

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

Docket C-2171. Complaint, March 10, 1972—Decision, March 10, 1972

Consent order requiring a Stockton, Calif., firm making loans for the purchase of used cars to cease violating the Truth in Lending Act by failing to disclose the number of payments scheduled, failing to describe those which are "balloon payments," failing to use the term finance charge where

required, and failing to make all other disclosures required by Regulation Z of said Act.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and of the Truth in Lending Act and the regulations promulgated thereunder, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Joseph H. Lambert, Leo A. Lambert, and Dean E. Lambert, individually and as copartners doing business as H & L Investment Co., hereinafter referred to as respondents, have violated the provisions of said Acts, and of the regulations promulgated under the Truth in Lending 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. Respondents, Joseph H. Lambert, Leo A. Lambert, and Dean E. Lambert, are individuals and copartners doing business as H & L Investment Co., with their office and principal place of business located at 1335 South American Street, Stockton, California.

PAR. 2. Respondents are now, and for some time last past have been, engaged in extending loans in connection with consumer purchase of used cars.

PAR. 3. In the ordinary course and conduct of their business as aforesaid, respondents regularly extend, and for some time last past have regularly 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 of their business as aforesaid, and in connection with their extensions of consumer credit, respondents have caused and induced and are causing and inducing, certain of their customers to execute promissory notes, hereinafter referred to as the "Note" on which the respondents provide certain consumer credit cost information.

By and through the use of the note respondents:

1. Fail, in some instances, to disclose the "annual percentage rate" accurately to the nearest quarter of one percent, in accordance with Section 226.5 of Regulation Z, as required by Section 226.8(b)(2) of Regulation Z.

2. Fail to disclose the number of payments scheduled to repay the indebtedness, and fail to describe payments which are more than twice the amount of an otherwise scheduled equal payment by

Decision and Order

80 F.T.C.

the term "balloon payment," as required by Section 226.8(b)(3) of Regulation Z.

3. Fail to print the term "finance charge," where required by Regulation Z to be used, more conspicuously than other required terminology, as required by Section 226.6(a) of Regulation Z.

4. Fail to describe the type of security interest in property held, retained or acquired in connection with extensions of credit, as required by Section 226.8(b)(5) of Regulation Z.

PAR. 5. 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 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 San Francisco 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, the Truth in Lending Act, and the regulations promulgated under 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 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 complaints, 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 charge 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 procedures prescribed in Section 2.34(b) of its rules, the Commission issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondents Joseph H. Lambert, Leo A. Lambert, and Dean E. Lambert are copartners doing business as H & L Investment

388

Decision and Order

Co. with their office and principal place of business located at 1335 South American Street, Stockton, California.

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 Joseph H. Lambert, Leo A. Lambert, and Dean E. Lambert, individuals and copartners doing business as H & L Investment Co., or under any other name or names, and respondents representatives, agents and employees, directly or through any corporate or other device, in connection with any consumer credit extension as "consumer credit" is 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 disclose the "annual percentage rate" accurately to the nearest quarter of one percent, in accordance with Section 226.8(b)(2) of Regulation Z.

2. Failing to disclose the number of payments scheduled to repay the indebtedness, and failing to describe payments which are more than twice the amount of an otherwise scheduled equal payment by the term "balloon payment" as required by Section 226.8(b)(3) of Regulation Z.

3. Failing to print the term "finance charge," where required by Regulation Z to be used, more conspicuously than other required terminology as required by Section 226.6(a) of Regulation Z.

4. Failing to describe the type of security interest in property held, retained or acquired in connection with extensions of credit, as required by Section 226.8(b)(5) of Regulation Z.

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 required by Sections 226.6, 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 the respondents herein shall, within sixty (60) days after service upon them of this order, file with the

