

Complaint

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IN THE MATTER OF

HERB GORDON AUTO WORLD, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT, THE TRUTH IN LENDING ACT, REGULATION Z, THE CONSUMER LEASING ACT AND REGULATION M

Docket C-3734. Complaint, April 15, 1997--Decision, April 15, 1997

This consent order prohibits, among other things, the Maryland company and its seven dealerships from obscuring important cost information in fine or unreadable print, from advertising financed purchase or leasing terms that are not available to consumers, and from misrepresenting the terms of financing or leasing any vehicle, the existence of the amount of any balloon payment, or the existence, number or amount of payments for financed purchases. The consent order requires the respondents to make all the disclosures required by the Truth in Lending Act, Regulation Z, Consumer Leasing Act, and Regulation M, and to ensure that the disclosures are noticeable, readable, and comprehensible to an ordinary customer.

Appearances

For the Commission: *Carole L. Reynolds.*

For the respondents: *Charles M. English, Jr., Ober, Kaler, Grimes & Shriver, Washington, D.C.*

COMPLAINT

The Federal Trade Commission, having reason to believe that Herb Gordon Auto World, Inc. dba Herb Gordon Auto World, Herb Gordon Dodge, Herb Gordon Mercedes-Benz, Herb Gordon Nissan, Herb Gordon Oldsmobile, Herb Gordon Volvo, and Herb Gordon Used Cars, a corporation, ("respondent") has violated the Truth in Lending Act ("TILA"), 15 U.S.C. 1601-1667, as amended, and its implementing Regulation Z, 12 CFR 226, as amended, the Consumer Leasing Act ("CLA"), 15 U.S.C. 1667-1667e, as amended, and its implementing Regulation M, 12 CFR 213, as amended, and the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. 45-58, as amended, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues this complaint and alleges:

PARAGRAPH 1. Herb Gordon Auto World, Inc. dba Herb Gordon Auto World, Herb Gordon Dodge, Herb Gordon Mercedes-Benz, Herb Gordon Nissan, Herb Gordon Oldsmobile, Herb Gordon

Volvo, and Herb Gordon Used Cars, 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 3121-3161 Automobile Blvd., Silver Spring, Maryland.

PAR. 2. In the ordinary course and conduct of its business, and at least since January 1, 1994, respondent has been engaged in the dissemination of advertisements that promote, directly or indirectly, credit sales and other extensions of other than open end credit in consumer credit transactions, as the terms "advertisement," "credit sale," and "consumer credit," are defined in the TILA and Regulation Z. In the ordinary course and conduct of its business, and at least since January 1, 1994, respondent has been engaged in the dissemination of advertisements that promote, directly or indirectly, consumer leases, as the terms "advertisement," and "consumer lease," are defined in the CLA and Regulation M.

PAR. 3. The acts and practices of respondent alleged in this complaint have been and are in or affecting commerce, as "commerce" is defined in the FTC Act.

COUNT ONE

PAR. 4. Respondent, in the course and conduct of its business, in numerous instances including but not limited to Exhibit A, has disseminated or caused to be disseminated print advertisements that state initial, low monthly payment amounts, such as "\$163" per month, and promote the "luxury of low payments" ("Gold Key Plus advertisements"). In fine print, respondent's Gold Key Plus advertisements, *inter alia*, state an initial number of payments, a downpayment and another amount described as a "purchase option." Respondent's Gold Key Plus advertisements misrepresent that the additional amount is optional and fail to disclose that the financing to be signed at purchase requires the consumer to make a substantial balloon payment at the conclusion of the initial payments, which is a mandatory obligation.

PAR. 5. Respondent's aforesaid practice constitutes a deceptive act or practice, in violation of Section 5(a) of the FTC Act, 15 U.S.C. 45(a).

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COUNT TWO

PAR. 6. Respondent, in the course and conduct of its business, in numerous instances including but not limited to Exhibit A, has disseminated or caused to be disseminated Gold Key Plus advertisements that state initial, low monthly payment amounts and promote the "luxury of low payments." In fine print, respondent's Gold Key Plus advertisements, *inter alia*, state an initial number of payments, a downpayment and another amount described as a "purchase option." Respondent's Gold Key Plus advertisements fail to accurately state the terms of repayment, by failing to disclose that the additional amount is a final payment and by inaccurately stating that the amount is optional when, in fact, it is mandatory, based on the financing to be signed at purchase.

