

IN THE MATTER OF

AMERICAN ISUZU MOTORS INC.

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

Docket C-3712. Complaint, Feb. 6, 1997--Decision, Feb. 6, 1997

This consent order prohibits, among other things, a California-based automobile manufacturer from misrepresenting the total amount due at lease inception, requires the manufacturer to provide consumers with clear, readable, and understandable cost information in their car lease and financed purchase advertising, requires advertisements, that reference an initial payment or state that no initial payment is due, to clearly and conspicuously disclose, as applicable, that the deal is a lease, and to disclose the fact that an extra charge may be imposed at the end of the lease based on the residual value of the car.

Appearances

For the Commission: *Rolando Berrelez, Sally Pitofsky and Lauren Steinfeld.*

For the respondent: *Randy Reiser, David & Gilbert*, New York, N.Y.

COMPLAINT

The Federal Trade Commission, having reason to believe that American Isuzu Motors Inc., a corporation ("respondent" or "Isuzu"), has violated the provisions of the Federal Trade Commission Act, 15 U.S.C. 45-58, as amended, the Consumer Leasing Act, 15 U.S.C. 1667-1667e, as amended, and its implementing Regulation M, 12 CFR 213, as amended, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent American Isuzu Motors Inc. is a California corporation with its principal office or place of business at 2300 Pellissier Place, Whittier, California. Respondent distributes Isuzu vehicles.

2. Respondent has disseminated advertisements to the public that promote consumer leases, as the terms "advertisement" and

"consumer lease" are defined in Section 213.2 of Regulation M, 12 CFR 213.2, as amended.

3. The acts and practices of respondent alleged in this complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. 44.

4. Respondent has disseminated or has caused to be disseminated consumer lease advertisements ("lease advertisements") for Isuzu vehicles, including but not necessarily limited to the attached Isuzu Exhibits A through C. Isuzu Exhibits A through C are television lease advertisements (attached in video and storyboard format). These advertisements contain the following statements:

A. [Audio:] "Hey, hey, hey, hey. What the heck does this mean? Very simply, it means for \$999 down, you can lease a brand new Trooper for only \$319 a month."

[Video:] "THE TROOPER LEASE EXPLAINED. [highlighted in yellow]. \$319 MONTH FOR 24 MONTHS. \$999 CUSTOMER CAPITALIZED COST REDUCTION. [highlighted in yellow]."

[The advertisement contains the following lease disclosure which appears on the screen for a brief duration, in a scrolling format, interrupted or obscured by other images, and accompanied by background sound: "*ADVERTISED PAYMENT APPLICABLE TO 4WD TROOPER S MODEL MANUAL TRANSMISSION ONLY. First month's payment of \$319 plus a refundable Security Deposit of \$350 (or a non-refundable last month's payment in IL, IN, KS, ME, and NY) plus a customer down payment of \$999 for a total of \$1,668 due at lease signing. Based on a 24 month low mileage closed-end lease offered to qualified customers by GE Capital Auto Lease through participating dealers through June 30, 1994 -- Subject to availability. Prices based on \$23,000 MSRP and capitalized cost of \$20,075 for a 1994 model Isuzu Trooper S with manual transmission including destination charges and a dealer capitalized cost reduction of \$2,376, excluding taxes, registration, title, license, dealer prep, options and other charges. Prices/monthly payments may vary. 24 monthly payments total \$7,660 plus tax as applicable. Option to purchase at lease end for \$14,030 plus a \$250 purchase option fee. Lessee pays for maintenance, insurance, repairs, excessive wear and tear and mileage charges of up to .15 cents per mile over 24,000 miles at lease end. Program not available in Alaska. 800-726-9200. See your participating Isuzu dealer for details."] (Isuzu Exhibit A).

B. [Audio:] "Okay. It says here for \$1,999 down you can lease a Trooper LS with standard dual airbags for just \$339 a month."

[Video:] "THE TROOPER LEASE . . . \$1,999 CUSTOMER CAPITALIZED COST REDUCTION. \$339/MONTH FOR 30 MONTHS." [Index finger points to bolded text while hand moves across remaining text on screen].

