

Complaint

IN THE MATTER OF

**BILL ROBERTSON & SONS, INC.
D/B/A
HONDA OF HOLLYWOOD**CONSENT ORDER, ETC. IN REGARD TO ALLEGED VIOLATIONS OF
SECTION 5 OF THE FEDERAL TRADE COMMISSION ACT, THE
CONSUMER LEASING ACT, AND REGULATION M*Docket No. C-4451; File No. 132 3142
Complaint, April 11, 2014 – Decision, April 11, 2014*

This consent order addresses Bill Robertson & Sons, Inc. d/b/a Honda of Hollywood's advertised leasing offers and failure to clearly and conspicuously disclose the costs and terms of certain leases offered, 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 down" with "0 first payment" and "0 due at signing" 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, however 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 between \$1,995 and \$2,499 at lease signing. The consent order requires that the respondent clearly and conspicuously make all of the disclosures required by the Consumer Leasing Act and Regulation M if it states relevant triggering terms, including the monthly lease payment; and prohibits the respondent from misrepresenting any material fact about the price, sale, financing, or leasing of any vehicle.

*Participants*For the *Commission*: Mark Glassman.For the *Respondent*: Aaron Jacoby and Melanie Joo, Arent Fox LLP.**COMPLAINT**

The Federal Trade Commission, having reason to believe that Bill Robertson & Sons, Inc. d/b/a Honda of Hollywood, a corporation ("respondent"), has violated provisions of the Federal Trade Commission Act ("FTC Act"), the Consumer Leasing Act ("CLA"), and its implementing Regulation M, and it appearing to

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the Commission that this proceeding is in the public interest, alleges:

1. Respondent is a California corporation with its principal office or place of business at 6525 Santa Monica Boulevard, Los Angeles, California 90038. Respondent offers automobiles for sale or lease to consumers.

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 2013, respondent has disseminated or caused to be disseminated advertisements to the public promoting the purchase, finance, and leasing of automobiles.

4. Respondent has disseminated or caused to be disseminated advertisements promoting consumer leases for automobiles, as the terms “advertisement” and “consumer lease” are defined in Section 213.2 of Regulation M, 12 C.F.R. §213.2, as amended.

5. Respondent has placed numerous such advertisements promoting consumer leases for automobiles in the *Los Angeles Times* newspaper. A copy of one such full-page advertisement that ran in the *Los Angeles Times* is attached as Exhibit A. The advertisement contains the statements and depictions described in this paragraph; respondent’s advertisements in other editions of the *Los Angeles Times* contain substantially similar statements and depictions.

- a. Respondent’s advertisements prominently state: “0 FIRST PAYMENT,” “0 DOWN,” “0 SECURITY DEPOSIT,” “0 DUE AT SIGNING,” and “0.9% APR Long Term Finance Available On Approved Credit on select models.” For example, the following statement is prominently featured at the top of the advertisement attached as Exhibit A:

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- b. Beneath this representation, photographs of several different vehicles appear, with each stating a monthly lease payment amount immediately below the photograph. For example, the advertisement in Exhibit A features a 2013 Honda Accord Sedan LX, with a monthly lease payment of \$199, as follows:



- c. The following statement appears in small print below the representation of the monthly lease payment amount:

Lease for \$199/month + tax for 36 months on approved above average credit. \$2,399 due at lease signing. Includes down payments with no security deposit. Excludes taxes, titles and dealer fees. 12K miles/year. 15¢ per mile in excess.

- d. Small print below each featured vehicle states that consumers must pay a substantial amount at lease

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signing for that vehicle. For example, the amounts due at lease signing for the four vehicles featured in Exhibit A range from \$1,995 to \$2,499. Thus, consumers must pay substantially more than the “0 DUE AT SIGNING” that is prominently stated at the top of the advertisement.

FEDERAL TRADE COMMISSION ACT VIOLATIONS

Count I

Misrepresentation of Amount Due at Lease Inception

6. Through the means described in Paragraph 5, respondent has represented, expressly or by implication, that consumers can pay \$0 at lease inception to lease the advertised vehicles for the advertised monthly payment amounts.

7. In truth and in fact, consumers cannot pay \$0 at lease inception to lease the advertised vehicles for the advertised monthly payment amounts. Consumers must also pay at least \$1,995 at lease signing. Therefore, the representation set forth in Paragraph 6 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 FTC Act, 15 U.S.C. § 45(a).

