

pawn receipts; and failing to make material disclosures on such items as in Lending Act.

Appearances

For the Commission: *John F. Dugan* and *Paul R. Roark*.

For the respondents: *Robert B. Owens, Covington & Burling*, Washington, D.C.

Complaint

84 F.T.C.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and of the Truth in Lending Act and the implementing regulation promulgated thereunder, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Babbitt Brothers Trading Company, a corporation, Warren Trading Post Company, a corporation, Cedar Ridge Trading Post Company, a corporation, Tuba City Trading Post Company, a corporation, Oraibi Trading Post Company, a corporation, Indian Wells Trading Post Company, a corporation, and Red Lake Trading Post Company, a corporation also doing business as Cow Springs Trading Post, hereinafter sometimes referred to as respondents, have violated the provisions of said Acts and the implementing regulation 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. Respondent Babbitt Brothers Trading Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Arizona and is licensed to conduct business on the Navajo and Hopi Reservations by the Bureau of Indian Affairs, with its principal office and place of business located at Flagstaff, Ariz.

Respondent Warren Trading Post Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Arizona and is licensed to conduct business on the Navajo Reservation by the Bureau of Indian Affairs, with its principal office and place of business located at Kayenta, Ariz.

Respondent Cedar Ridge Trading Post Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Arizona and is licensed to conduct business on the Navajo Reservation by the Bureau of Indian Affairs, with its principal office and place of business located at Cedar Ridge, Ariz.

Respondent Tuba City Trading Post Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Arizona and is licensed to conduct business on the Navajo Reservation by the Bureau of Indian Affairs, with its principal office and place of business located at Tuba City, Ariz.

Respondent Oraibi Trading Post Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Arizona and is licensed to conduct business on the Hopi Reservation by the Bureau of Indian Affairs, with its principal office and place of business located at Oraibi, Ariz.

Respondent Indian Wells Trading Post Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Arizona and is licensed to conduct business on the Navajo Reservation by the Bureau of Indian Affairs, with its principal office and place of business located at Indian Wells, Ariz.

Respondent Red Lake Trading Post Company, also doing business as Cow Springs Trading Post is a corporation organized, existing and doing business under and by virtue of the laws of the State of Arizona and is licensed to conduct business on the Navajo Reservation by the Bureau of Indian Affairs, with its principal office and place of business located at Red Lake, Ariz.

PAR. 2. Respondents are now, and for some time last past have been engaged in buying, selling, ordering and exchanging and dealing generally in all classes of goods, wares, merchandise and articles of trade with consumers and in pawn broking and money lending.

PAR. 3. In the course and conduct of their businesses respondents have operated several trading posts on the Navajo and Hopi Reservations, and maintain, and at all times mentioned herein have maintained, a substantial course of trade in commerce, as "commerce" is defined in the Federal Trade Commission Act.

COUNT I

PAR. 4. Typical of the acts and practices engaged in by respondents, but not all inclusive thereof, are the following:

1. In many instances respondents have tied consumers to their places of business by giving trade slips, due bills or other form of purchase orders indicating a credit owed to a consumer which can be redeemed only at respondents' places of business in return for rugs, blankets, jewelry or other forms of handicraft or livestock purchased from consumers by respondents.

2. In many instances respondents fail to place on the pawn receipt given to consumers:

- (a) The correct due date indicating the date the pledgor must effect redemption of a pawned item;

- (b) Any mutually agreed upon extension of such due date; or

- (c) The market or replacement value of the pawned item.

3. In many instances respondents sell items held as security in pawn transactions prior to the expiration of the statutory or mutually agreed to redemption period.

4. In many instances respondents unfairly bind consumers to their places of business by transporting, or causing to be transported, from post offices or other places of original delivery, or in other ways receive-

ing or affecting delivery of government issued or other checks payable to consumers.

PAR. 5. In the course and conduct of their aforesaid business, and at all times mentioned herein, respondents have been, and are now, in substantial competition, in commerce, with corporations, firms and individuals, in the furnishing of services of the same general kind and nature as those furnished by respondents.

PAR. 6. The aforesaid acts and practices of the respondents, as herein alleged, were, and are, all to the prejudice of the public and of respondents' 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.

COUNT II

PAR. 7. The allegations of Paragraphs One through Three hereof are incorporated by reference herein as if set forth verbatim.