PAR. 7. Respondent's aforesaid practice violates Section 144(d) of the TILA, 15 U.S.C. 1664(d), and Section 226.24(c) of Regulation Z, 12 CFR 226.24(c).

COUNT THREE

PAR. 8. Respondent, in the course and conduct of its business, in numerous instances including but not limited to Exhibit A, has disseminated or caused to be disseminated Gold Key Plus advertisements, *inter alia*, that state initial, low monthly payment amounts and promote the "luxury of low payments." Respondent's Gold Key Plus advertisements fail to disclose the annual percentage rate for the financing, using that term or the abbreviation "APR."

PAR. 9. Respondent's aforesaid practice constitutes a deceptive act or practice, in violation of Section 5(a) of the FTC Act, 15 U.S.C. 45(a), and a violation of Section 144(d) of the TILA, 15 U.S.C. 1664(d) and Section 226.24(c) of Regulation Z, 12 CFR 226.24(c).

COUNT FOUR

PAR. 10. Respondent, in the course and conduct of its business, in numerous instances including but not limited to Exhibit A, has disseminated or caused to be disseminated Gold Key Plus advertisements that state initial, low monthly payment amounts and boldly promote the "luxury of low payments." In fine print, respondent's Gold Key Plus advertisements, *inter alia*, state an initial number of payments, a downpayment and another amount described as a "purchase option" (the "disclaimer"). The disclaimer in

respondent's Gold Key Plus advertisements is virtually unreadable and incomprehensible to ordinary consumers because of the extremely small typesize and is not clear and conspicuous.

PAR. 11. Respondent's aforesaid practice constitutes a deceptive act or practice, in violation of Section 5(a) of the FTC Act, 15 U.S.C. 45(a) and a violation of Section 226.24 of Regulation Z, 12 CFR 226.24, as more fully set out in Section 226.24-1 of the Federal Reserve Board's Official Staff Commentary to Regulation Z ("Commentary"), 12 CFR 226.24-1, Supp. 1.

COUNT FIVE

PAR. 12. Respondent, in the course and conduct of its business, in numerous instances including but not limited to Exhibits B-1, B-2 and B-3, has disseminated or caused to be disseminated print advertisements that boldly state "\$95 down with low monthly payments for the first 12 months" and radio and televised advertisements that boldly state "\$95 down and payments as low as \$155 a month for the first 12 months" ("Drive For 95 advertisements"). Respondent's Drive For 95 print, radio and televised advertisements also state various initial, low monthly payment amounts, such as "\$155" a month. Thereafter, respondent's Drive For 95 print, radio and televised advertisements, *inter alia*, state "balance of 48 payments will be higher than 1st 12 months" and "cost per \$1,000 borrowed \$20.52." Respondent's Drive For 95 advertisements misrepresent and fail to accurately disclose the amount of the second series of installment payments required at the conclusion of the initial payments, based on the financing to be signed at purchase.

PAR. 13. Respondent's aforesaid practice constitutes a deceptive act or practice, in violation of Section 5(a) of the FTC Act, 15 U.S.C. 45(a).

COUNT SIX

PAR. 14. Respondent, in the course and conduct of its business, in numerous instances including but not limited to Exhibits B-1, B-2 and B-3, has disseminated or caused to be disseminated Drive For 95 print advertisements that state "\$95 down with low monthly payments for the first 12 months" and Drive For 95 radio and televised advertisements that state "\$95 down and payments as low as \$155 a month for the 1st 12 months." Respondent's Drive For 95 print, radio

and televised advertisements also state various initial, low monthly payment amounts, such as "\$155" a month. Thereafter, respondent's Drive For 95 print, radio and televised advertisements, *inter alia*, state "balance of 48 payments will be higher than 1st 12 months" and "cost per \$1,000 borrowed \$20.52." Respondent's Drive For 95 advertisements fail to accurately disclose the terms of repayment, by failing to accurately state the amount of the second series of installment payments required at the conclusion of the initial payments, based on the financing to be signed at purchase.

PAR. 15. Respondent's aforesaid practice violates Section 144(d) of the TILA, 15 U.S.C. 1664(d), and Section 226.24(c) of Regulation Z, 12 CFR 226.24(c).

