

IN THE MATTER OF

GENERAL MOTORS CORPORATION

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-3710. Complaint, Feb. 6, 1997--Decision, Feb. 6, 1997

This consent order prohibits, among other things, a Michigan-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: *Catherine Karol*, in-house counsel, Detroit, MI.

COMPLAINT

The Federal Trade Commission, having reason to believe that General Motors Corporation, a corporation ("respondent" or "General Motors"), 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 General Motors Corporation is a Delaware corporation with its principal office or place of business at 3044 West

Grand Boulevard, Detroit, Michigan. Respondent manufactures vehicles and offers such vehicles for sale or lease to consumers.

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. Respondent has disseminated advertisements to the public that promote credit sales and other extensions of closed-end credit in consumer credit transactions, as the terms "advertisement," "credit sale," and "consumer credit" are defined in Section 226.2 of Regulation Z, 12 CFR 226.2, as amended.

4. 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.

LEASE ADVERTISING

5. Respondent has disseminated or has caused to be disseminated consumer lease advertisements ("lease advertisements") for General Motors vehicles, including but not necessarily limited to the attached General Motors Exhibits A through D. General Motors Exhibits A, B, and C are television lease advertisements (attached in video and storyboard format). General Motors Exhibit D is a print lease advertisement. These advertisements contain the following statements:

A. [Audio:] "All this, just \$299 a month. The S-Blazer 2 year lease."
[Video:] "2 Years. \$299 a Month. \$1,260 Down." [The advertisement contains the following lease disclosure at the bottom of the screen in light-colored fine print superimposed on gray, moving water background, and accompanied by background sound and images: "SEE YOUR PARTICIPATING DEALER FOR QUALIFICATION DETAILS. Example based on \$22,847 MSRP incl. destination charge, 1st month & lease payment \$298.63, \$1260 down payment plus \$325 refundable security deposit for a total of \$1883.63 due at lease signing (incl. capitalized cost reduction). Tax, license, title fees and insurance extra. Mileage charge of 10 [cents] mile over 30,000. GMAC must approve lease. SEE YOUR PARTICIPATING DEALER FOR QUALIFICATION DETAILS. Total of monthly payments is \$7,167.12. Payments may be higher in AL, AR, CA, NY, TX, and VA. Option to purchase at lease end for \$16,022.82 is fixed at lease signing and varies by model, equip., level, usage and length of lease. Lessee pays for excessive wear and use." The fine print is displayed on two screens in blocks of at least five lines, each appearing for approximately 5 seconds.] (General Motors Exhibit A).

B. [Audio:] "... by leasing an Oldsmobile Achieva with air, anti-lock brakes and more for just \$209 a month."

[Video:] "\$209 per month/\$1075 Down."

[The advertisement contains the following lease disclosure at the bottom of the screen in white print superimposed over a light-colored moving background, and accompanied by background sound and images: "FIRST MONTH'S LEASE PAYMENT OF \$208.72, REFUNDABLE SECURITY DEPOSIT OF \$225 AND A \$1,075 CAPITALIZED COST REDUCTION FOR A TOTAL OF \$1,508.72 DUE AT LEASE SIGNING. TAX, LICENSE, TITLE, FEES, AND INSURANCE ARE EXTRA. GMAC MUST APPROVE LEASE. EXAMPLE BASED ON ACHIEVA S SEDAN: \$15,164 M.S.R.P., INCLUDING DESTINATION CHARGE. MONTHLY PAYMENTS BASED ON CAPITALIZED COST OF \$13,225.88 INCLUDING CAPITALIZED COST REDUCTION. TOTAL OF 48 MONTHLY PAYMENTS IS \$10,018.56. AMOUNT OF CAPITALIZED COST REDUCTION MAY BE SLIGHTLY HIGHER IN AL, AR, CA, NY, TX, AND VA. OPTION TO PURCHASE AT LEASE END FOR \$6,030.64. MILEAGE CHARGE OF 10 [CENTS] PER MILE OVER MILEAGE LIMIT. LESSEE PAYS FOR EXCESSIVE WEAR AND USE. PAYMENT BASED ON RESIDUALS IN EFFECT THROUGH MARCH 31, 1993. SEE YOUR PARTICIPATING DEALER FOR QUALIFICATION DETAILS." The fine print is displayed on two screens in blocks of at least 6 lines, each block appearing for approximately 4 seconds. The two screens containing this information are interrupted by two other screens that do not contain lease information.] (General Motors Exhibit B).