[The advertisement contains the following lease disclosure which appears on the screen for a brief duration, in a scrolling format, interrupted or obscured by other images, and accompanied by background sound: "First month's payment of \$339, a refundable Security Deposit of \$350 (or a non-refundable last month's payment of \$339, in IL, IN, KS, ME, and NY) and a customer capitalized cost reduction of

\$1,999 for a total of \$2,688 due at lease signing. Total monthly payments: \$10,170. Taxes, license, title fees, options and insurance are extra. 30 month, closed-end lease example based on \$30,425 MSRP (includes destination charge), a dealer capitalized cost reduction of \$2,995 and a total capitalized cost of \$25,926. Your payments may be higher or lower. Option to purchase at lease end for \$19,472 plus \$250 purchase option fee. Mileage charge of \$.15 per mile over 30,000 miles. Lessee pays excessive wear and use. You must take retail delivery out of dealer stock by July 10, 1995. Program not available in Alaska. 800-726-9200. See your participating dealer for details."] (Isuzu Exhibit B).

C. [Audio:] "Now you can drive off-road without getting soaked. The Rodeo Lease. See your dealer for details."

[Video:] "\$249/MO. The 1993 Rodeo Lease."

[The advertisement contains the following lease disclosure in white fine print superimposed over a black background and accompanied by background sound: "ADVERTISED PAYMENT APPLICABLE TO THE RODEO S MODEL ONLY. OPTIONAL EQUIPMENT SHOWN. First month's payment of \$249 plus refundable security deposit of \$249 (or non-refundable last month's payment in IL, IN, KS, ME and NY), plus a customer capitalized cost reduction of \$1,000 for a total of \$1,498 due at lease signing. Based on a 36-month closed-end lease offered to qualified consumers by GE Capital Auto Lease through participating dealers through 3/31/93. Subject to availability. Prices based on \$____ MSRP and a capitalized cost of \$____ for a 1993 Isuzu Rodeo ____ with manual transmission, including destination charges, excluding taxes, registration, title, license, dealer prep., options and charges. Dealer ____ monthly payments may vary. 36 monthly payments total \$____ plus tax as applicable. Option to purchase at lease end for \$____ plus a \$250 disposition fee. Lessee pays for maintenance, insurance, repairs, excessive wear and tear, and mileage charges of up to .15 cents/mile over 45,000 miles at lease end. Lease program not available in Alaska and Hawaii. See your participating Isuzu dealer for details." The fine print is displayed on the screen in a block of print containing 11 lines and appearing on the screen for approximately three seconds.] (Isuzu Exhibit C).

FEDERAL TRADE COMMISSION ACT VIOLATIONS
COUNT I: MISREPRESENTATION IN LEASE ADVERTISING

5. Through the means described in paragraph four, respondent has represented, expressly or by implication, that the amount stated as "down" in respondent's lease advertisements is the total amount consumers must pay at lease inception to lease the advertised vehicles.

6. In truth and in fact, the amount stated as "down" in respondent's lease advertisements is not the total amount consumers must pay at lease inception to lease the advertised vehicles. Consumers must also pay additional fees beyond the amount stated as "down," such as the first month's payment and security deposit, at lease inception. Therefore, respondent's representation as alleged in paragraph five was, and is, false or misleading.

7. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

COUNT II: FAILURE TO DISCLOSE ADEQUATELY
IN LEASE ADVERTISING

8. In its lease advertisements, respondent has represented, expressly or by implication, that consumers can lease the advertised vehicles at the terms prominently stated in the advertisements, including but not necessarily limited to the monthly payment amount and/or amount stated as "down." These advertisements do not adequately disclose additional terms pertaining to the lease offer, including but not necessarily limited to a required security deposit and first month's payment due at lease inception. The existence of additional terms would be material to consumers in deciding whether to lease an Isuzu vehicle. The failure to disclose adequately these additional terms, in light of the representation made, was, and is, a deceptive practice.

9. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

COUNT III: CONSUMER LEASING ACT AND
REGULATION M VIOLATIONS

10. Respondent's lease advertisements, including but not necessarily limited to Isuzu Exhibits A through C, state a monthly payment amount, the number of required payments, and/or an amount "down." The lease disclosures in these advertisements contain one or more of the following terms required by Regulation M: 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 total of periodic payments due 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 or the method of determining the purchase-option 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.

11. The lease disclosures in respondent's television lease advertisements, including but not necessarily limited to Isuzu

Exhibits A and B, are not clear and conspicuous because they appear on the screen for a brief duration, in a scrolling format, accompanied by background sound, and interrupted or obscured by other images. The lease disclosures in respondent's television lease advertisements, including but not necessarily limited to Isuzu Exhibit C, are not clear and conspicuous because they appear on the screen in small type for a very short duration.