**VIOLATION OF THE CONSUMER LEASING ACT AND
REGULATION M**

9. Under Section 184 of the CLA and Section 213.7 of Regulation M, advertisements promoting consumer leases are required to make certain disclosures (“additional terms”) if they state any of several terms, such as the amount of any payment (“CLA triggering terms”). 15 U.S.C. § 1667c; 12 C.F.R. § 213.7.

10. Respondent’s advertisements promoting consumer leases, including but not necessarily limited to those described in Paragraph 5, are subject to the requirements of the CLA and Regulation M.

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Count II**Failure to Disclose or to Disclose Clearly and Conspicuously
Required Lease Information**

11. Respondent's advertisements promoting consumer leases, including but not necessarily limited to those described in Paragraph 5, have included CLA triggering terms, but have failed to disclose or to disclose clearly and conspicuously additional terms required by the CLA and Regulation M, including one or more of the following:

- a. That the transaction advertised is a lease.
- b. The total amount due prior to or at consummation or by delivery, if delivery occurs after consummation.
- c. Whether or not a security deposit is required.
- d. The number, amount, and timing of scheduled payments.
- e. With respect to 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 property, that an extra charge may be imposed at the end of the lease term.

12. Therefore, the practices set forth in Paragraph 11 of this Complaint have violated Section 184 of the CLA, 15 U.S.C. § 1667c, and Section 213.7 of Regulation M, 12 C.F.R. § 213.7.

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

By the Commission.

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Exhibit A

Honda of Hollywood
www.hondaofhollywood.com

0 FIRST PAYMENT 0 DOWN 0 SECURITY DEPOSIT 0 DUE AT SIGNING 0 9.9% APR

ALL 2013 ACCORDs & CR-Vs ON SALE!

2013 Honda Fit

LEASE FOR \$138 PER MONTH

2013 Honda Civic Sedan EX

2013 Honda Accord Sedan LX

2013 Honda CR-V LX 2WD

PRE-OWNED CARS

2012 Nissan Versa.....\$12,495 (806458/602357)	2012 Honda Sonata\$17,995 (806458/326589)
2007 Honda Accord.....\$14,995 (806458/606130)	2010 Honda Accord\$18,450 (806481/527808)
2012 Nissan Altima\$15,450 (806457/232248)	2011 Honda CRV.....\$18,795 (806458/002370)
2010 Honda Accord.....\$15,995 (806440/066148)	2006 BMW 3Series.....\$18,995 (806509/236227)
2010 Honda Insight\$16,450 (806442/027890)	2012 Honda CRV\$19,450 (806458/002370)
2008 Honda Accord.....\$16,995 (806555/067146)	2012 Honda Accord\$19,900 (806458/002370)
2012 Mitsubishi Eclipse\$17,495 (806458/002370)	2010 Acura TSX.....\$19,995 (806457/027890)

Honda of Hollywood
6511 Santa Monica Blvd., Hollywood CA 90038
(866) 632-4157

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DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of 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 a consent order ("consent agreement"), which includes: a statement by respondent that it 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, and having duly considered the comment received from an interested person pursuant to Commission Rule 2.34, 16 C.F.R. § 2.34, now in further conformity with the procedure prescribed in Commission Rule 2.34, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Bill Robertson & Sons, Inc., d/b/a Honda of Hollywood, is a California corporation with its principal office or place of business at 6525 Santa Monica Boulevard, Los Angeles, California 90038.
2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the

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Respondent, and the proceeding is in the public interest.

ORDER**DEFINITIONS**

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

- A. Unless otherwise specified, “respondent” shall mean Bill Robertson & Sons, Inc., and its successors and assigns.
- 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.

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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.
 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. “Consumer credit” shall mean credit offered or extended to a consumer primarily for personal, family, or household purposes, as set forth in Section 226.2(a)(12) of Regulation Z, 12 C.F.R. § 226.2(a)(12), as amended.
- E. “Consumer lease” shall mean a contract in the form of a bailment or lease for the use of personal property by a natural person primarily for personal, family, or household purposes, for a period exceeding four months and for a total contractual obligation not exceeding the applicable threshold amount, whether or not the lessee has the option to purchase or otherwise become the owner of the property at the expiration of the lease, as set forth in Section 213.2 of Regulation M, 12 C.F.R. § 213.2, as amended.
- F. “Lease inception” shall mean prior to or at consummation of the lease or by delivery, if delivery occurs after consummation.
- G. “Material” shall mean likely to affect a person’s choice of, or conduct regarding, goods or services.
- H. “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;