C. [Audio:] "And, it's all only \$289 a month."

[Video:] "\$289 36 MONTH GMAC SMARTLEASE"

[The advertisement contains a lease disclosure that describes additional lease costs and terms, including but not limited to a downpayment, a security deposit, a purchase option amount and other lease-end fees in an extremely small, blurred, dark blue print, superimposed over the dark-colored front of the advertised vehicle.

The fine print is displayed in a block of approximately 13 lines for approximately 2.5 seconds.] (General Motors Exhibit C).

D. "Two Summers, Two Winters, Two Springs, Two Falls. \$299 A Month."

[Bold but smaller]: "The S-Blazer 2-Year Lease. \$299 A Month. \$1350 Down." [The advertisement contains the following lease disclosure below a picture of the vehicle in white fine print superimposed over a black background: "\$299/month 24-month lease at participating dealers. Tax, license, title fees and insurance extra. Mileage charge of 10 cents per mile over 30,000. . . . \$23,075 M.S.R.P., including destination charge. First month's lease payment of \$298.45, \$1350 down payment, plus \$325 refundable security deposit for a total of \$1973.45 due at lease signing (includes capitalized cost reduction). Total of monthly payments is \$7162.80. . . . Option to purchase at lease end for \$16,173.30. . . . Lessee pays for excessive wear and use. . . ." (General Motors Exhibit D).

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

6. Through the means described in paragraph five, 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.

7. 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 six was, and is, false or misleading.

8. 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

9. 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 these additional terms would be material to consumers in deciding whether to lease a General Motors vehicle. The failure to disclose adequately these additional terms, in light of the representation made, was, and is, a deceptive practice.

10. 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

11. Respondent's lease advertisements, including but not necessarily limited to General Motors Exhibits A through D, 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.

12. The lease disclosures in respondent's television lease advertisements, including but not necessarily limited to General Motors Exhibits A, B, and C, are not clear and conspicuous because they appear on the screen in small type, against a background of similar shade, for a very short duration, with background sounds and images, and/or over a moving background. The lease disclosures in respondent's print lease advertisements, including but not necessarily limited to General Motors Exhibit D, are also not clear and conspicuous because they appear in small type.

13. 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.

CREDIT ADVERTISING

14. Respondent has disseminated or has caused to be disseminated credit sale advertisements ("credit advertisements") for General Motors vehicles, including but not necessarily limited to General Motors Exhibits E and F. General Motors Exhibits E and F are television credit advertisements (attached in video and storyboard format). These advertisements contain the following statements:

A. [Audio:] "Then we told them that Jimmy was only \$299 a month with a GMAC SmartBuy. [Consumer #6:] \$299 a month? [Consumer #7:] \$299 a month -- that's great. [Consumer #8:] A Jimmy like this for \$299 a month would be fantastic."

[Video:] "\$299 a month 36-Month GMAC SmartBuy."

[The advertisement contains the following credit disclosure in white print superimposed on a light-colored background, and accompanied by background sound and images: "Example based on Jimmy MSRP of \$20,498. 6.9% APR GMAC SMARTBUY FINANCING. For 36 months, 35 months at \$299.38 per month and final payment of \$9441.94. \$3350 down, actual down payment may vary. Tax, license, title fees and insurance extra. Purchaser may refinance the final payment, or with 30 days advance written notice sell the vehicle to GMAC at end of term and pay \$250 disposal fee plus any excess mileage and wear charges. Dealer financial participation may affect consumer cost. See your participating dealer for qualification details. You must take retail delivery out of dealer stock by 9/22/93." The fine print is displayed in a scrolling format of 11 lines for approximately 4 seconds.] (General Motors Exhibit E).

