
IN THE MATTER OF
CROWN TRADING COMPANY, INC., ET AL.
CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION AND TRUTH IN LENDING
ACTS

Docket C-2678. Complaint, July 1, 1975-Decision, July 1, 1975

Consent order requiring a Miami, Fla., retailer of television sets, furniture and appliances, 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: *Truett M. Honeycutt.*

For the respondents: *Arthur J. August, Miami, Fla.*

COMPLAINT

Pursuant to the provisions of the Truth in Lending Act and the implementing regulation 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 Crown Trading Company, Inc., a corporation, trading and doing business as Crown Stores, and Eusebio Benitez and Juan Benitez, individually and as officers of said corporation, hereinafter sometimes referred to as respondents, have violated the provisions of said Acts and the implementing regulation, 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 Crown Trading Company, Inc., trading and doing business as Crown Stores, is a corporation, organized, existing and doing business under and by virtue of the laws of the State of Florida, with its principal office and place of business located at 1051 S.W. Eighth St., Miami, Fla.

Respondents Eusebio Benitez and Juan Benitez are officers of said corporation. They formulate, direct and control the policies, acts and practices of the corporate respondent, including those hereinafter set forth. Their 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 television sets, furniture and appliances to the public.

PAR. 3. In the ordinary course and conduct of their business as aforesaid, respondents regularly extend 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, respondents, in the ordinary course of business as aforesaid, and in connection with credit sales, as "credit sale" is defined in Regulation Z, have caused and are causing customers purchasing television sets, furniture and appliances to execute certain blank retail installment contracts. In a substantial number of instances, such customers are never given a copy of the completed contract. Respondents do not provide these customers with any other credit cost disclosures.

By and through their use of this blank retail installment contract, respondents:

1. Fail to disclose the "annual percentage rate," computed 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, amount, and due date or period of payments scheduled to repay the indebtedness, as required by Section 226.8(b)(3) of Regulation Z.

3. Fail to disclose the sum of the payments scheduled to repay the indebtedness, using the term "total of payments," as required by Section 226.8(b)(3) of Regulation Z.

4. Fail in any credit sale to disclose the price at which respondents, in the regular course of business, offer to sell for cash the property or services which are the subject of the credit sale, using the term "cash price," as required by Section 226.8(c)(1) of Regulation Z.

5. Fail to disclose the amount of any downpayment in money made in connection with any credit sale, using the term "cash downpayment," as required by Section 226.8(c)(2) of Regulation Z.

6. Fail to disclose the amount of any downpayment in property made in connection with any credit sale, using the term "trade in," as required by Section 226.8(c)(2) of Regulation Z.

7. Fail to disclose the sum of the "cash downpayment" and the "trade in" made in connection with any credit sale, using the term "total downpayment," as required by Section 226.8(c)(2) of Regulation Z.

8. Fail in any credit sale to disclose the difference between the "cash price" and the "total downpayment," using the term "unpaid balance of cash price," as required by Section 226.8(c)(3) of Regulation Z.

9. Fail to disclose all other charges which are included in the amount financed, but which are not part of the finance charge, as required by Section 226.8(c)(4) of Regulation Z.

10. Fail in any credit sale to disclose the sum of the "unpaid balance of cash price" and all other charges individually itemized, which are included in the amount financed but which are not part of the finance charge, using the term "unpaid balance," as required by Section 226.8(c)(5) of Regulation Z.

11. Fail to disclose the amount of credit extended, using the term "amount financed," as required by Section 226.8(c)(7) of Regulation Z.

12. Fail to disclose the sum of all charges made to the customer which are required by Section 226.4 of Regulation Z to be included in the finance charge, using the term "finance charge," as required by Section 226.8(c)(8)(i) of Regulation Z.

13. Fail in any credit sale to disclose the sum of the cash price, all charges which are included in the amount financed but which are not part of the finance charge, and the finance charge, using the term

"deferred payment price," as required by Section 226.8(c)(8)(ii) of Regulation Z.

14. Fail to make consumer credit cost disclosures heretofore set forth in this Paragraph before consummation of the transaction, and to furnish the customer with a duplicate of the contract or a statement by which the disclosures required by Section 226.8 of Regulation Z are made, as required by Section 226.8(a) of Regulation Z.

PAR. 5. Subsequent to July 1, 1969, respondents, in the ordinary course and conduct of their business as aforesaid, have charged and are now charging, a substantial number of consumers for credit life, accident, health and/or disability insurance written in connection with consumer credit sales transactions.

Typical and illustrative but not all inclusive, of the circumstances in which such insurance charges are incurred by consumers are the following, which generally occur in the sequence set forth:

1. Respondents automatically include charges for credit life, accident, health, and/or disability insurance on the credit sale disclosure statement and, unless the customer specifically objects to the inclusion of the charges for such insurance, the coverage becomes part of the credit transaction.