12. Respondent's practices violate Section 184 of the Consumer Leasing Act, 15 U.S.C. 1667c, as amended, and Section 213.5(c) of Regulation M, 12 CFR 213.5(c), as amended.

EXHIBIT A

Isuzu Exhibit A

Video

(Open with full-screen text)

[Super]:

THE TROOPER LEASE EXPLAINED
(highlighted in yellow)

\$319 Month for 24 months

\$999 CUSTOMER CAPITALIZED COST
REDUCTION (highlighted in yellow)

(Switch to Trooper)

[Super]:

\$319 MONTH FOR 24 MONTHS

(Switch to full-screen text)

Closed-end Lease (highlighted in
yellow)

(Switch to Trooper)

(Switch to full-screen text)

800-726-9200

(highlighted in yellow)

ISUZU

Practically/Amazing

*ADVERTISED PAYMENT APPLICABLE
TO 4WD TROOPER S MODEL MANUAL
TRANSMISSION ONLY. First month's
payment of \$319 plus a refundable
Security Deposit of \$350 (or a non-
refundable last month's payment in
IL, IN, KS, ME, and NY) plus a
customer down payment of \$999 for
a total of \$1,658 due at lease
signing. Based on a 24 month low

Audio

(Background music throughout)

Hey, hey, hey, hey.

What the heck does this mean?

Very simply, it means for \$999
down, you can lease a brand new
Trooper for only \$319 a month.

And what about this convoluted
muck? It means at the end of the
lease, you can either buy your
Trooper at a great price or walk
away.

And this? It's an 800 number. Don't
tell me you're watching TV without
a pencil and paper. Hey, life's an
adventure. Be prepared.

mileage closed-end lease offered to qualified customers by GE Capital Auto Lease through participating dealers through June 30, 1994 -- Subject to availability. Prices based on \$23,000 MSRP and a capitalized cost of \$20,075 for a 1994 model Isuzu Trooper S with manual transmission including destination charges and a dealer capitalized cost reduction of \$2,376, excluding taxes, registration, title, license, dealer prep, options and other charges. Prices/monthly payments may vary. 24 monthly payments total \$7,660 plus tax as applicable. Option to purchase at lease end for \$14,030 plus a \$250 purchase option fee. Lessee pays for maintenance, insurance, repairs, excessive wear and tear and mileage charges of up to .15 cents per mile over 24,000 miles at lease end. Program not available in Alaska. 800-726-9200. See your participating Isuzu dealer for details.

EXHIBIT B

Isuzu Exhibit B

Video

(Open with Trooper driving on desolate stretch of road)
(Switch to full-screen text rapidly scrolling upward while index finger moves rapidly downward)

(Rapid scroll to beginning of text)
[Super]:
THE TROOPER LEASE 1995 4WD
Trooper LS Model with automatic transmission.
[Super]:
\$1,999 CUSTOMER CAPITALIZED
COST REDUCTION \$339/MONTH FOR
30 MONTHS (Index finger points to

Audio

(Background music throughout)

You know, the hardest part about leasing a vehicle these days is reading the conditions of the lease, I mean, you have to be a speed reader. Whoa. Let's see what we missed.

Okay. It says here for \$1,999 down you can lease a Trooper LS with standard dual airbags for just \$339 a month

bolded text while full text scrolls upward)

(Switch to Trooper)

(Switch to full-screen text)

Option to purchase at lease end for

\$19,472 (Index finger points to text)

800-726-9200 (Index finger points to 800 number)

(Switch to view of Trooper)

ISUZU

Practically/Amazing

*First month's payment of \$339, a refundable Security Deposit of \$350 (or a non-refundable last month's payment of \$339, in IL, IN, KS, ME, and NY) and a customer capitalized cost reduction of \$1,999 for a total of \$2,688 due at lease signing. Total monthly payments: \$10,170. Taxes, license, title fees, options and insurance are extra. 30 month, close-end lease example based on 430,425 MSRP (includes destination charge), a dealer capitalized cost reduction of \$2,995 and a total capitalized cost of \$25,926. Your payments may be higher or lower. Option to purchase at lease end for \$19,472 plus \$250 purchase option fee. Mileage charge of \$.15 per mile over 30,000 miles. Lessee pays excessive wear and use. You must take retail delivery out of dealer stock by July 10, 1995. Program not available in Alaska. 800-726-9200. See your participating dealer for details.

and when the lease is up you can bring the Trooper back or buy it at a really good price.

