

Complaint

IN THE MATTER OF

MOHAMMAD SABHA
D/B/A
RAINBOW AUTO SALES

CONSENT ORDER, ETC. IN REGARD TO ALLEGED VIOLATIONS OF
SECTION 5 OF THE FEDERAL TRADE COMMISSION ACT

Docket No. C-4435; File No. 132 3140

Complaint, February 20, 2014 – Decision, February 20, 2014

This consent order addresses Mohammad Sabha, also d/b/a Rainbow Auto Sales' advertisements of cars for sale. The complaint alleges that the respondent's advertisements feature photographs of numerous cars, with a price prominently displayed below each car, and that the respondent has advertised that each car is available for purchase at the price that is prominently displayed below the car. The complaint further alleges that, in fact, the featured cars are not available for purchase at the prices that are displayed below each car, and that, instead, the purchase price of each car is actually \$5,000 more than the advertised price. The consent order prohibits the respondent from misrepresenting the cost of purchasing a vehicle, including but not necessarily limited to (1) the purchase price of the vehicle, or (2) any finance terms, including the amount or percentage of the down payment, the number of payments or period of repayment, the amount of any payment, and the repayment obligation over the full term of the loan, including any balloon payment.

10.

Participants

For the *Commission*: Sana Chriss, Mark Glassman, John Jacobs, Carole Reynolds, Jason Schall, Christina Tusan, and Katherine Worthman.

For the *Respondent*: Sam Nordean, Consumer Protection Law Group.

COMPLAINT

The Federal Trade Commission, having reason to believe that Mohammad Sabha ("respondent"), an individual trading and doing business as Rainbow Auto Sales, has violated provisions of the Federal Trade Commission Act ("FTC Act"), and it appearing to the Commission that this proceeding is in the public interest, alleges:

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1. Respondent Mohammad Sabha is an individual trading and doing business as Rainbow Auto Sales with his principal office or place of business at 3700 Firestone Blvd., South Gate, California 90280. Individually, or in concert with others, he formulates, directs, controls, or participates in the policies, acts, or practices alleged in this complaint.

2. The acts or practices of respondent alleged in this complaint have been in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

3. Since at least March 1, 2013, respondent has disseminated or caused to be disseminated advertisements to the public promoting the purchase and finance of automobiles.

4. Respondent has placed advertisements in numerous editions of a free advertising circular titled *myautoplus.com*. Each edition of the circular is also made available online at www.myautoplus.com. A copy of one such advertisement is attached as Exhibit A. This advertisement contains the statements and depictions described in Paragraphs 5 and 6 below. Respondent’s other advertisements in *myautoplus.com* contain substantially similar statements and depictions.

5. Respondent’s advertisements, including but not limited to the advertisement attached as Exhibit A, include numerous photographs of individual automobiles offered for sale. A price is prominently displayed immediately below each automobile. For example, the advertisement attached as Exhibit A features a 2003 Hummer H2 as follows:



6. The following statements related to the prices of the featured vehicles appear in small print at the bottom of

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respondent's advertisements, including but not limited to the advertisement attached as Exhibit A:

Precios despues de \$5,000 de enganche + tax + licencia + cargos por documentación con crédito aprobado.

(This statement translated into English is: "Prices after \$5,000 down + tax + license + documentation fees with credit approval.")

Prices after \$5,000 down + tax + lic + doc fees on approved credit.

7. Thus, the actual price of each of respondent's advertised vehicles is \$5,000 more than the dollar amount that is prominently displayed immediately below the vehicle.

FEDERAL TRADE COMMISSION ACT VIOLATIONS

Count I

Misrepresentation Regarding Purchase Price of the Vehicles

8. In numerous instances, through the means described in Paragraphs 4 and 5, respondent has represented, expressly or by implication, that vehicles are available for purchase at the prices prominently advertised.

9. In truth and in fact, vehicles are not available for purchase at the prices prominently advertised. Consumers must pay an additional \$5,000 to purchase the advertised vehicles. Therefore, respondent's representation as alleged in Paragraph 8 was, and is, false and misleading.

10. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

THEREFORE, the Federal Trade Commission, this twentieth day of February, 2014, has issued this complaint against respondent.

By the Commission.

[illegible]

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www.myautoplus.com

RAINBOW AUTO

3700 FIRESTONE BLVD. SOUTH GATE

'07 CHEVY-AVALANCHE  \$12,995	'05 BMW 645  \$11,995	
'05 FORD F-150 XLT  \$9,995	'07 AUDI A2.0T  \$10,995	'04 CHRYSLER PT CRUISER  \$5,995
'02 BMW 330i  \$9,995	'00 DODGE CHARGER  \$10,995	'00 NISSAN 350Z  \$9,995
'07 CHRYSLER ASPECT  \$12,995	'05 MAZD 330 COMPLEXTION  \$7,995	'04 LEXUS RX300  \$14,995
'90 DODGE RAM SPRT  \$3,995	'10 SCION TC  \$8,995	'04 AUDI A4  \$6,995
'06 TOYOTA HILUX  \$9,995	'05 CHRYSLER 300  \$8,995	'03 NISSAN 350Z  \$10,995