B. [Audio:] "Still waiting to buy a new Buick? Well don't. Buick's Model Year Close-Out is on. . . . Or get this great SmartBuy payment."
[Video:] "Still waiting to buy a new Buick? Well Don't. Buick's 1995 Model Year Close-Out. . . . Buick Regal SmartBuy \$249 per month 30 months/\$2000 down."
[The advertisement contains the following credit disclosure at the bottom of the screen in white print superimposed on a black background with a moving vehicle above the disclosure block and accompanied by background sound: "For cash back, you must take retail delivery from dealer stock by 11/30/95. SmartBuy on 1995 Regal Custom SE with 3800 engine. \$20,853 MSRP incl. destination charge for a monthly payment of \$248.67/mo. 30 mo. \$2000 cash down or trade-in value (\$3500 down payment less \$1500 customer cash back). First month's payment plus down payment trade-in value for total of \$3746.67 due at lease signing. Payment based on capitalized cost of _____. Tax, title, license, doc. fee extra. Must take retail delivery from dealer stock by October. 4, 1995. GMAC must approve the SmartBuy. Options at contract maturity: pay the final payment of \$11,677.68, refinance the final payment with GMAC, sell the vehicle to GMAC and remit \$250 disposal fee plus 15 cents/mile for mileage exceeding 30,000 miles for excessive wear and use. See participating Buick dealers for qualification details." The fine print is displayed in a scrolling format of 11 lines for approximately 4 seconds.] (General Motors Exhibit F).

FEDERAL TRADE COMMISSION ACT VIOLATIONS
COUNT IV: MISREPRESENTATION IN CREDIT ADVERTISING

15. Through the means described in paragraph fourteen, respondent has represented, expressly or by implication, that consumers can buy the advertised General Motors 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."

16. In truth and in fact, consumers cannot buy the advertised General Motors 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." Consumers are also responsible for a final balloon payment of several thousand dollars to purchase the advertised vehicles. Therefore, respondent's representation as alleged in paragraph fifteen was, and is, false or misleading.

17. 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 V: FAILURE TO DISCLOSE ADEQUATELY
IN CREDIT ADVERTISING

18. In its credit advertisements, respondent has represented, expressly or by implication, that consumers can buy 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 credit offer, including but not necessarily limited to a final balloon payment of several thousand dollars and the annual percentage rate. The existence of these additional terms would be material to consumers in deciding whether to buy a General Motors vehicle. The failure to disclose adequately these additional terms, in light of the representation made, was, and is, a deceptive practice.

19. 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 VI: TRUTH IN LENDING ACT AND
REGULATION Z VIOLATIONS

20. Respondent's credit advertisements, including but not necessarily limited to General Motors Exhibits E and F, state a monthly payment amount and/or an amount "down." The credit disclosures in these advertisements contain the following terms required by Regulation Z: the annual percentage rate and the terms of repayment.

21. The credit disclosures in respondent's television credit advertisements, including but not necessarily limited to General Motors Exhibits E and F, are not clear and conspicuous because they appear on the screen in small type, against a background of similar shade, for a very short duration, in a rapid scrolling format, and/or with background sounds.

22. Respondent's practices violate Section 144 of the Truth in Lending Act, 15 U.S.C. 1664, as amended, and Section 226.24(c) of Regulation Z, 12 CFR 226.24(c), as amended.

Complaint

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EXHIBIT A

General Motors Exhibit A

VIDEO

(Black and white scene of man fishing. Red Blazer on rocks.)

[Super]:

Two Summers

Two Winters

Two Springs

Two Falls

[Super]:

All This

[Super]:

2 Years. \$299 a Month.

\$1,260 Down.

[Disclosure*]

*[First Screen]:

SEE YOUR PARTICIPATING DEALER FOR QUALIFICATION DETAILS. Example based on \$22,847 MSRP incl. destination charge, 1st month & lease payment \$298.63, \$1260 down payment plus \$325 refundable security deposit for a total of \$1883.63 due at lease signing (incl. capitalized cost reduction). Tax, license, title fees and insurance extra. Mileage charge of 10 [cents] mile over 30,000. GMAC must approve lease.