PAR. 8. In the ordinary course and conduct of their business as aforesaid respondents regularly arrange for the extension of consumer credit or offer to extend or arrange for the extension of such 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. 9. Subsequent to July 1, 1969, in the ordinary course and conduct of their business as aforesaid, respondents arrange for the extension of loans which are not a credit sale. In these transactions, respondents:

1. Fail to make the disclosures required by Section 226.8 of Regulation Z clearly, conspicuously and in a meaningful sequence, as prescribed by Section 226.6(a) of Regulation Z.
2. Fail to print the terms "annual percentage rate" and "finance charge" more conspicuously than other required terminology, as prescribed by Section 226.6(a) of Regulation Z.
3. Fail to disclose the finance charge expressed as an annual percentage rate, using the term "annual percentage rate," as prescribed by Section 226.8(b)(2) of Regulation Z.
4. Fail to disclose the number, amount, and due dates or periods of payments scheduled to repay the indebtedness and the sum of such payments using the term "total of payments," as prescribed by Section 226.8(b)(3) of Regulation Z.
5. Fail to disclose a description or identification of the type of any security interest held or to be retained or acquired by the creditor in

connection with the extension of credit, and a clear identification of the property to which the security interest relates, as prescribed by Section 226.8(b)(5) of Regulation Z.

6. Fail to disclose identification of the method of computing any unearned portion of the finance charge in the event of prepayment of the obligation and 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 prescribed by Section 226.8(b)(7) of Regulation Z.

7. Fail to disclose the amount of credit which will be paid to the customer including all charges, individually itemized, which are included in the amount of credit extended but which are not part of the finance charge, using the term "amount financed," as prescribed by Section 226.8(d)(1) of Regulation Z.

8. Fail to disclose the total amount of the finance charge, with description of each amount included, using the term "finance charge," as prescribed by Section 226.8(d)(3) of Regulation Z.

PAR. 10. By the aforesaid failure to make disclosures, respondents have failed 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 Truth in Lending Act, respondents' aforesaid failure to comply with Regulation Z constitutes violations of that Act and, pursuant to Section 108 thereof, respondents have thereby violated the Federal Trade Commission Act.

DECISION AND ORDER

The Commission having heretofore determined to issue its complaint charging the respondents named in the caption hereto with violation of the Truth in Lending Act and the implementing regulation promulgated thereunder, and the Federal Trade Commission Act, 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 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 considered the agreement and having provisionally accepted same, and the agreement containing consent order having thereupon been placed on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint in the form contemplated by said agreement, makes the following jurisdictional findings, and enters the following order:

1. Respondent Babbitt Brothers Trading Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Arizona, with its office and principal place of business located at Flagstaff, Ariz.

Respondent Warren Trading Post Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Arizona, with its office and principal place of business located at Kayenta, Ariz.

Respondent Cedar Ridge Trading Post Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Arizona, with its office and principal place of business located at Cedar Ridge, Ariz.

Respondent Tuba City Trading Post Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Arizona, with its office and principal place of business located at Tuba City, Ariz.

Respondent Oraibi Trading Post Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Arizona, with its office and principal place of business located at Oraibi, Ariz.

Respondent Indian Wells Trading Post Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Arizona, with its office and principal place of business located at Indian Wells, Ariz.

Respondent Red Lake Trading Post Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Arizona, with its office and principal place of business located at Red Lake, Ariz.

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

I

It is ordered, That respondents Babbitt Brothers Trading Company, a corporation, Warren Trading Post Company, a corporation, Cedar Ridge Trading Post Company, a corporation, Tuba City Trading Post Company, a corporation, Oraibi Trading Post Company, a corporation, Indian Wells Trading Post Company, a corporation, and Red Lake Trading Post Company, a corporation also doing business as Cow Springs Trading Post, 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 offering for sale, sale or purchase to or from individual consumers within the exterior boundaries of the Navajo, Hopi, and all other Reservations, of all classes of goods, wares, merchandise and articles of trade in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Purchasing rugs, blankets, jewelry or other forms of handicraft or livestock from consumers for other than lawful United States currency unless the consumer offering to sell the goods to the respondents has expressly indicated his desire to receive trade slips, due bills or other form of purchase orders indicating a credit owed to the consumer, in partial or full payment, and unless the respondents have advised the consumer orally in the language in which the consumer is most fluent, and in writing, of his right to receive the purchase price in lawful United States currency.

2. Failing to clearly and conspicuously indicate on all pawn receipts given to consumers:

- (a) The correct due date indicating the date the pledgor must effect redemption of a pawned item;

- (b) Any mutually agreed upon extension of such due date; and

- (c) The market or replacement value of the pawned item as agreed upon between the consumer and respondents, provided however such value shall be a reasonable estimate of the price at which the pawned item could be sold at retail in the trade area.

