

City, to cease violating the Truth in Lending Act by failing, in consumer

credit transactions and advertisements to use the terms "cash price," "unpaid balance of cash price," "amount financed," "finance charge," "total of payments," "deferred payment price," and "annual percentage rate" as required by Regulation Z of the 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 Shelton Health Spa, Inc., and Shelton Health Club for Women, Inc., corporations and Howard Joseph, individually and as an officer of said corporations, hereinafter referred to as respondents, have violated the provisions of said Acts and 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 Shelton Health Spa, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York with its principal office and place of business located at 111-20 Queens Boulevard, Forest Hills, New York.

Respondent Shelton Health Club for Women, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York with its principal office and place of business located at 525 Lexington Avenue, New York, New York.

Respondent Howard Joseph, president, is an officer of the corporate respondents. He formulates, directs and controls the consumer credit policies, acts and practices of the corporations, including the acts and practices hereinafter set forth. His address is the same as that of the corporate respondents.

PAR. 2. Respondents are now, and for sometime last past have been engaged in the advertising, offering for sale and sale of health club memberships of various types; the financing of the purchase of club memberships by the general public; the collection of members' club dues; and the general management and supervision of said health clubs located in Manhattan and Queens, New York which offer health club memberships to and accept said memberships from residents of the State of New York and other States of the United States.

PAR. 3. In the ordinary course of their business, as aforesaid, respondents regularly extend 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 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 respondents' services in the form of health club memberships. 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.

PAR. 5. By and through the use of the contract, set forth in Paragraph Four, respondents have:

1. Failed to obtain new contract forms or to alter their existing stock of contract forms prior to, during, and subsequent to the period beginning July 1, 1969 and ending December 31, 1969, as required by Section 226.6(k) of Regulation Z.
2. Failed to use the term "cash price" to describe the price which the respondents offer, in the ordinary course of business, to sell for cash the health club memberships which are the subject of the consumer credit transactions, as required by Section 226.8(c)(1) of Regulation Z.
3. Failed to use the term "unpaid balance of cash price" to describe the difference between the cash price and the cash downpayment, as required by Section 226.8(c)(3) of Regulation Z.
4. Failed to use the term "amount financed" to describe the amount of credit extended, as required by Section 226.8(c)(7) of Regulation Z.
5. Failed to use the term "finance charge" to describe the sum of all charges required by Section 226.4 of Regulation Z to be included therein, as required by Section 226.8(c)(8)(i) of Regulation Z.
6. Failed to use the term "total of payments" to describe the sum of the payments scheduled to repay the indebtedness, as required by Section 226.8(b)(3) of Regulation Z.
7. Failed to use the term "deferred payment price" to describe the sum of the cash price, all other charges which were included in the amount financed but which were not part of the finance charge, and the finance charge, as required by Section 226.8(c)(8)(ii) of Regulation Z.
8. Failed to express the finance charge as an annual percentage rate, using the term "annual percentage rate" as required by Section 226.8(b)(2) of Regulation Z.
9. Failed to disclose and identify the method of computing any unearned portion of the finance charge in the event of prepayment of the obligation and failed to provide a statement of the amount or method of computation of any charge that may be deducted from the amount of any rebate of such unearned finance charge that will be

credited to the obligation or refunded to the customer, as required by Section 226.8(b)(7) of Regulation Z.

PAR. 6. Pursuant to Section 103(q) 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 New York 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 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 respondents have 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. Respondent Shelton Health Spa, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York, with its office and principal place of business located at 111-20 Queens Boulevard, Forest Hills, New York.

Respondent Shelton Health Club for Women, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York, with its office and principal place of business located at 525 Lexington Avenue, New York, New York.

Respondent Howard Joseph, president, is an officer of said corporations. He formulates, directs and controls the consumer credit policies,

acts and practices of said corporations and his address is the same as that 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 Shelton Health Spa, Inc., and Shelton Health Club for Women, Inc., and Howard Joseph, individually and as an officer of said corporations, and respondents' agents, representatives, and employees, directly or through any corporate or other device, in connection with any extension of consumer credit, as "consumer credit" is 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 use the term "cash price" to describe the price at which respondents offer, in the regular course of business, to sell for cash the health club memberships which are the subject of the credit sale, as required by Section 226.8(c) (1) of Regulation Z.

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

3. Failing to use the term "amount financed" to describe the amount of credit extended, as required by Section 226.8(c) (7) of Regulation Z.

4. Failing to use the term "finance charge" to describe the sum of all charges required by Section 226.4 of Regulation Z to be included therein, as required by Section 226.8(c) (8) (i) of Regulation Z.

5. Failing to use the term "total of payments" to describe the sum of the payments scheduled to repay the indebtedness, as required by Section 226.8(6) (3) of Regulation Z.

6. Failing to use the term "deferred payment price" to describe the sum of the cash price, all other charges which were included in the amount financed but which were not part of the finance charge, and the finance charge, as required by Section 226.8(c) (8) (ii) of Regulation Z.

7. Failing to express the finance charge as an annual percentage rate, using the term "annual percentage rate" as required by Section 226.8(b) (2) of Regulation Z.

8. Failing to identify the method of computing any unearned portion of the finance charge in the event of prepayment of the obligation and failing to provide a statement of the amount or method of computation of any charge that may be deducted from the amount of any rebate of such unearned finance charge that will be credited to the