[Second Screen]:

SEE YOUR PARTICIPATING DEALER FOR QUALIFICATION DETAILS. Total of monthly payments is \$7,167.12. Payments may be higher in AL, AR, CA, NY, TX, and VA. Option to purchase at lease end for \$16,022.82 is fixed at lease signing and varies by model, equip., level, usage, and length of lease. Lessee pays for excessive wear and use.

AUDIO

(Background sound throughout)

Two Summers

Two Winters

Two Springs

Two Falls

All this, just \$299 a month.

The S-Blazer 2 year lease.

Why drive an imitation when you can drive the vehicle that originated the species?

Chevy S-Blazer

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Complaint

EXHIBIT B

General Motors Exhibit B

VIDEO

[Title Card]:
Party On, Dude

(Running shot of Achieva S Sedan)
[Super]:
\$209 per month/\$1075 Down

[Disclosure*]
[Title Card]:
Excellent
[Title Card]:
Major Bummer
(Running shot of Achieva S Sedan)
[Super]:
\$209 a month/\$1075 Down.
[Disclosure**]
[Title Card]:
Most Excellent
[Title Card]:
Demand Better
[Title Card]:
Achieva by Oldsmobile

* FIRST MONTH'S LEASE PAYMENT OF \$208.72, REFUNDABLE SECURITY DEPOSIT OF \$225 AND A \$1,075 CAPITALIZED COST REDUCTION FOR A TOTAL OF \$1,508.72 DUE AT LEASE SIGNING. TAX, LICENSE, TITLE, FEES, AND INSURANCE ARE EXTRA. GMAC MUST APPROVE LEASE. EXAMPLE BASED ON ACHIEVA S SEDAN: \$15,164 M.S.R.P., INCLUDING DESTINATION CHARGE.

MONTHLY PAYMENTS BASED ON CAPITALIZED COST OF \$13,225.88 INCLUDING

** CAPITALIZED COST REDUCTION TOTAL OF 48 MONTHLY PAYMENTS IS \$10,018.56. AMOUNT OF CAPITALIZED COST REDUCTION MAY BE SLIGHTLY HIGHER IN AL, AR, CA,

AUDIO

(Background music throughout)
[Announcer]:
If your team wins tonight, you'll wanna celebrate.

Like by leasing an Oldsmobile Achieva with air, anti-lock brakes and more for just \$209 a month.

Of course, if your team loses, you'll probably be depressed, in which case you'll want to console yourself. Like by leasing an Oldsmobile Achieva for just \$209 a month.

It's your choice.

NY, TX, AND VA. OPTION TO PURCHASE AT LEASE END FOR \$6,030.64. MILEAGE CHARGE OF 10 [CENTS] PER MILE OVER MILEAGE LIMIT. LESSEE PAYS FOR EXCESSIVE WEAR AND USE. PAYMENT BASED ON RESIDUALS IN EFFECT THROUGH MARCH 31, 1993.

See your participating dealer for qualification details.

EXHIBIT C

General Motors Exhibit C

VIDEO

(Consumer standing in front of Jimmy)

[Super and scrolling]:
1993 GMC Jimmy 4-Wheel Drive
Air Conditioning Automatic
Transmission AM/FM Stereo
Cassette Power Steering Power
Windows Power Door Locks

[Super]:
4 Wheel Anti-Lock Brakes

[Super and scrolling]:
4.3 Liter V6 Engine Fully
Independent Front Suspension

[Super]:
\$289 for 36 Month GMAC
SmartLease

AUDIO

(Background music throughout)

[Announcer]:
What would it take to get you to
look at a GMC Jimmy?

[Consumer]:
Compared to what?

[Announcer]:
Ford Explorer.

[Consumer]:
Okay Shoot.

This GMC Jimmy comes with 4-wheel drive, air, automatic transmission, AM/FM cassette, power steering, power windows and locks.

[Consumer]:
Gimme more.

[Announcer]:
The GMC Jimmy has 4 wheel anti-lock brakes, also standard.

[Consumer]:
No kidding?

[Announcer]:
And this GMC Jimmy comes with standard with a 4.3 Liter V6 and an independent suspension. Explorer? doesn't have it.