And this is the all important 800 number. So even if you're not a speed reader, you can always be a speed dialer.

EXHIBIT C

Isuzu Exhibit C

Video

(Open with Rodeo off-road)

[Super]:

Authorized 4-wheel drive area

[Super]:

\$249/MO.

The 1993 Rodeo Lease

Audio

(Background music throughout)

Now you can drive off-road without getting soaked. The Rodeo Lease. See your dealer for details.

(View disclosure*)

(View of Rodeo off-road)

ISUZU

Practically/Amazing

* ADVERTISED PAYMENT APPLICABLE TO THE RODEO S MODEL ONLY. OPTIONAL EQUIPMENT SHOWN. First month's payment of \$249 plus refundable security deposit of \$249 (or non-refundable last month's payment in IL, IN, KS, ME and NY), plus a customer capitalized cost reduction of \$1,000 for a total of \$1,498 due at lease signing. Based on a 36-month closed-end lease offered to qualified consumers by GE Capital Auto Lease through participating dealers through 3/31/93. Subject to availability. Prices based on \$____ MSRP and a capitalized cost of \$____ for a 1993 Isuzu Rodeo ____ with manual transmission, including destination charges, excluding taxes, registration, title, license, dealer prep., options and charges. Dealer ____ monthly payments may vary. 36 monthly payments total \$____ plus tax as applicable. Option to purchase at lease end for \$____ plus a \$250 disposition fee. Lessee pays for maintenance, insurance, repairs, excessive wear and tear, and mileage charges of up to .15 cents/mile over 45,000 miles at lease end. Lease program not available in Alaska and Hawaii. See your participating Isuzu dealer for details.

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 Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge the respondent with violation of the Federal Trade Commission Act; and

The respondent, its attorneys, 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 the respondent that the law has been violated as alleged in such complaint, or that the facts as alleged in such complaint, other than jurisdictional facts, are true 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 a 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 American Isuzu Motors Inc. is a California corporation with its principal office or place of business located at 2300 Pellissier Place, Whittier, California.

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

DEFINITIONS

1. *"Clearly and conspicuously"* as used herein shall mean: 1) video or written disclosures must be made in a manner that is readable and understandable to a reasonable consumer and 2) audio or oral disclosures must be made in a manner that is audible and understandable to a reasonable consumer.

2. *"Total amount due at lease inception"* as used herein shall mean the total amount of any initial payments required to be paid by the lessee on or before consummation of the lease or delivery of the vehicle, whichever is later, excluding dealer and government mandated fees and charges (if any).

3. Unless otherwise specified, *"respondent"* as used herein shall mean American Isuzu Motors Inc., its successors and assigns, and its officers, agents, representatives, and employees.

4. *"In or affecting commerce"* as used herein shall mean as defined in Section 4 of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. 44.

I.

It is ordered, That respondent, 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 in or affecting commerce, as "advertisement" and "consumer lease" are defined in Section 213.2 of revised Regulation M, 61 Fed. Reg. 52,246, 52,258 (Oct. 7, 1996)(to be codified at 12 CFR 213.2) ("revised Regulation M"), as amended, shall not, in any manner, expressly or by implication:

A. Misrepresent the total amount due at lease inception, the amount down, and/or the downpayment, capitalized cost reduction, or other amount that reduces the capitalized cost of the vehicle (or that no such amount is required).

B. Make any reference to any charge that is part of the total amount due at lease inception or that no such charge is required, not including a statement of the periodic payment, more prominently than the disclosure of the total amount due at lease inception.

C. State the amount of any payment or that any or no initial payment is required at lease inception unless all of the following items are disclosed clearly and conspicuously, as applicable:

1. That the transaction advertised is a lease;
2. The total amount due at lease inception;
3. That a security deposit is required;
4. The number, amount, and timing of scheduled payments; and
5. That an extra charge may be imposed at the end of the lease term in a lease in which the liability of the consumer at the end of the lease term is based on the anticipated residual value of the vehicle.

II.

It is further ordered, That an advertisement that complies with subparagraph I.C shall be deemed to satisfy the requirements of Section 184(a) of the Consumer Leasing Act, 15 U.S.C. 1667c(a), as amended by Title II, Section 2605 of the Omnibus Consolidated Appropriations Act for Fiscal Year 1997, Pub. L. No. 104-208, 110 Stat. 3009, ____ (Sept. 30, 1996) ("revised CLA"), as amended, and Section 213.7(d)(2) of revised Regulation M, 61 Fed. Reg. at 52,261 (to be codified at 12 CFR 213.7(d)(2)), as amended.

