FTC DRIVES TO END THE BLUR IN CAR LEASING ADS
Agency Announces Settlements with Five Car Makers
Over Allegedly Misrepresented and Unreadable Cost Disclosures

Five major automobile manufacturers have signed settlement agreements with the Federal Trade Commission to take important lease costs out of the blur of unreadable print in car lease and financed purchase advertising. The FTC said these agreements will require the companies to provide consumers with clear, readable, and understandable cost information in their new advertising. Under the settlements, General Motors Corporation, Mitsubishi Motor Sales of America, Inc., American Honda Motor Co., Inc., American Isuzu Motors Inc., and Mazda Motor of America, Inc. will be prohibited from featuring low monthly payments or low amounts "down" in large, bold print, while hiding additional costs and sometimes contradictory information in "mouse print" that is difficult or impossible to read. The TV commercials cited by the FTC in the cases announced today contain critical cost disclosures that are buried in several lines of print, often scrolling and too small to read, and that appear on the screen for only a few seconds over a moving or otherwise distracting background.

The offices of 23 state Attorneys General have entered into similar agreements with General Motors, Mitsubishi, Honda and Isuzu; 15 states have filed complaints against Mazda regarding its lease ads.

The FTC and state settlements with Mitsubishi and GM also address these companies’ financed purchase advertisements (Mitsubishi’s “Diamond Advantage Plan” and GM’s “SmartBuy” Program), in addition to the companies’ lease advertisements. The settlements resolve charges that such ads disclose substantial final balloon payments of several thousand dollars and other important credit terms in similarly unreadable print.

"These agreements make very clear to the industry that placing sizable fees in unreadable fine print is not acceptable," said FTC Chairman Robert Pitofsky. "This is critical information in the consumer decision-making process. Consumers simply must be able to read and understand it."

Jodie Bernstein, Director of the FTC’s Bureau of Consumer Protection added: "These cases are a first and major step in our effort to put an end to placing significant costs in ?the blur’ in all automobile lease and credit advertising. We intend to target lease ads that get consumers into the dealership by featuring ?zero down’ deals when consumers actually have to pay hundreds of dollars, or more, before they leave the dealership. With these actions, we are cracking down on credit ads that contain hidden final payments that often amount to thousands of dollars."

Nearly a third of all automobile retail transactions today are leases, more than double the percentage in 1991. The growth in car leasing advertising has been equally explosive, staff members of the FTC said. In the past, the FTC has brought law enforcement actions against individual car dealers in connection with inadequate cost disclosures in lease and financed purchase ads, but these are the first FTC cases against car manufacturers for these allegations. Pitofsky and Bernstein appeared at a press conference in Washington, D.C. today with representatives of the offices of several state Attorneys General.

“This settlement is historic for many reasons," said Arizona Attorney General Grant Woods. "It means that companies will no longer be able to hide information in the fine print at the bottom of the TV screen and claim the viewers should understand it. And if companies say a customer can lease a car for zero down, they’ll have to disclose any costs the consumer will have to pay the moment they sign the lease. This truly levels the playing field for consumers who are learning the often unfortunate ins and outs of leasing."
The FTC also issued a Consumer Alert today titled "Look Before You Lease," which describes common leasing terms and suggests several questions for consumers to ask in determining whether to lease or buy. On the back of the alert is a copy of a lease form that consumers can ask dealers to complete for them. The alert is available on the FTC’s web site at http://www.ftc.gov (no period).

The FTC complaints in the cases announced today charge that the companies’ lease ads represented that low or no amounts are due at lease signing, when, in fact, consumers had to pay significant fees that were not adequately disclosed (a misrepresentation in violation of Section 5 of the FTC Act, which prohibits unfair or deceptive practices). The complaints also allege that the car makers highlighted low amounts down or low monthly payments, but failed to disclose clearly and conspicuously additional lease terms and costs (in violation of the FTC Act, as well as the Consumer Leasing Act [CLA] and its implementing Regulation M, which govern lease transactions).

In addition, the complaints against Mitsubishi and GM charge these two companies with misrepresenting that consumers can purchase a vehicle for the terms prominently featured in their credit ads, but failing to disclose adequately a final balloon payment amounting to several thousand dollars and the annual percentage rate (a violation of the FTC Act, as well as the Truth in Lending Act [TILA] and its implementing Regulation Z, which govern financed purchases).

