

Docket C-2117. Complaint, Dec. 16, 1941. Decision, Dec. 16, 1941.

Consent order requiring a home improvement firm of Evansville, Ind., to cease using false pricing, savings, and "free" claims and other misrepresentations in promoting the sale of its products and installations, and to cease transferring its credit customers' contracts of indebtedness to third parties, unless all rights of its customers are preserved.

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

Complaint

79 F.T.C.

Trade Commission, having reason to believe that Irvin Howard Laswell, an individual trading and doing business as Housecraft of Evansville, a sole proprietorship, 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 Irvin Howard Laswell is an individual trading and doing business as Housecraft of Evansville with its principal office and place of business located at 2311 East Division Street, Evansville, Indiana.

PAR. 2. Respondent is now, and for some time last past has been, engaged in the advertising, offering for sale, sale and distribution of residential steel siding, storm windows, storm doors and various other home improvement products to the public and in the installation thereof.

PAR. 3. In the course and conduct of its business, respondent now causes, and for some time last past has caused, his said products, when sold, to be shipped from his place of business in the State of Indiana 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 products, in commerce, as "commerce" is defined in the Federal Trade Commission Act. Respondent also introduced circulars and other promotional material in commerce, as "commerce" is defined in the Federal Trade Commission Act for the purpose of inducing the sales of his products.

PAR. 4. In the course and conduct of his business and for the purpose of inducing the purchase of his home improvement products and installations, respondent has made numerous statements and representations, through oral statements made to prospective purchasers by his salesmen or representatives, in newspaper advertisements, and in direct mail advertising, circulars and other promotional material, respecting the nature of his offer and his business, price, guarantee, and the quality of his product.

Typical and illustrative of respondent's oral statements and published advertising representations, but not all inclusive thereof, are the following:

25% Fuel Saving. We insure your installation. You save 25% in fuel costs or get the difference in cash

USS—United States Steel

MAIL THIS FREE GIFT COUPON TODAY

Offer Not Good After Three Days. If this coupon is returned within three days, you will receive this beautiful dinnerware absolutely free!

Your home will be used as a Model Home Demonstrator.

This siding is unconditionally guaranteed.

This siding is guaranteed against everything for the lifetime of the house.

PAR. 5. By and through the use of the aforesaid statements and representations, and others of similar import and meaning not specifically set out herein, and through oral statements made by his salesmen and representatives, respondent has represented, directly or by implication, that:

1. Customers would have reduced fuel costs of twenty-five percent after having respondent's siding installed on their homes.
2. Respondent's siding was manufactured by the United States Steel Company.
3. All persons who mailed the free gift coupon to respondent would receive a gift without charge.
4. Homes of prospective purchasers have been specially selected as model homes for the installation of respondent's siding; after installation such homes would be used for demonstration and advertising purposes by respondent; and, as a result of allowing their homes to be used as models, purchasers would be granted reduced prices or would receive allowances, discounts or commissions.
5. Respondent's siding materials and installations are unconditionally guaranteed in every respect without condition or limitation.

PAR. 6. In truth and in fact:

1. Customers do not have their fuel costs reduced twenty-five percent after having respondent's siding installed on their homes.
2. Respondent's siding is not manufactured by the United States Steel Company.
3. All persons who mailed the free gift coupon to respondent did not receive a gift.
4. Homes of prospective purchasers are not specially selected as model homes for installations of respondent's siding; after installations, such homes are not used for demonstration and advertising purposes by respondent; and purchasers, as a result of allowing their homes to be used as models, are not granted reduced prices, nor did they receive allowances, discounts or commissions.
5. Respondent's siding materials and installations are not unconditionally guaranteed in every respect without condition or limitation. Such guarantee as may be provided is subject to numerous terms, con-

ditions and limitations, and fails to set forth the nature and extent of the guarantee, the identity of the guarantor and the manner in which the guarantor will perform thereunder. Furthermore, in a substantial number of cases, respondent or his salesmen fail to furnish any written guarantee to the customer.