COUNT SEVEN

PAR. 16. Respondent, in the course and conduct of its business, in numerous instances including but not limited to Exhibits B-1, B-2 and B-3, has disseminated or caused to be disseminated Drive For 95 print advertisements that state "\$95 down with low monthly payments for the first 12 months" and Drive For 95 radio and televised advertisements that state "\$95 down and \$155 a month for the 1st 12 months." Respondent's Drive For 95 print, radio and televised advertisements also state various initial, low monthly payment amounts. In fine print in the print advertisements, in fine print for a short duration in the televised advertisements, and orally for a short duration in the radio advertisements, respondent's Drive For 95 advertisements, *inter alia*, state "balance of 48 payments will be higher than 1st 12 months," "cost per \$1,000 borrowed \$20.52," and an annual percentage rate (the "disclaimer"). The disclaimer in respondent's Drive For 95 advertisements is virtually incomprehensible to ordinary consumers and is not clear and conspicuous because of the small typesize in the print and televised advertisements and because of the short duration in the radio and televised advertisements.

PAR. 17. Respondent's aforesaid practice constitutes a deceptive act or practice, in violation of Section 5(a) of the FTC Act, 15 U.S.C. 45(a), and a violation of Section 226.24 of Regulation Z, 12 CFR 226.24, as more fully set out in Section 226.24-1 of the Commentary, 12 CFR 226.24-1, Supp. 1.

COUNT EIGHT

PAR. 18. Respondent, in the course and conduct of its business, in numerous instances has disseminated or caused to be disseminated advertisements that state the amount or percentage of any downpayment, the number of payments or period of repayment, or the amount of any payment, but fail to state all of the terms required by Regulation Z, as follows: the amount or percentage of the downpayment, the terms of repayment, and the annual percentage rate, using that term or the abbreviation "APR."

PAR. 19. Respondent's aforesaid practice violates Section 144(d) of the TILA, 15 U.S.C. 1664(d), and Section 226.24(c) of Regulation Z, 12 CFR 226.24(c).

COUNT NINE

PAR. 20. Respondent, in the course and conduct of its business, in numerous instances has disseminated or caused to be disseminated advertisements that state the amount of any payment, the number of required payments, or that any or no downpayment or other payment is required at consummation of the lease, but fail to state all of the terms required by Regulation M, as applicable and as follows: that the transaction advertised is a lease; the total amount of any payment such as a security deposit or capitalized cost reduction required at the consummation of the lease or that no such payments are required; the number, amount, due dates or periods of scheduled payments, and the total of such payments under the lease; a statement of whether or not the lessee has the option to purchase the leased property and at what price and time (the method of determining the price may be substituted for disclosure of the price); and a statement of the amount or method of determining the amount of any liabilities the lease imposes upon the lessee at the end of the term.

PAR. 21. Respondent's aforesaid practice violates Section 184 of the CLA, 15 U.S.C. 1667c, and Section 213.5(c) of Regulation M, 12 CFR 213.5(c).

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EXHIBIT B

EXHIBIT D1
(Exhibit B2 is an audio tape, and Exhibit D3 is a videotape)

DO NOT WRITE ON THIS COUPON. IT IS INTENDED FOR HERB GORDON
RETURN IT WITH THESE COPIES TO ORIGINATING OFFICE

HERB GORDON AUTO WORLD
PRESENTS
THE DRIVE FOR
\$9500 DOWN
HUGE 20 MILLION DOLLAR INVENTORY
WITH
LOW MONTHLY PAYMENTS
THIS IS NOT A LEASE
THIS IS YOUR CHANCE TO BUY

For The First 12 Months*...	
ANY NISSAN	\$155.00 PER MONTH 1ST 12 MONTHS
ANY DODGE	\$155.00 PER MONTH 1ST 12 MONTHS
ANY OLDSMOBILE	\$165.00 PER MONTH 1ST 12 MONTHS
ANY VOLVO	\$195.00 PER MONTH 1ST 12 MONTHS
ANY MERCEDES BENZ C220	\$295.00 PER MONTH 1ST 12 MONTHS

