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## **Four Southland car dealerships settle FTC accusations of deception**

**The settlement is part of a nationwide crackdown by the FTC against deceptive advertising by car dealers.**

By Shan Li

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Four car dealers in Southern California agreed to a settlement with the U.S. government over accusations of deceptive advertising, part of a broader effort to keep a tighter rein on the auto industry.

advertisement

The dealers — which include Honda of Hollywood and Norm Reeves Honda in Cerritos — were accused by the Federal Trade Commission of running ads that misrepresented the costs of buying or leasing automobiles. The agency's nationwide sweep, dubbed Operation Steer Clear, also targeted five dealerships outside the Golden State.

The Southland dealers allegedly advertised that customers could pay nothing upfront to lease a vehicle, but the price actually excluded "substantial fees and other amounts."

Two other local dealers, Casino Auto Sales of La Puente and Rainbow Auto of South Gate, were accused of advertising specific low prices to lure buyers, who later found the cost was actually \$5,000 higher.

"We know auto issues are very important to consumers," said Malini Mithal, assistant director of the division of financial practices at the FTC. "For most consumers, buying a car is one of the most expensive transactions they will make in their life. We want to make sure they have accurate information."

The settlements served more as a warning shot to the dealers, which did not even receive fines or admit guilt.

The dealerships agree to not run deceptive ads for the sale, financing or leasing of cars. In cases in which they are accused of violating specific consumer protection laws, they agree to clearly and conspicuously disclose credit and lease terms. If they violate consumer protection laws in the future, the dealerships can be fined \$16,000 per violation per day.

The sweep is part of a wider effort among federal agencies such as the FTC and the Consumer Financial Protection Bureau to keep auto dealers in check and protect car buyers, according to auto industry experts.

"There appears to be a trend within the federal government to scrutinize the dealerships' sale practices in respect to vehicle sale, advertising and financing," said Alex Kurkin, an auto dealer attorney and partner at Kurkin

Brandes. "It appears they have reason to believe that there are practices that warrant they dive into this industry."

In a statement, Norm Reeves Honda said one ad that ran in March had "an unclear lease offer" that came under the scrutiny of the federal agency. The company, which is the nation's largest Honda dealership, said it had changed its advertising review policies to ensure transparency.

"Our company cooperated and voluntarily participated in the settlement process," the statement said.

Aaron Jacoby, an attorney who represented Norm Reeves Honda and Honda of Hollywood in the FTC case, said he believed both dealers were selected to set an example for the rest of the industry.

The FTC "picked dealers in prominent areas and prominent dealers in those areas and looked at those ads," said Jacoby, chairman of the automotive industry practice group at Arent Fox in Los Angeles. "The lesson learned here is that regardless of who is right or wrong on the technicalities, what the FTC is after is greater clarity ... and our clients agree with that."

Michael Lopez, manager at Rainbow Auto, defended his dealership by pointing out the difficulty of advertising a single price to customers who have different credit scores.

Banks and lenders that ultimately buy car loans from dealerships charge extra fees for customers who have bad credit, Lopez said. He called the extra \$5,000 a "cushion" for buyers with poor credit histories.

"I can't sell a car to two different people for the same price," he said. "It's a cushion because you can't advertise a car only for people with an excellent profile."

Casino Auto Sales did not immediately return a call seeking comment.

Dealerships in Georgia, Illinois, Michigan, North Carolina and Texas also agreed to settle. In Michigan, the dealer is accused of sending mailers that claimed consumers had won a sweepstakes prize when they had not. The agency also filed a complaint against a Massachusetts dealer, the 10th business investigated under the sweep.

Kurkin, the lawyer specializing in the auto industry, said the settlement may persuade some "fringe" dealerships to pull back on certain advertising. It could also make it easier for dealers that obey the letter of the law to compete against others that run more questionable ads.

"There are some dealers that look at things and see this as having a deterrent effect," he said. "And others that might continue to push the envelope."

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