

TIMES FURNITURE COMPANY, ET AL.

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

I
Docket C-2168. Complaint, March 9, 1972—Decision, March 9, 1972

Consent order requiring a Los Angeles, Calif., seller and distributor of furniture to cease violating the Truth in Lending Act by failing in its credit transactions to make disclosures required by Regulation Z of said Act. Respon-

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dent is also required where credit customer is charged with credit life insurance to mail to such customer a letter explaining the insurance and giving customer the option of cancelling it.

COMPLAINT

Pursuant to the provisions of the Truth in Lending Act and the regulations 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 Times Furniture Company, a corporation, and Samuel Barbas, individually and as an officer of said corporation, hereinafter referred to as respondents, have violated the provisions of said Acts, 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 Times Furniture Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of California, with its principal office and place of business located at 940 West 58th Street, Los Angeles, California.

Respondent Samuel Barbas is president-treasurer and a major stockholder of corporate respondent. He formulates, directs and controls the policy, acts and practices of the corporation, 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 many years have been engaged in the offering for sale, sale, and distribution of furniture and other merchandise to the public through retail stores.

PAR. 3. In the ordinary course and conduct of their business, respondents regularly extend, and for some time 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, in the ordinary course and conduct of their business and in connection with their credit sales, as "credit sale" is defined in Regulation Z, respondents have caused customers to enter into transactions in which the customer selects merchandise and executes a blank retail installment conditional sale contract, hereinafter referred to as "the contract." The merchandise is retained by respondents until the customer pays an

amount agreed upon by the customer and respondents, at which time the terms of the executed contract are completed, with the total of payments to date being shown as the downpayment. The entire transaction is a single credit transaction within the meaning of Regulation Z; and is consummated at the time the customer executes the contract in blank. Respondents provide these customers with no credit cost disclosures other than on the contract.

By and through use of the contract, respondents:

1. Fail to make the disclosures required by Section 226.8 before the transaction is consummated, as prescribed by Section 226.8(a) of Regulation Z.

2. Fail to include in the finance charge any charges or premiums for credit life, accident, health, or loss of income insurance, written in connection with any credit transaction when the customer has signed a written indication of desire for insurance prior to receiving written disclosure to him of the cost of such insurance, as prescribed by Section 226.4(a)(5)(ii) of Regulation Z.

3. Fail to furnish the customer with a duplicate of the instrument containing the disclosures required by Section 226.8 or a statement by which the required disclosures are made at the time those disclosures are made, as prescribed by Section 226.8(a) of Regulation Z.

PAR. 5. By and through the use of an advertisement on a sign of Times Furniture Company, located directly above the driveway at 546 South Hill Street, Los Angeles, respondents have represented the period of repayment without stating all of the following items, in the terminology prescribed under Section 226.10(d)(2) of Regulation Z:

- (a) The cash price;
- (b) The amount of the downpayment required;
- (c) The number, amount and due dates or period of payments scheduled to repay the indebtedness;
- (d) The amount of the finance charge expressed in an "annual percentage rate;" and
- (e) The deferred payment price.

PAR. 6. By and through the acts and practices set forth above, respondents fail to comply with the requirements of Regulation Z, the implementing regulation of the Truth in Lending Act, duly promulgated by the Board of Governors of the Federal Reserve System. Pursuant to Section 103(q) of the Act, such failure to comply constitutes a violation of the Truth in Lending Act and, pursuant to Section 108 thereof, respondents have violated the Federal Trade Commission Act.

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DECISION AND ORDER

The Federal Trade Commission having heretofore determined to issue its complaint charging the respondents named in the caption hereof with violation of the Federal Trade Commission Act, The Truth in Lending Act and the implementing regulation promulgated thereunder, and the respondents 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 respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondents of all 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 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 agreement and having accepted same and the agreement containing the 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, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Times Furniture Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of California, with its office and principal place of business located at 940 West Fifty-eighth Street, Los Angeles, California.

Respondent Samuel Barbas is president-treasurer and a major stockholder of said corporation. He formulates, directs and controls the policies, acts and practices of said corporation, and his address is the same as that of said corporation.