Montgomery
Auto Sales Park
Route 29 & Briggs
Chasey Road
Silver Spring, Maryland

HERB GORDON
AUTO WORLD

MONDAY THRU FRIDAY
9:00 AM - 9:00 PM
SATURDAY 9:00 AM - 6:00 PM
301-890-8200

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 complaint that the Bureau of Consumer Protection proposed to present to the Commission for its consideration and that, if issued by the Commission, would charge the respondent with violation of the Truth in Lending Act, 15 U.S.C. 1601 *et seq.* and its implementing Regulation Z, 12 CFR 226, the Consumer Leasing Act, 15 U.S.C. 1667 *et seq.* and its implementing Regulation M, 12 CFR 213 and the Federal Trade Commission Act, 15 U.S.C. 45 *et seq.*; and

The respondent 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 considered the matter and having determined that it had reason to believe that the respondent has violated the said Acts and Regulation, 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 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Respondent Herb Gordon Auto World, Inc. dba Herb Gordon Auto World, Herb Gordon Dodge, Herb Gordon Mercedes-Benz, Herb Gordon Nissan, Herb Gordon Oldsmobile, Herb Gordon Volvo, and Herb Gordon Used Cars, 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 3121-3161 Automobile Blvd., Silver Spring, Maryland.

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

ORDER

DEFINITIONS

"Clearly and conspicuously" as used herein shall mean:

(a) In a television or videotaped advertisement, the required disclosures made in the audio portion of the advertisement shall be delivered in a volume, cadence and location, and for a duration, as to be readily noticeable, hearable and comprehensible to an ordinary consumer. The required disclosures made in the video portion of the advertisement shall appear on the screen in a size, shade, contrast, prominence and location, and for a duration, as to be readily noticeable, readable and comprehensible to an ordinary consumer.

(b) In a radio advertisement, the required disclosures shall be delivered in a volume, cadence and location, and for a duration, as to be readily noticeable, hearable and comprehensible to an ordinary consumer.

(c) In a print advertisement (including but not limited to mail solicitations), the required disclosures shall appear in a size, shade, contrast, prominence and location as to be readily noticeable, readable and comprehensible to an ordinary consumer.

Nothing contrary to, inconsistent with or in mitigation of the required disclosures shall be used in any advertisement.

I.

It is ordered, That respondent Herb Gordon Auto World, Inc. dba Herb Gordon Auto World, Herb Gordon Dodge, Herb Gordon Mercedes-Benz, Herb Gordon Nissan, Herb Gordon Oldsmobile, Herb Gordon Volvo, and Herb Gordon Used Cars, a corporation, its successors and assigns, and its officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or any other device, in connection with any advertisement to promote directly or indirectly any extension of consumer credit, as "advertisement" and "consumer credit" are defined in the Truth in Lending Act ("TILA"), 15 U.S.C. 1601-1667, as amended, and its implementing Regulation Z, 12 CFR 226, as amended, do forthwith cease and desist from:

A. Misrepresenting in any manner, directly or by implication, the terms of financing the purchase of a vehicle, including but not limited to whether there may be a balloon payment or second series of installment payments, and the amount of any balloon payment or the number and amount of any second series of installment payments.

B. Stating any number or amount of payment(s) required to repay the debt, without stating accurately, clearly and conspicuously, all of the terms required by Regulation Z, as follows, and as amended:

- (1) The amount or percentage of the downpayment;
- (2) The terms of repayment, including the amount of any balloon payment, or the number and amount of any second series of installment payments; and
- (3) The annual percentage rate, using that term or the abbreviation "APR." If the annual percentage rate may be increased after consummation of the credit transaction that fact must also be disclosed.

(Section 144(d) of the TILA, 15 U.S.C. 1664(d), as amended, and Section 226.24(c) of Regulation Z, 12 CFR 226.24(c), as amended, as more fully set out in Section 226.24(c) of the Federal Reserve Board's Official Staff Commentary to Regulation Z (hereinafter referred to as "Commentary"), 12 CFR 226.24(c), Supp. 1, as amended).

C. Stating the amount or percentage of any downpayment, the number of payments or period of repayment, the amount of any payment or the amount of any finance charge, without stating, clearly and conspicuously, all of the terms required by Regulation Z, as follows, and as amended:

- (1) The amount or percentage of the downpayment;
- (2) The terms of repayment, and
- (3) The annual percentage rate, using that term or the abbreviation "APR." If the annual percentage rate may be increased after consummation of the credit transaction, that fact must also be disclosed.

