

It is further ordered, That 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.

IN THE MATTER OF

GAC FINANCE INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE
FEDERAL TRADE COMMISSION ACT

Docket C-2276. Complaint, Sept. 5, 1972—Decision Sept. 5, 1972.

Consent order requiring an Allentown, Pennsylvania, personal income tax preparation service, among other things, to cease misrepresenting the terms and conditions of any guarantee; failing to disclose respondents' responsibility for, or obligation resulting from, errors attributable to respondents preparation of tax returns; misrepresenting the training or competence of respondents' tax preparation personnel.

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 Trade Commission, having reason to believe that GAC Finance Inc., and GAC Tax Returns Inc., corporations, hereinafter referred to as respondents, have 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 GAC Finance Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania, with its principal office and place of business located at 1105 Hamilton Street in the city of Allentown, Commonwealth of Pennsylvania.

Respondent GAC Tax Returns Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania with its principal office and place of business located at 1105 Hamilton Street, in the city of Allentown, Commonwealth of Pennsylvania. It is wholly-owned subsidiary of, and is managed, directed and controlled by, respondent GAC Finance Inc.

PAR. 2. Respondents are now, and for some time last past have been, engaged in the advertising, offering for sale and sale of personal income tax preparation services to the general public.

Respondents sell their aforesaid services directly and through various corporate subsidiaries and affiliates, hereinafter referred to for convenience as respondents' representatives.

PAR. 3. In the course and conduct of their business as aforesaid, respondents now cause, and for some time last past have caused, monies, contracts, business forms and other commercial paper and printed materials in connection with said income tax preparation services to be sent by U.S. mail from respondents' place of business in the Commonwealth of Pennsylvania to their local offices and subsidiaries and purchasers of respondents' products and services located in various other States of the United States, and maintain, and at all times mentioned hereafter have maintained, a substantial course of trade in said services in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their aforesaid business, respondents and their representatives have disseminated, and caused the dissemination of, certain advertisements concerning the said income tax preparation services by various means in commerce, as "commerce" is defined in the Federal Trade Commission Act for the purpose of inducing and which were likely to induce, directly or indirectly, the purchase of said income tax preparation services.

PAR. 5. For the purpose of disseminating such advertisements, respondents and their representatives have employed television and radio commercial broadcasts, newspaper and periodical insertions, direct mail literature and point of sale promotional materials.

Typical of the statements and representations in said advertisements, but not all inclusive thereof, are the following:

1. Newspapers:

(a) Relax, while one of our tax specialists helps you claim all you can on every legal deduction and exemption. The result could mean a savings far above the cost of our service—which starts at only \$5.00. Your return is triple-checked and guaranteed accurate. If the IRS finds errors, we pay the penalties or interest.

(b) Worried about mistakes on your income tax? No need to be! GAC Tax Returns will prepare your return for you * * * and guarantee the accuracy.

(c) Income tax can turn you into a monster. But there is no need to let it. Because for \$5.00 and up, GAC Tax Returns will do the work for you * * * guarantee the accuracy * * * and make sure you get the deductions and exemptions you're entitled to.

(d) Bloodshot eyes? They come easy * * * when you do your own income tax. But this year, you can avoid them. Because GAC Tax Returns will do the work for you * * * for as little as \$5.00 and up. Your return will be guaranteed accurate, and you'll receive the deductions and exemptions you're entitled to.

This could save you more than the cost of the service. Just bring your tax records—cancelled checks, receipts—to any nearby GAC Tax Returns office. And count on a return with accuracy guaranteed.

2. Radio:

(a) Don't wait until the last minute to tackle your income tax return. If you do, chances are you'll rush through it to meet the April 15th deadline. And you just might let a few deductions and exemptions slip by. The result? Wasted money. Start early. Take time to give a lot of thought to every possible deduction and exemption. And if you're not sure about all of them, take care of your return the easy, economical way. See GAC Tax Returns. For as low as \$5.00, you'll get an accurate, guaranteed, tax return.

(b) This year alone, about three out of four people will probably overpay Uncle Sam at tax time. Why? Because they just don't know all the deductions and exemptions they're entitled to. For example, many senior citizens fail to claim all the tax allowances on their retirement income.

But there's no need to be confused about what you can and cannot claim. Just stop in any GAC Tax Return's office. For as low as \$5.00, we'll help you claim all you can, and guarantee the accuracy of your return.