2. On that portion of the credit sale disclosure statement or statements which contains the statement, "I desire to obtain the creditor insurance checked above* * *" or words of similar import, followed by a line for the customer's signature, respondents, without the permission or authority of the consumer, check the box provided for the customer's election of credit life and then date and place an "x" on the line for the borrower's signature.

3. The credit sale disclosure, filled out as indicated above is presented to the customer for two signatures, and the consumer is told by respondents' employees to sign next to the "x's" respondents' employees have made. The consumer is not told of the purpose of each signature. These signatures are intended to indicate the consumer's request for the insurance coverage, and to acknowledge the consumer's receipt of the completed loan disclosure statement.

PAR. 6. By and through the acts and practices described in Paragraph Five, and others of similar import, meaning and consequence, but not specifically set forth herein, respondents, in a substantial number of instances, obtain consumers' signatures through practices which operate, directly or indirectly, to defeat the elective language of the insurance authorization disclosures by obscuring from consumers knowledge about the option, by misrepresenting to consumers that their signatures are necessary solely for the purpose of consummating the credit transaction, and by discouraging the declination of the

coverage when it is questioned. These practices have the effect of preventing substantial numbers of consumers from exercising their own independent, voluntary choice whether to obtain credit life, accident, health and/or disability insurance.

Therefore, respondents, in a substantial number of instances, induce their customers to incur charges for credit life, accident, health and/or disability insurance without said customers making a knowing, affirmative election to have such insurance and, thereby, respondents have failed to obtain from each of their customers a "specifically dated and separately signed affirmative written indication of [their] desire" to obtain such insurance, as required by Section 226.4(a)(5) of Regulation Z, in spite of the existence of language to the contrary in the credit cost disclosure statement.

PAR. 7. By and through the acts and practices described in Paragraphs Five and Six hereof, respondents have failed to include the charges for credit life, accident, health and/or disability insurance in the Finance Charge when a specific dated and separately signed affirmative written indication of the consumer's desire for such insurance has not been obtained, as required by Section 226.4(a)(5) of Regulation Z, and thereby respondents:

1. Failed to disclose accurately the "finance charge," as required by Section 226.8(c)(8)(i) of Regulation Z; and
2. Failed to disclose the "annual percentage rate" accurately to the nearest quarter of one percent, in accordance with Section 226.5, as required by Section 226.8(b)(2) of Regulation Z.

PAR. 8. 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(c) thereof, respondents have 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 Atlanta 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 Truth in Lending Act and the regulation promulgated thereunder and 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 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 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 Acts, 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 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, makes the following jurisdictional findings, and enters the following order:

1. Respondent Crown Trading Company, Inc., is a corporation, trading and doing business as Crown Stores, organized, existing and doing business under and by virtue of the laws of the State of Florida, with its office and principal place of business located at 1051 S.W. Eighth St., Miami, Fla.

Respondents Eusebio Benitez and Juan Benitez are officers of said corporation. They formulate, direct and control the policies, acts and practices of said corporation, and their principal office and place of business is located at the above stated address.

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 Crown Trading Company, Inc., a corporation trading and doing business as Crown Stores, or under any other name or names, its successors and assigns, and its officers, and Eusebio Benitez and Juan Benitez, individually and as officers of said corporation, and respondents' agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with any extension of consumer credit or 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 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 disclose the "annual percentage rate," computed in accordance with Section 226.5 of Regulation Z, as required by Section 226.8(b)(2) of Regulation Z.

2. Failing to disclose the number, amount, and due dates or periods of payments scheduled to repay the indebtedness, as required by Section 226.8(b)(3) of Regulation Z.

3. Failing to disclose the sum of the payments scheduled to repay the indebtedness, using the term "total of payments," as required by Section 226.8(b)(3) of Regulation Z.

4. Failing in any credit sale to disclose the price at which respondents, in the regular course of business, offer to sell for cash the property or services which are the subject of the credit sale, using the term "cash price," as required by Section 226.8(c)(1) of Regulation Z.

5. Failing to disclose the amount of any downpayment in money made in connection with any credit sale, using the term "cash downpayment," as required by Section 226.8(c)(2) of Regulation Z.

6. Failing to disclose the amount of any downpayment in property made in connection with any credit sale, using the term "trade in," as required by Section 226.8(c)(2) of Regulation Z.

7. Failing to disclose the sum of the "cash downpayment" and the "trade in" made in connection with any credit sale, using the term "total downpayment," as required by Section 226.8(c)(2) of Regulation Z.

8. Failing in any credit sale to disclose the difference between the "cash price" and the "total downpayment," using the term "unpaid balance of cash price," as required by Section 226.8(c)(3) of Regulation Z.

9. Failing to disclose all other charges which are included in the amount financed, but which are not part of the finance charge, as required by Section 226.8(c)(4) of Regulation Z.

10. Failing in any credit sale to disclose the sum of the "unpaid balance of cash price" and all other charges individually itemized, which are included in the amount financed but which are not part of the finance charge, using the term "unpaid balance," as required by Section 226.8(c)(5) of Regulation Z.