(Section 144(d) of the TILA, 15 U.S.C. 1664(d), as amended, and Section 226.24(c) of Regulation Z, 12 CFR 226.24(c)), as amended, as more fully set out in Section 226.24(c) of the Commentary, 12 CFR 226.24(c), Supp. 1, as amended).

D. Stating a rate of finance charge without stating the rate as an "annual percentage rate" using that term or the abbreviation "APR," as required by Regulation Z. If the annual percentage rate may be increased after consummation, the advertisement shall state that fact. The advertisement shall not state any other rate, except that a simple annual rate or periodic rate that is applied to an unpaid balance may be stated in conjunction with, but not more conspicuously than, the annual percentage rate.

(Section 144(c) of the TILA, 15 U.S.C. 1664(c), as amended, and Section 226.24(b) of Regulation Z, 12 CFR 226.24(b), as amended, as more fully set out in Section 226.24(b) of the Commentary, 12 CFR 226.24(b), Supp. 1, as amended).

E. Failing to state only those terms that actually are or will be arranged or offered by the creditor, in any advertisement for credit that states specific credit terms, as required by Regulation Z.

(Section 142 of the TILA, 15 U.S.C. 1662, as amended, and Section 226.24(a) of Regulation Z, 12 CFR 226.24(a), as amended).

F. Failing to comply in any other respect with Regulation Z and the TILA.

(Regulation Z, 12 CFR 226, as amended, and the TILA, 15 U.S.C. 1601-1667, as amended).

II.

It is ordered, That respondent, its successors and assigns, and its officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or any other device, in connection with any advertisement to aid, promote or assist directly or indirectly any consumer lease, as "advertisement" and "consumer lease" are defined in the Consumer Leasing Act ("CLA"), 15 U.S.C. 1667-1667e, as amended, and its implementing Regulation M, 12 CFR 213, as amended, do forthwith cease and desist from:

A. Misrepresenting in any manner, directly or by implication, the costs or terms of leasing a vehicle.

B. Stating the amount of any payment, the number of required payments, or that any or no downpayment or other payment is required at consummation of the lease, unless all of the following items are disclosed, clearly and conspicuously, as applicable, as required by Regulation M, as amended:

(1) That the transaction advertised is a lease;

(2) The total amount of any payment such as a security deposit or capitalized cost reduction required at the consummation of the lease, or that no such payments are required;

(3) The number, amounts, due dates or periods of scheduled payments and the total of such payments under the lease;

(4) A statement of whether or not the lessee has the option to purchase the leased property and at what price and time (the method of determining the price may be substituted for disclosure of the price); and

(5) A statement of the amount or method of determining the amount of any liabilities the lease imposes upon the lessee at the end of the term and a statement that the lessee shall be liable for the difference, if any, between the estimated value of the leased property and its realized value at the end of the lease term, if the lessee has such liability.

For all lease advertisements, respondent may comply with the requirements of this subparagraph by utilizing Section 184(a) of the CLA, 15 U.S.C. 1667c(a), as amended by Title II, Section 2605 of the Omnibus Consolidated Appropriations Act for Fiscal Year 1997 ("Omnibus Act"), Pub. L. No. 104-208, 110 Stat. 3009, 3009-473 (Sept. 30, 1996) (to be codified at 15 U.S.C. 1667c(a)) ("Section 184(a) of the revised CLA"), as amended, or by utilizing Section 213.7(d) of revised Regulation M, 61 Fed. Reg. 52246, 52261 (Oct. 7, 1996) (to be codified at 12 CFR 213.7(d)) ("revised Regulation M"), as amended. For radio lease advertisements, respondent may also comply with the requirements of this subparagraph by utilizing Section 184(b) of the CLA, 15 U.S.C. 1667c(b), as amended by Title II, Section 2605 of the Omnibus Act (to be codified at 15 U.S.C. 1667c(c)) ("Section 184(c) of the revised CLA"), as amended, or by utilizing Section 213.7(f) of revised Regulation M (to be codified at 12 CFR 213.7(f)), as amended. For television lease advertisements, respondent may also comply with the requirements of this subparagraph by utilizing Section 213.7(f) of revised Regulation M, as amended.

(Sections 184(a)-(b) of the CLA, 15 U.S.C. 1667c(a)-(b), as amended, and Section 213.5(c) of Regulation M, 12 CFR 213.5(c), as amended).

