

IN THE MATTER OF
SHELL OIL COMPANY

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

Docket C-3012. Complaint, March 12, 1980—Decision, March 12, 1980

This consent order requires, among other things, a Houston, Texas oil company to cease failing to terminate the liability of a credit card holder for any unauthorized use of the card, after being properly notified by the card holder that third-party use was no longer authorized.

Appearances

For the Commission: *Robert C. Cheek.*

For the respondent: *A.M. Minotti, Houston, Texas.*

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 Shell Oil Company, a corporation, hereinafter sometimes referred to as respondent, has 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:

DEFINITIONS: For purposes of this complaint, the terms "card issuer," "cardholder," "consumer credit," "credit," "credit card," "creditor," "customer," and "unauthorized use" shall be defined as provided in Regulation Z, 12 CFR 226, the implementing regulation of the Truth In Lending Act, 15 U.S.C. 1601, *et seq.*, duly promulgated by the Board of Governors of the Federal Reserve System.

PAR. 1. Respondent is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at One Shell Plaza in the City of Houston, State of Texas.

PAR. 2. Respondent is now and for sometime has been engaged in the offering for sale and sale of gasoline and automotive products and services to the public at retail and to dealers.

PAR. 3. In the ordinary course and conduct of its business, respondent

regularly extends or arranges for the extension of consumer credit and is a "creditor" as defined in Regulation Z.

PAR. 4. Subsequent to July 1, 1969, respondent, in the ordinary course of its business, has issued credit cards to cardholders for their use both at service stations operated by respondent's employees and at certain service stations operated by independent businessmen that extend or arrange consumer credit for respondent. Such credit cards enable cardholders to purchase from such service stations automotive goods and services, such as gasoline, tires and automobile maintenance services, and to defer payment for such goods and services.

PAR. 5. Such payments are deferred by the cardholders' signing charge tickets specifying the amount of charges for the goods or services purchased. At a later date, respondent sends periodic billing statements to its cardholders listing the total charges received by respondent and processed for that billing period, after which time the cardholders are required to make payment for such charges.

PAR. 6. In various instances, certain cardholders authorize other persons (hereinafter referred to as "third persons") to use their credit cards to purchase goods and services. In such instances, respondent holds the cardholders liable for such authorized use even though the cardholders do not sign the charge tickets and even though the cardholders receive no benefit from such use.

PAR. 7. In certain instances, cardholders notified respondent that such previously authorized use had been revoked. In certain instances, respondent informed such cardholders that they were liable for such charges incurred by the third person until the credit cards used by the third persons were returned to respondent, and respondent requested payments from the cardholders for such third-person charges after notification by the cardholders to respondent of the revocation.

PAR. 8. By and through the acts and practices alleged above, respondent has failed to limit the liability of a cardholder for unauthorized use of each credit card issued in accordance with the requirements of §226.13(b)(2) of Regulation Z, and such failure constitutes a violation of §226.13(b)(2) of Regulation Z.

PAR. 9. Pursuant to §103(s) of the Truth In Lending Act, respondent's aforesaid failure to comply with Regulation Z constitutes a violation of that Act, and pursuant to §108 thereof respondent has 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 respondent named in the caption

hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the Dallas Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violation of the Federal Trade Commission Act; and

The respondent, its attorney, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent 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 respondent 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 respondent has 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 sixty (60) days, and having duly considered the comments filed thereafter by interested persons pursuant to Section 2.34 of its Rules, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Shell Oil Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at One Shell Plaza, in the City of Houston, State of Texas.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

ORDER

It is ordered, The respondent Shell Oil Company, a corporation, its successors and assigns, and its officers, and respondent's agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with any offering to arrange, arrangement or extension of consumer credit, as "consumer credit" is defined in Regulation Z (12 CFR 226) of the Truth In Lending Act (15 U.S.C. 1601, *et seq.*, as amended) do forthwith cease and desist from:

1. Failing to limit the liability of a cardholder for use of a credit

card by a third person, in those cases where such third person has been given authorization by the cardholder to use such credit card, to the amount of money, property, labor, or services obtained by use prior to notification to respondent, in accordance with Section 226.13(e) of Regulation Z, by the cardholder or the cardholder's agent that such use is no longer authorized, as required by Section 226.13(b)(2) of Regulation Z.

2. Informing a cardholder that respondent considers the cardholder liable for use of a credit card by a third person which occurs after the cardholder notifies respondent that such use is no longer authorized.

Provided, however, that it shall be a defense to any action brought hereunder for respondent to affirmatively show by a preponderance of the evidence that the alleged violation was due to a circumstance in which:

a) it attempts to hold a cardholder liable for use of its credit card when the cardholder has received the benefit from such use, or

b) it attempts to hold a cardholder liable for use of its credit card when the cardholder has engaged in fraudulent use of its credit card.

It is further ordered, That respondent notify the Commission at least thirty (30) days prior to any proposed change in the 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 the order.

It is further ordered, That respondent deliver a copy of this order to cease and desist to all present and future supervisory personnel of respondent who are engaged in the furnishing of credit card information or in the billing or collecting of credit card accounts and that respondent secure a signed statement acknowledging receipt of said copy of this order from each such person.

It is further ordered, That respondent herein shall, within sixty (60) days and again within one (1) year after service of this order, file with the Commission a written report setting forth in detail the manner and form of its compliance with this order.

IN THE MATTER OF
HAIR EXTENSION OF BEVERLY HILLS, INC., ET AL.
CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF SEC.
5 OF THE FEDERAL TRADE COMMISSION ACT

Docket C-3013. Complaint, March 13, 1980—Decision, March 13, 1980

This consent order requires, among other things, two California firms and two individuals engaged in the sale of hair replacement services to cease soliciting, selling or performing hair implants; and/or misrepresenting, in advertising or otherwise, the safety or effectiveness of the hair implant process in the treatment of baldness. Should respondents engage in any future hair replacement business, they must expend at least \$8,000 on corrective advertising warning consumers that "Hair Implants Are Unsafe." The order also requires that the Commission notify past hair implant customers that the process is unsafe and that they should seek prompt medical attention.

Appearances

For the Commission: *George E. Schulman* and *Anne B. Roberts*.

For the respondents: *Pro se*.

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 Hair Extension of Beverly Hills, Inc., a corporation, also trading and doing business as Hair TransCenter; Hair Extension, Inc., a corporation, also trading and doing business as Hair TransCenter; Lee Marlow, individually and as an officer of said corporations; and Ann Marlow, individually and as an officer of said corporations, hereinafter sometimes 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:

PAR. 1. Respondent Hair Extension of Beverly Hills, Inc., also trading and doing business as Hair TransCenter, is a corporation organized, existing and doing business under and by virtue of the laws of the State of California. Its principal office and place of business is at 8383 Wilshire Boulevard, Beverly Hills, California.

Respondent Hair Extension, Inc., also trading and doing business as Hair TransCenter, is a corporation organized, existing and doing business under and by virtue of the laws of the State of California. Its