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 Times Furniture Company, a corporation, and Samuel Barbas, individually and as an officer of said corporation, and respondents' agents, representatives, and employees, directly or through any corporate or other device, in con-

nection with any extension of consumer credit 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 (Pub. L. 90-321, 15 U.S.C. 1601 *et seq.*), do forthwith cease and desist from:

1. Failing to make the disclosures required by Section 226.8 before the transaction is consummated, as prescribed by Section 226.8(a) of Regulation Z.
2. Failing to include in the finance charge any charges or premiums for credit life, accident, health, or loss of income insurance, as prescribed by Section 226.4(a) of Regulation Z.
3. Failing to furnish the customer with a duplicate of the instrument containing the disclosures required by Section 226.8 or a statement by which the required disclosures are made at the time those disclosures are made, as prescribed by Section 226.8(a) of Regulation Z.
4. Stating, in any advertisement, the amount of the downpayment required or that no downpayment is required, the amount of any installment payment, the dollar amount of any finance charge, the number of installments or the period of repayment, or that there is no charge for credit, unless it states all of the following items in terminology prescribed under Section 226.8 of Regulation Z, as required by Section 226.10 (d) (2) of Regulation Z:
 - (a) the cash price;
 - (b) the amount of the downpayment required or that no downpayment is required, as applicable;
 - (c) the number, amount, and due dates or period of payments scheduled to repay the indebtedness if the credit is extended;
 - (d) the amount of the finance charge expressed as annual percentage rate and
 - (e) the deferred payment price.
5. Failing in any consumer credit transaction or advertisement to make all disclosures, determined in accordance with Sections 226.4 and 226.5 of Regulation Z, in the manner, form and amount prescribed by Sections 226.6, 226.7, 226.8, 226.9, and 226.10 of Regulation Z.

It is further ordered, That respondents, in connection with each sale of credit life insurance written in connection with its credit sales on or after July 1, 1969, in which respondents failed to obtain

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a specific dated and separately signed affirmative written indication of the customer's desire for such insurance and thereafter failed to include the charges for such insurance in the amount of finance charge debited to the customer's account monthly, shall mail to each customer to whom such sale of credit life insurance was made and whose account is in open or current status, the following notice, and accompanying letter.

We hereby supply you with the following information concerning your credit life insurance policy:

1. The cost of credit life insurance which has been charged to you since you opened this account with Times Furniture Company is (to be provided by respondent).

2. Such insurance was not and is not required as a condition to Times' extending credit to you.

3. You have a right to request cancellation of this policy. You may exercise your right to cancel by signing (on line 1) that portion of the enclosed notice cancelling your credit life insurance policy and returning it to Times Furniture Company, in the accompanying self-addressed envelope. Such cancellation is effective when received by Times Furniture Company. You understand that once having cancelled you will have no rights under the policy even though the policy may have been in effect up to the time of cancellation.

4. If you desire to continue your credit life insurance policy, you should sign that portion of the enclosed notice (on line 2) which indicates your desire for insurance coverage and return it to Times Furniture Company in the accompanying self-addressed envelope.

Credit Life Insurance Notice

I hereby request cancellation of my credit life insurance covering the above account. I understand that upon receipt of this cancellation I will have no benefits under any insurance policy with respect to the above account.

(1) _____ Date _____
(Signature of customer in whose
name account is recorded)

I desire to continue my credit life insurance policy.

(2) _____ Date _____
(Signature of customer in whose
name account is recorded)

It is important that you return this notice before _____

Respondents' obligations under this provision shall not be fulfilled until each customer affected by it has returned the notice specified herein, provided that as long as respondents can demonstrate that any such customer cannot be contacted or that any such customer failed to reply after respondents expended reasonable efforts, in writing or orally, to effect such reply monthly for a period of four consecutive months after mailing the notice to such customer, respondents shall have complied with this provision.

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It is further ordered, That respondents deliver a copy of this order to cease and desist to all present and future personnel of respondents 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 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.

It is further ordered, That respondents notify the Commission at least thirty (30) days prior to any proposed change in respondents' business such as dissolution, assignment or sale resulting in the emergence of a successor business, corporation or otherwise, the creation of subsidiaries or any other change which may affect compliance obligations arising out of the order.

Provided further, That entry of this order by the Commission does not constitute an admission by respondents that they have violated the law as alleged in the complaint which the Commission has issued.

IN THE MATTER OF

GEORGE B. EIPPER, DOING BUSINESS AS SEATTLE SIDING
COMPANY, ET AL.

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