C. Stating that a specific lease of any property at specific amounts or terms is available unless the lessor usually and customarily leases

or will lease such property at those amounts or terms, as required by Regulation M.

(Section 213.5(a) of Regulation M, 12 CFR 213.5(a), as amended).

D. Failing to comply in any other respect with Regulation M and the CLA.

Respondent may comply with the requirements of this subparagraph by utilizing revised Regulation M, 61 Fed. Reg. 52246 (Oct. 7, 1996) (to be codified at 12 CFR 213), as amended.

(Regulation M, 12 CFR 213, as amended, and the CLA, 15 U.S.C. 1667-1667e, as amended).

III.

It is further ordered, That respondent, its successors and assigns shall distribute a copy of this order to any present or future officers, agents, representatives, and employees having responsibility with respect to the subject matter of this order and secure from each such person a signed statement acknowledging receipt of said order.

IV.

It is further ordered, That respondent, its successors and assigns shall promptly notify the Commission at least thirty (30) days prior to any proposed change in the corporate entity 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.

V.

It is further ordered, That for five years after the date of service of this order respondent, its successors and assigns shall maintain and upon request make available all records that will demonstrate compliance with the requirements of this order.

VI.

It is further ordered, That respondent, its successors and assigns shall, within sixty (60) days of the date of service of this order, file

with the Commission a report, in writing, setting forth in detail the manner and form in which it has complied with this order.

VII.

It is further ordered, That this order will terminate on April 15, 2017, or twenty years from the most recent date that the United States or the Federal Trade Commission files a complaint (with or without an accompanying consent decree) in federal court alleging any violation of the order, whichever comes later; provided, however, that the filing of such a complaint will not affect the duration of:

A. Any paragraph in this order that terminates in less than twenty years;

B. This order's application to any respondent that is not named as a defendant in such complaint; and

C. This order if such complaint is filed after the order has terminated pursuant to this paragraph.

Provided further, that if such complaint is dismissed or a federal court rules that the respondent did not violate any provision of the order, and the dismissal or ruling is either not appealed or upheld on appeal, then the order will terminate according to this paragraph as though the complaint was never filed, except that the order will not terminate between the date such complaint is filed and the later of the deadline for appealing such dismissal or ruling and the date such dismissal or ruling is upheld on appeal.

IN THE MATTER OF

THE MONEY TREE, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT,
THE TRUTH IN LENDING ACT AND THE FAIR CREDIT REPORTING ACT

Docket C-3735. Complaint, April 28, 1997--Decision, April 28, 1997

This consent order requires, among other things, the Georgia company and its officer to offer customers the chance to cancel the credit-life, credit-disability, or accidental death and dismemberment insurance they purchased, and to obtain cash refunds or credit which could amount to as much as \$1.2 million. The consent order prohibits the respondents from requiring consumers to sign statements that such purchases are voluntary, if they are required to obtain the loan; from referring to credit-related insurance or auto club membership without telling consumers their loan applications have been approved and the amount of the approved loans; and requires the respondents to disclose to consumers that such coverage is optional and to have those consumers sign a form acknowledging that fact and the amount the extras will cost if they choose to purchase them. The consent order also prohibits violations of the Fair Credit Reporting Act provisions regarding disclosures to consumers when their credit reports influence the denial of credit.

Appearances

For the Commission: *Thomas Kane, Rolando Berrelez and William Haynes.*

For the respondents: *Sheldon Feldman, Weil, Gotshal & Manges, Washington, D.C.*

COMPLAINT

The Federal Trade Commission, having reason to believe that The Money Tree, Inc., a corporation, and Vance R. Martin, individually and as an officer of The Money Tree, Inc. ("respondents"), have violated the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. 45-58, as amended, and the Fair Credit Reporting Act ("FCRA"), 15 U.S.C. 1681-1681t, as amended, and that The Money Tree, Inc. has violated the Truth in Lending Act ("TILA"), 15 U.S.C. 1601-1667, as amended, and its implementing Regulation Z, 12 CFR Part 226, as amended, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, alleges:

1. Respondent The Money Tree, Inc., which also does business as Money To Lend, Inc. and Money To Lend, is a Georgia corporation, with its office and principal place of business located at 114 South