III.

It is further ordered, That if the revised CLA, as amended, or revised Regulation M, as amended, are amended in the future to alter definition 2 of this order ("total amount due at lease inception") or to require or permit advertising disclosures that are different from those set forth in subparagraphs I.B or I.C of this order, then the change or changes shall be incorporated in subparagraph I.B, subparagraph I.C, and/or definition 2 for the purpose of complying with subparagraphs I.B and I.C only, as appropriate; provided however, that all other requirements of this order, including definition 1 ("clearly and conspicuously"), will survive any such revisions.

IV.

It is further ordered, That respondent American Isuzu Motors Inc., and its successors and assigns, shall, for five (5) years after the date of service of this order, maintain and upon request make

available to the Commission for inspection and copying all records that will demonstrate compliance with the requirements of this order.

V.

It is further ordered, That respondent American Isuzu Motors Inc., and its successors and assigns, shall deliver a copy of this order to all current and future principals, officers, directors, managers, employees, agents, and representatives having responsibilities with respect to the subject matter of this order and to all advertising agencies; and shall secure from each such person or entity a signed and dated statement acknowledging receipt of the order. Respondent shall deliver this order to current personnel or entities within thirty (30) days after the date of service of this order, and to such future personnel or entities within thirty (30) days after the person or entity assumes such position or responsibilities.

VI.

It is further ordered, That respondent American Isuzu Motors Inc., and its successors and assigns, shall notify the Commission at least thirty (30) days prior to any change in the corporation that may affect compliance obligations arising under this order, including but not necessarily limited to dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor corporation; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this order; the proposed filing of a bankruptcy petition; or a change in the corporate name or address. Provided, however, that, with respect to any proposed change in the corporation about which respondent learns less than thirty (30) days prior to the date such action is to take place, respondent shall notify the Commission as soon as is practicable after obtaining such knowledge. All notices required by this Part shall be sent by certified mail to the Associate Director, Division of Enforcement, Bureau of Consumer Protection, Federal Trade Commission, Washington, D.C.

VII.

It is further ordered, That respondent American Isuzu Motors Inc., and its successors and assigns, shall within one hundred and

twenty (120) days after the date of service of this order, and at such other times as the Federal Trade Commission may require, file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with this order.

VIII.

This order will terminate on February 6, 2017, or twenty (20) 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 Part in this order that terminates in less than twenty (20) 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 Part.

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 Part as though the complaint had never been filed, except that the order will not terminate between the date such complaint is filed and the later deadline for appealing such dismissal or ruling and the date such dismissal or ruling is upheld on appeal.

Complaint

123 F.T.C.

IN THE MATTER OF

MITSUBISHI MOTOR SALES OF AMERICA, INC.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF THE
CONSUMER LEASING ACT, THE TRUTH IN LENDING ACT AND
THE FEDERAL TRADE COMMISSION ACT*Docket C-3713. Complaint, Feb. 6, 1997--Decision, Feb. 6, 1997*

This consent order prohibits, among other things, a California-based automobile manufacturer from misrepresenting the total amount due at lease inception, requires the manufacturer to provide consumers with clear, readable, and understandable cost information in their car lease and financed purchase advertising, requires advertisements, that reference an initial payment or state that no initial payment is due, to clearly and conspicuously disclose, as applicable, that the deal is a lease, and to disclose the fact that an extra charge may be imposed at the end of the lease based on the residual value of the car. The consent order also prohibits the respondent from misrepresenting the existence or amount of any balloon payment or the annual percentage rate for advertised loans.

Appearances

For the Commission: *Rolando Berrelez, Sally Pitofsky and Lauren Steinfeld.*

For the respondent: *Kristi Fischer*, in-house counsel, Cypress, CA.

COMPLAINT

The Federal Trade Commission, having reason to believe that Mitsubishi Motor Sales of America, Inc., a corporation ("respondent" or "Mitsubishi"), has violated the provisions of the Federal Trade Commission Act, 15 U.S.C. 45-58, as amended, the Consumer Leasing Act, 15 U.S.C. 1667-1667e, as amended, and its implementing Regulation M, 12 CFR 213, as amended, and the Truth in Lending Act, 15 U.S.C. 1601-1667, as amended, and its implementing Regulation Z, 12 CFR 226, as amended, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Mitsubishi Motor Sales of America, Inc. is a California corporation with its principal office or place of business at