3. Selling items held as security in pawn transactions prior to the expiration of the statutory or mutually agreed to redemption period, whichever is longer.

4. Transporting, or causing to be transported, from post offices or other places of original delivery, or in other ways interfering

with the delivery of government issued or other checks payable to consumers.

It is further ordered, That respondents, their successors and assigns, maintain adequate records for a period of two years from the date of each transaction, and permit the inspection and copying thereof by Commission representatives, evidencing a consumer's desire to receive trade slips, due bills or other form of purchase orders indicating a credit owed to a consumer in return for any product or goods sold to the respondents.

II

It is further ordered, That respondents Babbitt Brothers Trading Company, Warren Trading Post Company, Cedar Ridge Trading Post Company, Tuba City Trading Post Company, Oraibi Trading Post Company, Indian Wells Trading Post Company, and Red Lake Trading Post Company, also doing business as Cow Springs Trading Post, 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 extension to individual consumers within the exterior boundaries of the Navajo, Hopi, and all other Reservations, of "consumer credit" or arranging for "consumer credit" for such consumers as "consumer credit" is defined in Regulation Z (12 C.F.R. 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 disclosures required by Section 226.8 of Regulation Z clearly, conspicuously and in a meaningful sequence, as prescribed by Section 226.6(a) of Regulation Z.

2. Failing to print the terms "annual percentage rate" and "finance charge" more conspicuously than other required terminology, as prescribed by Section 226.6(a) of Regulation Z.

3. Failing to disclose the finance charge expressed as an annual percentage rate, using the term "annual percentage rate," as prescribed by Section 226.8(b)(2) of Regulation Z.

4. Failing to disclose the number, amount, and due dates or periods of payments scheduled to repay the indebtedness and the sum of such payments using the term "total of payments," as prescribed by Section 226.8(b)(3) of Regulation Z.

5. Failing to disclose a description or identification of the type of any security interest held or to be retained or acquired by the creditor in connection with the extension of credit, and a clear identification of the property to which the security interest relates, as prescribed by Section 226.8(b)(5) of Regulation Z.

6. Failing to disclose identification of the method of computing any unearned portion of the finance charge in the event of prepayment of the obligation and 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 prescribed by Section 226.8(b)(7) of Regulation Z.

7. Failing to disclose the amount of credit which will be paid to the customer including all charges, individually itemized which are included in the amount of credit extended but which are not part of the finance charge, using the term "amount financed," as prescribed by Section 226.8(d)(1) of Regulation Z.

8. Failing to disclose the total amount of the finance charge, with description of each amount included, using the term "finance charge," as prescribed by Section 226.8(d)(3) of Regulation Z.

9. Failing in any consumer credit transaction to make all disclosures determined in accordance with Sections 226.4 and 226.5 of Regulation Z at the time and in the manner, form, and amount required by Sections 226.6, 226.7 and 226.8 of Regulation Z.

It is further ordered, That the respondent corporations, their successors and assigns, shall forthwith distribute a copy of this order to each of their present and future managers.

It is further ordered, That respondents notify the Commission at least thirty (30) days prior to any proposed change in any corporate respondent 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 corporation which may affect compliance obligations arising out of this order.

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.

Complaint

84 F.T.C.

IN THE MATTER OF

TIMOTHY, LYNN, DANIEL, INC., ETC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION AND TRUTH IN LENDING ACTS*Docket C-2560. Complaint, Oct. 7, 1974—Decision, Oct. 7, 1974*

Consent order requiring a Houston, Tex., retailer of jewelry and other merchandise, among other things to cease violating the Truth in Lending Act by failing to disclose to consumers, in connection with the extension of consumer credit, such information as required by Regulation Z of the said Act.

Appearances

For the Commission: *Richard H. Gateley.*

For the respondents: *Barrow, Bland, Rehmet & Lee*, Houston, Tex.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and the Truth in Lending Act, and the implementing regulation promulgated thereunder, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Timothy, Lynn, Daniel, Inc., a corporation trading and doing business as Laufman's, and Timothy Gallagher, individually and as an officer of said corporation, hereinafter sometimes referred to as respondents, have violated the provisions of said Acts, and the implementing regulation 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. Respondent Timothy, Lynn, Daniel, Inc., is a corporation, trading and doing business as Laufman's, organized existing and doing business under and by virtue of the laws of the State of Texas with its main business office located at 5254A Palms Center, Houston, Texas.

Respondent Timothy Gallagher is an officer of the corporate respondent. He formulated, directed and controlled the acts and practices of the corporate respondent 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 some time last past have been, engaged in the offering for sale and retail sale of jewelry and other merchandise to the public.