11. Failing to disclose the amount of credit extended, using the term "amount financed," as required by Section 226.8(c)(7) of Regulation Z.

12. Failing to disclose the sum of all charges made to the customer which are required by Section 226.4 of Regulation Z to be included in the finance charge, using the term "finance charge," as required by Section 226.8(c)(8)(i) of Regulation Z.

13. Failing in any credit sale to disclose the sum of the cash price, all charges which are included in the amount financed but which are not part of the finance charge, and the finance charge, using the term "deferred payment price," as required by Section 226.8(c)(8)(ii) of Regulation Z.

14. Failing to make consumer credit cost disclosures heretofore set forth in this order before consummation of the transaction, and to furnish the customer with a duplicate of the contract or a statement by which the disclosures required by Regulation Z are made, as required by Section 226.8(a) of Regulation Z.

15. Supplying, orally or in writing, any information to a customer so as to mislead or confuse the customer, or contradict or obscure, or detract attention from the information required by Regulation Z, in violation of Section 226.6(c) of Regulation Z.

16. Misrepresenting, orally or otherwise, directly or by implication, that credit life, accident, health and/or disability insurance are required as a condition of obtaining credit from respondents.

17. Discouraging, orally or otherwise, directly or by implication, the declination of credit life, accident, health and/or disability insurance.

18. Failing, when charges for credit life insurance and/or accident and health insurance are not included in the finance charge to:

a. Obtain from each customer purchasing such insurance a specifically dated and separately signed affirmative written indication of the consumer's desire for such insurance after making written disclosure to the consumer of the costs of such insurance, as required by Section 226.4(a)(5) of Regulation Z.

b. Tell the consumer that:

i. credit life insurance and/or credit accident and health insurance are optional; and

ii. the consumer's choice regarding the insurance coverage will not be considered in respondents' approval of the consumer's credit.

19. Failing to tell every customer the purpose(s) of each signature requested by respondents on any document directly related to the consummation of the credit transaction.

20. Making any marks or otherwise instructing a consumer where to sign or date the personal insurance authorization required by Section 226.4(a)(5), in advance of the consumer's free and independent choice of such insurance.

21. 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, 226.7, 226.8, and 226.10 of Regulation Z.

It is further ordered, That whenever the sales presentation is principally made in a language other than English, *e.g.*, Spanish, that the customer be given a statement containing the disclosures required by Section 226.8 of Regulation Z, in the form and manner prescribed therein but in the same language as that principally used in the sales presentation made to such customer.

It is further ordered, That respondents prominently display the following notice both in Spanish and in English in two or more locations in that portion of respondents' business premises most frequented by prospective customers, and in each location where customers normally sign consumer credit documents or other binding instruments. Such notice shall be considered prominently displayed only if so positioned as to be easily observed and read by the intended individuals:

NOTICE TO CREDIT CUSTOMERS

If The Dealer Is Financing Or Arranging The Financing Of Your Purchase, You Are Entitled To Consumer Credit Cost Disclosures As Required By The Federal Truth In Lending Act. These Must Be Provided To You In Writing Before You Are Asked To Sign Any Document Or Other Papers Which Would Bind You To Such A Purchase.

It is further ordered, That the 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 the 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 individual respondents named herein promptly notify the Commission of the discontinuance of their present business or employment and of their affiliation with a new business or employment. Such notice shall include respondents' current business address and a statement as to the nature of the business or employment in which they are engaged, as well as a description of their duties and responsibilities.

It is further ordered, That respondents notify the Commission at least thirty (30) days prior to any proposed change in corporate respondent such as dissolution, assignment or sale resulting in the emergence of a successor business, corporate or otherwise, 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

86 F.T.C.

IN THE MATTER OF
MARSHALL CAVENDISH CORPORATION

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

Docket C-2679. Complaint, July 14, 1975—Decision, July 14, 1975

Consent order requiring a New York City seller and distributor of encyclopedia and other educational material, among other things to cease distributing any product through the use of a continuity program that provides for the delivery on approval any product at intervals with the balance being sent in one or more multi-unit shipments.

Appearances

For the Commission: *Edward D. Steinman.*

For the respondent: *Peter D. Standish, Weil, Gotshal & Manges,*
New York City.

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 Marshall Cavendish Corporation, a corporation, 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 Marshall Cavendish Corporation is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its principal office and place of business located at 110 E. 59th St., New York, N.Y.

PAR. 2. Respondent is now, and for some time last past has been, engaged in the advertising, offering for sale, sale or distribution of encyclopedias, reference or educational material and other publications or other items of merchandise to the general public, and in the inducement and collection of payments for said publications or other items of merchandise from members of the general public.

PAR. 3. In the course and conduct of its business, as aforesaid, respondent now causes, and for some time last past has caused, said publications or other items of merchandise to be shipped or distributed from its places of business or from its sources of supply to purchasers and prospective purchasers thereof located in the various States of the United States other than the State where such publications or other