PAR. 6. By and through the use of the above-quoted statements and representations, and others of similar import and meaning, but not expressly set out herein, respondents and their representatives have represented, and are now representing, directly or by implication, that:

1. Respondents will guarantee the accuracy of the taxpayer's return by reimbursing the taxpayer for any payments the tax payer may be required to make in addition to his initial tax payment, if such additional payments result from an error made by respondents and their representatives in the preparation of the tax return.

2. Respondents' and their representatives' tax preparing personnel are especially trained and unusually competent in the preparation of tax returns and the giving of tax advice, and that they have the ability and capacity to prepare and give advice concerning complex and detailed income tax returns.

PAR. 7. In truth and in fact:

1. Respondents' guarantee is not unconditional since they do not reimburse the tax payer for all payments he is required to make in addition to his initial tax payment if such additional payments result from error made by respondents and their representatives in the preparation of the tax return.

2. Respondents' tax preparing personnel are not specially trained and unusually competent in the preparation of tax returns and the giving of tax advice, and they do not have the ability and capacity to prepare and give advice concerning complex and detailed income tax returns.

Therefore, the statements and representations set forth in Paragraphs Five and Six hereof were, and are, false and misleading and deceptive.

PAR. 8. In the course and conduct of their aforesaid business, and at all times mentioned herein, respondents have been, and now are, in substantial competition, in commerce, with corporations, firms and individuals in the sale of income tax preparation services of the same general kind and nature as those sold by respondents.

PAR. 9. The use by respondents and their representatives of the aforesaid false, misleading and deceptive statements and representations, and unfair acts and practices, has had, and now has, the capacity and tendency to mislead members of the public into the erroneous and mistaken belief that said statements and representations were and are true and into the purchase of the respondents' and their representatives' income tax preparation services by reason of said erroneous and mistaken belief.

PAR. 10. The aforesaid acts and practices of respondents and their representatives as herein alleged, were and are all to the prejudice and injury of the public and of the respondents' and their representatives' 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 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 Washington, D.C. 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 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 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 GAC Finance Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania, with its principal office and place of business located at 1105 Hamilton Street, in the city of Allentown, Commonwealth of Pennsylvania.

Respondent GAC Tax Returns Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania, with its principal office and place of business located at 1105 Hamilton Street, in the city of Allentown, Commonwealth of Pennsylvania. It is a wholly-owned subsidiary of, and is managed, directed and controlled by, respondent GAC Finance Inc.

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 GAC Finance Inc., a corporation, and GAC Tax Returns Inc., a corporation, their successors and assigns, and their officers, and respondents' agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with the preparation of income tax returns, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Using any guarantee without clearly and conspicuously disclosing the terms, conditions and limitations of any such guarantee; or misrepresenting, in any manner, the terms and conditions of any guarantee.

2. Representing, orally or in writing, directly or by implication, that respondents will reimburse their customers for any payments the customer may be required to make in addition to his initial tax payment, in instances where such additional payments result from an error by respondents in the preparation of the tax return; *Provided, however,* nothing herein shall prevent truthful representations that respondents will reimburse their customers for interest or penalty payments resulting from respondents' error.

3. Failing to disclose, clearly and conspicuously, whenever respondents make any representation, orally or in writing, directly or by implication, as to their responsibility for, or obligation resulting from, errors attributable to respondents in the preparation of tax returns, that respondents will not assume the liability for additional taxes assessed against the tax payer.

4. Representing, orally or in writing, directly or by implication, that respondents' tax preparation personnel are tax specialists or unusually competent in the preparation of tax returns or the giving of tax advice; or misrepresenting in any manner the training or competence of respondents' tax preparation personnel.

It is further ordered, That:

a. The respondent corporations shall forthwith distribute a copy of this order to each of their operating divisions involved in the preparation of tax returns for the general public.

b. Respondents shall deliver a copy of this order to all of their present and future tax preparation personnel and that respondents secure a signed statement acknowledging receipt of said order from each such person.

c. The respondent GAC Tax Returns Inc., shall, within sixty (60) days after service upon it of this order, send a letter to the last known address of each of its tax return customers for the most recent past year, clearly and accurately explaining the terms, conditions and limitations of respondent's policy regarding its responsibility for, or obligation resulting from errors attributable to respondent in the preparation of tax returns.

d. Respondents 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 of their compliance with this order.

e. 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 respondent corporations which may affect compliance obligations arising out of this order.

IN THE MATTER OF

CARPET INTERIORS, ET AL.