[Announcer]:
And it's all only \$289 a month.

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[Disclosure*]

* A down payment of \$1,562.90, plus first month's lease payment of \$289.00 and \$300 refundable security deposit for a total of \$2,151.90 due at lease signing. Tax, license, title fees and insurance extra. You must take retail delivery out of dealer stock by 12/31/92. GMAC must approve lease. Example based on 1993 Jimmy with an MSRP of \$23,661 including destination charge. Total of 36 monthly payments is \$10,404. Option to purchase at lease for \$13,274. Mileage charge of 10 cents per mile over 45,000 miles. Lessee pays for excessive wear and use. See your participating dealer for qualification details. Manufacturer's rebate not available under this program.

[Note: GM did not provide a storyboard for this advertisement and the disclosure in this ad were indecipherable when viewed on television. Therefore, staff used a storyboard from a virtually identical advertisement to fill in some of the indecipherable terms.]

[Consumer]:

Forget Ford, GMC Jimmy is the only way to go.

[Announcer]:

See your GMC truck dealer today.

Complaint

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EXHIBIT D

TWO SUMMERS, TWO WINTERS, TWO SPRINGS, TWO FALLS. \$299 A MONTH.



The S-Blazer 2-Year Lease, \$299 A Month, \$1350 Down.

Whisper said, "You only go around once," was wrong. With the S-Blazer 2-Year Lease Plan, you go around twice. Two glorious years of travel and adventure in a '94 Chevy.

S-Blazer Takes 4x4 With a 200 HP V-6, electronic anti-lock transmission, push-button 4WD, aluminum wheels, air, and power windows and locks. S-Blazer is not just

utility vehicle that's well equipped to go anywhere, do anything. S-Blazer gives you all this, and after just two years, it gives you something that's new to a lease your freedom. Make the most

two years the best years of your life. S-Blazer. Spend them in a Chevy S-Blazer. The vehicle that redefined the species. CHEVROLET

GENERAL MOTORS
EXHIBIT D

GM100024

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EXHIBIT E

General Motors Exhibit E

VIDEO

(Potential consumers standing in front of Jimmy at shopping mall)

[Super]:
GMC Jimmy

[Super]:
3-Year 36,000 Mile No Deductible Warranty
[smaller type]:
See your GMC Truck dealer for terms of this limited warranty

[Super]:
\$299 a month 36-month GMAC SmartBuy

[Disclosure, scrolling*]

* Example based on Jimmy MSRP of \$20,498. 6.9% APR GMAC SMARTBUY FINANCING. For 36 months, 35 months at \$299.38 per month and final payment of \$9221.94. \$3350 down, actual down payment may vary. Tax, license, title fees and insurance extra. Purchaser may refinance the final payment, or with 30 days advance written notice sell the vehicle to GMAC at end of term and pay \$250 disposal fee plus any excess mileage and wear charges. Dealer financial participation may affect consumer cost. See your

AUDIO

(Background music throughout)

[Announcer]:
We asked folks why they liked the 1993 GMC Jimmy.

[Consumer #1]:
This is a quality truck.

[Consumer #2]:
Jimmy's very comfortable.

[Consumer #3]:
Jimmy has a real sporty look.

[Announcer]:
We told them about the Jimmy 3-year no deductible warranty.

[Consumer #4]:
No deductible warranty?

[Consumer #5]:
No deductible warranty -- you can't beat that.

[Announcer]:
Then we told them that Jimmy was only \$299 a month with a GMAC Smartbuy.

[Consumer #6]:
\$299 a month?

[Consumer #7]:
\$299 month that's great.

[Consumer #8]:
A Jimmy like this for \$299 a month would be fantastic.

Complaint

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participating dealer for qualification details. You must take retail delivery out of dealer stock by 9/22/93.

EXHIBIT F

General Motors Exhibit F

VIDEO

(Moving footage of Buick)
[Consumer pointing at title card reading, Super]:
Still waiting to buy a new Buick?
[Consumer pointing at title card reading, Super]:
Well Don't.