800-366-0341

Los Angeles

FA-17

Decision and Order

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 respondent having been furnished thereafter with a copy of a draft complaint which the Western Region-Los Angeles proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violation of the Federal Trade Commission Act ("FTC Act"); and

Respondent, respondent's attorney, and counsel for the Commission having thereafter executed an Agreement Containing Consent Order ("Consent Agreement"), which includes: a statement by respondent that he neither admits nor denies any of the allegations in the draft complaint, except as specifically stated in the Consent Agreement, and, only for purposes of this action, admits the facts necessary to establish jurisdiction; 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 respondent has violated the FTC Act and that a complaint should issue stating its charges in that respect, and having thereupon accepted the executed Consent Agreement and placed such Consent Agreement on the public record for a period of thirty (30) days for the receipt and consideration of public comments, 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, Mohammad Sabha, is an individual trading and doing business as Rainbow Auto Sales, with his principal place of business at 3700 Firestone Blvd., South Gate, California 90280.
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.

Decision and Order

ORDER**DEFINITIONS**

For the purposes of this order, the following definitions shall apply:

- A. Unless otherwise noted, “respondent” shall mean Mohammad Sabha.
- B. “Advertisement” shall mean a commercial message in any medium that directly or indirectly promotes a consumer transaction.
- C. “Clearly and conspicuously” shall mean as follows:
 - 1. In a print advertisement, the disclosure shall be in a type size, location, and in print that contrasts with the background against which it appears, sufficient for an ordinary consumer to notice, read, and comprehend it.
 - 2. In an electronic medium, an audio disclosure shall be delivered in a volume and cadence sufficient for an ordinary consumer to hear and comprehend it. A video disclosure shall be of a size and shade, and appear on the screen for a duration, and in a location, sufficient for an ordinary consumer to read and comprehend it.
 - 3. In a television or video advertisement, an audio disclosure shall be delivered in a volume and cadence sufficient for an ordinary consumer to hear and comprehend it. A video disclosure shall be of a size and shade, and appear on the screen for a duration, and in a location, sufficient for an ordinary consumer to read and comprehend it.
 - 4. In a radio advertisement, the disclosure shall be delivered in a volume and cadence sufficient for an ordinary consumer to hear and comprehend it.

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5. In all advertisements, the disclosure shall be in understandable language and syntax. Nothing contrary to, inconsistent with, or in mitigation of the disclosure shall be used in any advertisement or promotion.
- D. “Material” shall mean likely to affect a person’s choice of, or conduct regarding, goods or services.
- E. “Motor vehicle” or “vehicle” shall mean:
1. Any self-propelled vehicle designed for transporting persons or property on a street, highway, or other road;
 2. Recreational boats and marine equipment;
 3. Motorcycles;
 4. Motor homes, recreational vehicle trailers, and slide-in campers; and
 5. Other vehicles that are titled and sold through dealers.

I.

IT IS HEREBY ORDERED that respondent and respondent’s officers, agents, representatives, and employees, directly or indirectly, in connection with any advertisement for the purchase, financing, or leasing of motor vehicles, shall not, in any manner, expressly or by implication:

- A. Misrepresent the cost of purchasing a vehicle, including but not necessarily limited to:
1. The purchase price of the vehicle; or
 2. Any finance terms, including the amount or percentage of the down payment, the number of payments or period of repayment, the amount of any payment, and the repayment obligation over

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the full term of the loan, including any balloon payment; or

- B. Misrepresent any other material fact about the price, sale, financing, or leasing of any vehicle.

II.

IT IS FURTHER ORDERED that respondent shall, for five (5) years after the last date of dissemination of any representation covered by this order, maintain and upon request make available to the Federal Trade Commission for inspection and copying:

- A. All advertisements and promotional materials containing the representation;
- B. All materials that were relied upon in disseminating the representation;
- C. All evidence in respondent's possession or control that contradicts, qualifies, or calls into question the representation, or the basis relied upon for the representation, including complaints and other communications with consumers or with governmental or consumer protection organizations; and
- D. Any documents reasonably necessary to demonstrate full compliance with each provision of this order, including but not limited to all documents obtained, created, generated, or that in any way relate to the requirements, provisions, or terms of this order, and all reports submitted to the Commission pursuant to this order.

III.

IT IS FURTHER ORDERED that respondent shall deliver a copy of this order to all current and future principals, officers, directors, and managers, and to all current and future employees, agents, and representatives having responsibilities with respect to the subject matter of this order, and shall secure from each such person a signed and dated statement acknowledging receipt of the

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order. Respondent shall deliver this order to current personnel within thirty (30) days after the date of service of this order, and to future personnel within thirty (30) days after the person assumes such position or responsibilities.

IV.