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 further course and conduct of his business, and in furtherance of a sales program for inducing the purchase of his residential siding materials and installations, respondent and his salesmen or representatives have engaged in the following additional unfair and false, misleading and deceptive acts and practices:

In a substantial number of instances and in the usual course of his business, respondent sells and transfers his customers' obligations, procured by the aforesaid unfair, false, misleading and deceptive means, to various financial institutions. In any subsequent legal action to collect on such obligations, these financial institutions or other third parties, as a general rule, have available and can interpose various defenses which may cut off certain valid claims customers may have against respondent for his failure to perform or for certain other unfair, false, misleading or deceptive acts and practices.

Therefore, the acts and practices as set forth in Paragraph Seven hereof were and are unfair and false, misleading and deceptive acts and practices.

PAR. 8. In the course and conduct of his aforesaid business, and at all times mentioned herein, respondent has been, and now is, in substantial competition, in commerce, with corporations, firms and individuals engaged in the sale of products of the same general kind and nature as those sold by 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 and representations were and are true, and into the purchase of substantial quantities of respondent's products 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 Commission having heretofore determined to issue its complaint charging the respondent named in the caption hereof with violation of the Federal Trade Commission Act, and the respondent having been served with notice of said determination and with a copy of the complaint the Commission intended to issue, together with a proposed form of order; 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 complaint to issue herein, 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 considered the agreement and having accepted same, and the agreement containing consent order having thereupon been placed 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, Commission hereby issues its complaint in the form contemplated by said agreement, makes the following jurisdictional findings, and enters the following order:

1. Respondent Irvin Howard Laswell is an individual trading and doing business as Housecraft of Evansville with its office and principal place of business located at 2311 East Division Street, Evansville, Indiana.

Respondent Irvin Howard Laswell, formulates, directs and controls the policies, acts and practices of said corporation, and his address is the same as that of the sole proprietorship.

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 Irvin Howard Laswell, an individual trading and doing business as Housecraft of Evansville or under any other name or names, and respondent's agents, representatives and employees, directly or through any corporate or other device, in connection with the advertising, offering for sale, sales, distribution and installation of residential siding or other products in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Using, in any manner, a sales plan, scheme or device wherein false, misleading or deceptive statements or representations are made in order to obtain leads or prospects for the sale of residential siding or other merchandise or services.

2. Representing, directly or by implication, that purchasers of respondent's residential siding materials will realize a substantial savings on their heating bills; or representing, in any manner, the amount of savings afforded to respondent's customers on their heating bills.

3. Representing, directly or by implication, that respondent's siding materials are manufactured by United States Steel Corporation; or misrepresenting, in any manner, the origin of manufacturer or respondent's products.

4. Representing, directly or by implication, that persons will receive a gift of a specified article of merchandise, or anything of value; or misrepresenting, in any manner, that free gifts will be given to persons who return "free gift" coupons to respondent.

5. Representing, directly or by implication, that the home or any of respondent's customers or prospective customers has been selected to be used or will be used as a model home, or otherwise, for advertising or sales purposes.

6. Representing, directly or by implication, that any allowance, discount or commission is granted by respondent to purchasers in return for permitting the premises on which respondent's products are installed to be used for model home or demonstration purposes.

7. Representing, directly or by implication, that any of respondent's products and installations are guaranteed unless the nature and extent of the guarantee, the identity of the guarantor and the manner in which the guarantor will perform thereunder are clearly and conspicuously disclosed in immediate conjunction therewith; or making any direct or implied representation that any of respondent's products or installations are guaranteed unless in each instance a written guarantee is given to the purchaser containing provisions fully equivalent to those contained in such representations and unless respondent promptly fulfills all of his obligations under the represented terms of such guarantee.

8. Assigning, selling or otherwise transferring respondent's notes, contracts or other documents evidencing a purchaser's indebtedness, unless any rights or defenses which the purchaser has and may assert against respondent are preserved and may be asserted against any assignee or subsequent holder of such note, contract or other such documents evidencing the indebtedness.

9. Failing to include the following statement clearly and conspicuously on the face of any note, contract or other instrument of indebtedness executed by or on behalf of respondent's customers:

NOTICE

Any holder takes this instrument subject to the terms and conditions of the contract which gave rise to the debt evidenced hereby, any contractual provision or other agreement to the contrary notwithstanding.

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

IN THE MATTER OF

GUS KROESEN, INC., ET AL.