(Moving footage of Buick)
[Consumer sitting on title card letters reading, Super]:
Buick 1995 Model Year Close-Out
(Moving footage of Buick)
[Woman sitting near title card letters reading, Super]:
\$1500 Cash Back. Buick LeSabre, Roadmaster, Regal, Century, and Skylark.
[Woman sitting near title card letters reading, Super]:
Buick Regal SmartBuy \$249 per month 30 months/\$2000 down.

(Moving footage of Buick)
[Disclosure*]
[Consumer walking by title card letters reading, Super]:
You're just in time.

* For cash back, you must take retail delivery from dealer stock by 11/30/95. SmartBuy on 1995 Regal Custom SE with 3800 engine \$20,853 MSRP incl. destination charge for a monthly payment of \$248.67/mo. 30 mo. \$2000 cash down or trade-in value (\$3500 down payment less \$1500 customer cash back). First month's payment plus down payment trade-in value for

AUDIO

(Background music throughout -- "I can't wait forever. . .")

Still waiting to buy a new Buick?

Well don't.

Buick Model Year Close-Out is on.

Get \$1500 cash back on all these new Buicks.

Or get this great SmartBuy payment.

For the biggest savings of the year.

You're just in time.
Now wouldn't you really rather have a Buick?

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Complaint

total of \$3746.67 due at lease signing. Payment based on capitalized cost of _____. Tax, title, license, doc. fee extra. Must take retail delivery from dealer stock by October 4, 1995. GMAC must approve the SmartBuy. Options at contract maturity pay the final payment of \$11,677.68, refinance the final payment with GMAC, sell the vehicle to GMAC and remit \$250 disposal fee plus 15 cents/mile for mileage exceeding 30,000 miles for excessive wear and use. See participating Buick dealers for qualification 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 General Motors Corp. is a Delaware corporation with its principal office or place of business at 3044 West Grand Boulevard, Detroit, Michigan.

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. *"Balloon payment"* as used herein shall mean any scheduled payment with respect to a consumer credit transaction that is at least twice as large as the average of earlier scheduled payments.

4. Unless otherwise specified, *"respondent"* as used herein shall mean General Motors Corp., its successors and assigns, and its officers, agents, representatives, and employees.

5. *"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, 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 extension of consumer credit in or affecting commerce, as "advertisement" and "consumer credit" are defined in Section 226.2 of Regulation Z, 12 CFR 226.2, as amended, shall not, in any manner, expressly or by implication:

A. Misrepresent the existence and amount of any balloon payment or the annual percentage rate.

B. State the amount of any payment, including but not limited to any monthly payment, in any advertisement unless the amount of any balloon payment is disclosed prominently and in close proximity to the most prominent of the above statements.

C. State the amount or percentage of any downpayment, the number of payments or period of repayment, the amount of any periodic payment, including but not limited to any monthly payment, or the amount of any finance charge, without disclosing clearly and conspicuously:

1. The amount or percentage of the downpayment;
2. The terms of repayment, including but not limited to the amount of any balloon payment; and
3. The correct annual percentage rate, using that term or the abbreviation "APR," as defined in Regulation Z and the Official Staff Commentary to Regulation Z. If the annual percentage rate may be increased after consummation of the credit transaction, that fact must also be disclosed.

V.

It is further ordered, That respondent General Motors Corp., 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.

VI.

It is further ordered, That respondent General Motors Corp., 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.

VII.

It is further ordered, That respondent General Motors Corp., 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.

VIII.

It is further ordered, That respondent General Motors Corp., 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.

IX.

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

AMERICAN HONDA MOTOR CO., 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-3711. 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: *Richard Feinstein, McKenna & Cuneo, Washington, D.C.*

COMPLAINT

The Federal Trade Commission, having reason to believe that American Honda Motor Co., Inc., a corporation ("respondent" or "Honda"), has violated the provisions of the Federal Trade Commission Act, 15 U.S.C. 45-58, as amended, and 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 Honda Motor Co., Inc. is a California corporation with its principal office or place of business at 1919 Torrance Boulevard, Torrance, California. Respondent manufactures and distributes vehicles and offers such vehicles for sale or lease to consumers.