.

Respondent King Management Corp. is a corporation organized, existing 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 325 South Wacker Drive, Chicago, Illinois.

Respondents William N. Reib, 211 Central, Wilmette, Illinois, Julius Blumoff, 8000 Stanford, University City, Missouri, and William Allen, 3110 North Sheridan Road, Chicago, Illinois, are officers of said corporations. They formulate direct and control the policies, acts and practices of said corporations.

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 respondents Mainway Budget Plan, Inc., and King Management Corp., corporations, and their officers, and respondents William N. Reib, Julius Blumoff and William Allen, individually and as officers of said corporations, and respondents' agents, representatives and employees, directly or through any corporate or other device, in connection with any consumer credit extension or any advertisement to aid, promote or assist directly or indirectly any extension of consumer credit, as "consumer credit" and "advertisement" are defined in Regulation Z (12 CFR § 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 disclose the annual percentage rate correctly, determined in accordance with Section 226.5 of Regulation Z, as required by Section 226.8(b)(2) of Regulation Z.

2. Failing in any consumer credit transaction or advertisement to make all disclosures determined in accordance with Section 226.4 and Section 226.5 of Regulation Z in the manner, form and amount required by Sections 226.6, 226.7, 226.8, 226.9 and 226.10 of Regulation Z.

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

It is further ordered, That respondents notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondents, 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 this order.

It is further ordered, That the 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.