IT IS FURTHER ORDERED that respondent shall notify the Commission at least thirty (30) days prior to any change in the corporation(s) that may affect compliance obligations arising under this order, including but not limited to a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor corporation(s); 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(s) 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. Unless otherwise directed by a representative of the Commission in writing, all notices required by this Part shall be emailed to Debrief@ftc.gov or sent by overnight courier (not the U.S. Postal Service) to: Associate Director for Enforcement, Bureau of Consumer Protection, Federal Trade Commission, 600 Pennsylvania Avenue NW, Washington, DC 20580. The subject line must begin: FTC v. Mohammad Sabha.

V.

IT IS FURTHER ORDERED that respondent, within sixty (60) days after the date of service of this order, shall file with the Commission a true and accurate report, in writing, setting forth in detail the manner and form of respondent's own compliance with this order. Within ten (10) days of receipt of written notice from a representative of the Commission, respondent shall submit additional true and accurate written reports.

Analysis to Aid Public Comment

VI.

This order will terminate on February 20, 2034, 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;
- 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 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 of the deadline for appealing such dismissal or ruling and the date such dismissal or ruling is upheld on appeal.

By the Commission.

ANALYSIS OF CONSENT ORDER TO AID PUBLIC COMMENT

The Federal Trade Commission ("FTC") has accepted, subject to final approval, an agreement containing a consent order from Mohammad Sabha, also d/b/a Rainbow Auto Sales. The proposed consent order has been placed on the public record for thirty (30) days for receipt of comments by interested persons. Comments

Analysis to Aid Public Comment

received during this period will become part of the public record. After thirty (30) days, the FTC will again review the agreement and the comments received, and will decide whether it should withdraw from the agreement and take appropriate action or make final the agreement's proposed order.

The respondent operates a motor vehicle dealership. According to the FTC complaint, the respondent has advertised cars for sale. The complaint alleges that the respondent's advertisements feature photographs of numerous cars, with a price prominently displayed below each car, and that the respondent has advertised that each car is available for purchase at the price that is prominently displayed below the car. The complaint alleges that, in fact, the featured cars are not available for purchase at the prices that are displayed below each car, and that, instead, the purchase price of each car is actually \$5,000 more than the advertised price.

The proposed order is designed to prevent the respondent from engaging in similar deceptive practices and law violations in the future. Part I.A prohibits the respondent from misrepresenting the cost of purchasing a vehicle, including but not necessarily limited to (1) the purchase price of the vehicle, or (2) any finance terms, including the amount or percentage of the down payment, the number of payments or period of repayment, the amount of any payment, and the repayment obligation over the full term of the loan, including any balloon payment. Part I.B prohibits the respondent from misrepresenting any other material fact about the price, sale, financing, or leasing of any vehicle.

Part II of the proposed order requires the respondent to keep copies of relevant advertisements and materials substantiating claims made in the advertisements. Part III requires that the respondent provide copies of the order to certain personnel. Part IV requires notification to the Commission regarding changes in the respondent's business activities or employment, or his affiliation with any new business or employment. Part V requires the respondent to file compliance reports with the Commission. Finally, Part VI is a provision "sunsetting" the order after twenty (20) years, with certain exceptions.

Analysis to Aid Public Comment

The purpose of this analysis is to aid public comment on the proposed order. It is not intended to constitute an official interpretation of the complaint or proposed order, or to modify in any way the proposed order's terms.

Complaint

IN THE MATTER OF

NORM REEVES, INC.**D/B/A****NORM REEVES HONDA SUPERSTORE**

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

Docket No. C-4436; File No. 132 3151

Complaint, February 20, 2014 – Decision, February 20, 2014

This consent order addresses Norm Reeves, Inc.’s advertising of lease and financing offers and failure to clearly and conspicuously disclose the costs and terms of certain leases offered and the amount or percentage of the downpayment, despite the respondent’s use of certain triggering terms in the advertisements. The complaint alleges that the respondent has advertised that consumers can pay “\$0” up-front to lease a car, and has depicted several cars in its advertisements to which this offer applies, listing a specific monthly lease payment for each such car. The complaint further alleges that, in fact, for a \$0 up-front payment, consumers cannot lease the cars shown in the advertisements for the advertised monthly payment amounts, and that instead, consumers must also pay a security deposit and/or significant fees, including but not limited to an acquisition fee. The complaint further alleges, in connection with its advertising of financing offers, that the respondent has advertised that it offers 0% APR financing on all new cars without disclosing adequately that consumers who finance more than a certain amount -- *e.g.*, \$12,000 -- will be charged more than 0% APR. The consent order requires that the respondent clearly and conspicuously make all of the disclosures required by the Consumer Leasing Act, the Truth in Lending Act and Regulations M and Z when any of its advertisements states relevant triggering terms. The order also prohibits the respondent from misrepresenting the cost of: (1) leasing a vehicle, including but not limited to the total amount due at lease inception, the downpayment, amount down, acquisition fee, capitalized cost reduction, any other amount required to be paid at lease inception, and the amounts of all monthly or other periodic payments; or (2) purchasing a vehicle with financing, including but not necessarily limited to the amount or percentage of the downpayment, the number of payments or period of repayment, the amount of any payment, the annual percentage rate or any other finance rate, and the repayment obligation over the full term of the loan, including any balloon payment.