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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 its 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:
 1. Leasing a vehicle, including but not necessarily 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, and the repayment obligation over 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 and its officers, agents, representatives, and employees, directly or

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indirectly, in connection with any advertisement for any consumer lease, shall not, in any manner, expressly or by implication:

- A. State the amount of any payment or that any or no initial payment is required at lease inception without disclosing clearly and conspicuously the following terms:
 - 1. That the transaction advertised is a lease;
 - 2. The total amount due at lease signing or delivery;
 - 3. Whether or not a security deposit is required;
 - 4. The number, amounts, 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; or
- B. Fail to comply in any respect with Regulation M, 12 C.F.R. Part 213, as amended, and the Consumer Leasing Act, 15 U.S.C. §§ 1667-1667f, as amended.

III.

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 its possession or control that contradicts, qualifies, or calls into question the

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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.

IV.

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 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.

V.

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; 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

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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 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. Bill Robertson & Sons, Inc.

VI.

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 its own compliance with this order. Within ten (10) days of receipt of written notice from a representative of the Commission, it shall submit additional true and accurate written reports.

VII.

This order will terminate on April 11, 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

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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 Bill Robertson & Sons, Inc. d/b/a Honda of Hollywood. The proposed consent order has been placed on the public record for thirty (30) days for receipt of comments by interested persons. Comments 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 is a motor vehicle dealer. According to the FTC complaint, the respondent has advertised cars for leasing. In connection with its advertised leasing offers, the complaint alleges that the respondent has advertised that consumers can pay “\$0 down” with “0 first payment” and “0 due at signing” 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 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 between \$1,995 and \$2,499 at lease signing. The complaint alleges that, therefore, the respondent’s representations are false or misleading in violation of Section 5 of the FTC Act. In addition, the complaint alleges a violation of the Consumer Leasing Act and Regulation M for

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failing to clearly and conspicuously disclose the costs and terms of certain leases offered, despite the respondent's use of certain triggering terms in the advertisements.

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: (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, 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 addresses the CLA allegation. It requires that the respondent clearly and conspicuously make all of the disclosures required by CLA and Regulation M if it states relevant triggering terms, including the monthly lease payment. In addition, Part II prohibits any other violation of CLA and Regulation M.

Part III of the proposed order requires respondent to keep copies of relevant advertisements and materials substantiating claims made in the advertisements. Part IV requires that respondent provide copies of the order to certain of its personnel. Part V requires notification to the Commission regarding changes in corporate structure that might affect compliance obligations under the order. Part VI requires the respondent to file compliance reports with the Commission. Finally, Part VII is a provision "sunsetting" the order after twenty (20) years, with certain exceptions.

The purpose of this analysis is to aid public comment on the proposed order. It is not intended to constitute an official

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interpretation of the complaint or proposed order, or to modify in any way the proposed order's terms.

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IN THE MATTER OF

PARAMOUNT KIA OF HICKORY, LLCCONSENT ORDER, ETC. IN REGARD TO ALLEGED VIOLATIONS OF
SECTION 5 OF THE FEDERAL TRADE COMMISSION ACT, THE TRUTH
IN LENDING ACT AND REGULATION Z*Docket No. C-4450; File No. 132 3191*
Complaint, April 11, 2014 – Decision, April 11, 2014

This consent order addresses Paramount Kia of Hickory, LLC's advertisements for sale of automobiles and failure to disclose clearly and conspicuously required credit information, despite the respondent's use of certain triggering terms in the advertisements. The complaint alleges that respondent advertised that consumers can pay \$0 up-front and \$99 per month to finance a car, however the monthly payment increases dramatically after the first three payments. The consent order requires that the respondent clearly and conspicuously make all of the disclosures required by the Truth In Lending Act and Regulation Z if it states the amount or percentage of any down payment, the number of payments or period of repayment, the amount of any payment, or the amount of any finance charge. The order also prohibits the respondent from misrepresenting any material fact about the price, sale, financing, or leasing of any vehicle.

*Participants**For the Commission: Mark Glassman.**For the Respondent: Shawn D. Mercer, Bass Sox Mercer.***COMPLAINT**

The Federal Trade Commission, having reason to believe that Paramount Kia of Hickory, LLC, a limited liability company ("Paramount"), has violated provisions of the Federal Trade Commission Act ("FTC Act"), the Truth in Lending Act ("TILA"), and its implementing Regulation Z, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Paramount Kia of Hickory, LLC, is a North Carolina limited liability company with its principal office or place of business at 1205 South Center Street, Hickory, North