The FTC complaints cite numerous lease and credit advertisements that contain misrepresentations and fail to disclose adequately the required information pursuant to the CLA and Regulation M. For example:

- A Honda television ad (Honda Exhibit A) shows an odometer scrolling backwards to $0000 and states: “the zero down short-term lease from your Honda dealer. $0 Down and $289 a month for 30 months.” The unreadable fine print, however, discloses that the consumer must pay approximately $600, plus taxes, title, and registration fees at lease signing, a disposition fee of up to $400 at lease end, and other lease costs.

- A Mitsubishi print ad (Mitsubishi Exhibit C) prominently states “LEASE OR BUY . . . $0 DOWN $249 A MONTH . . . ALSO ASK YOUR DEALER ABOUT 2.9% FINANCING. In a block of fine print, which is difficult to read and far removed from these more prominent representations, Mitsubishi explains that the “zero down” lease actually requires the consumer to pay approximately $500 at lease signing, a $250 disposition fee at lease end, and other lease costs. In addition, the credit offer with 2.9% financing requires monthly payments of $801; the “zero down” credit offer is for a term of 42 months -- 41 months at $249 per month and a mandatory final payment of $9509.

- A GM television ad for the S-Blazer (GM Exhibit A) promotes a two-year lease for $1,260 down and $299 a month. However, the ad places significant information about costs and restrictions of the lease offer in two blocks of light-colored fine print that appear for approximately five seconds, over gray, moving water. Disclosed in this unreadable fine print is the actual amount due at lease signing: $1,883.63, plus tax, license, and title fees.

- A Mazda television ad (Mazda Exhibit A) promotes lease offers on four Mazda vehicles that feature low monthly payments and "one penny down," along with images of consumers clutching floating pennies. The four unreadable screens of fine print, flashed briefly on the bottom of the screen, disclose that at least $900 is due at lease inception (along with taxes, title, license, and registration fees) and detail other important lease costs for each offer.

- An Isuzu Trooper television ad (Isuzu Exhibit B) states: “...the hardest part about leasing a vehicle these days is reading the conditions of the lease. . . . Let’s see what we missed. Okay. It says here for $1999 down you can lease a Trooper LS with standard duel airbags for just $339 a month.” A consumer, in fact, must pay at least $2,688 at lease signing. While Isuzu shows cost disclosures on the
screen, the company obscures this information by flashing distracting images along with the quickly scrolling disclosures and by completely blocking portions of the disclosures with a large hand following along with the text.

- A Mitsubishi credit television ad (Mitsubishi Exhibit D) promotes that consumers can buy a vehicle for $750 down and $199 a month. Buried in the middle of a mass of unreadable fine print disclosures is the only reference that consumers must pay a final balloon payment of $7,320 at the end of the term.

- A credit advertisement for the GMAC SmartBuy plan for the Buick Regal (GM Exhibit F) touts that consumers could buy the vehicle for $2,000 down and 30 monthly payments of $249. Well within the 11 lines of quickly scrolling, unreadable fine print is a disclosure that consumers also must pay an $11,677.68 final balloon payment.

Under the proposed consent agreements that the FTC has negotiated with the companies to settle the charges, the five car makers would be prohibited from misrepresenting the total amount a consumer must pay at lease inception -- that is, before driving away with a leased vehicle -- in any new advertising. Also, any new ad that highlights an amount down or mentions certain other amounts due at lease inception (or states that there is no such charge) would have to give an equally prominent statement of the total amount due at lease inception. In addition, the settlements would require new car lease ads referencing any initial payment, or that no initial payment is due, to disclose clearly and conspicuously (defined in the orders as “readable [or audible] and understandable to a reasonable consumer”), as applicable, that: the deal is a lease; the total amount due at lease inception; that a security deposit is required; the number, amount, and timing of scheduled payments; and the fact that an extra charge may be imposed at the end of the lease based on the residual value of the car.

The FTC’s settlements with GM and Mitsubishi also contain provisions to address the alleged law violations in their advertisements for financed purchases. These provisions would prohibit the companies from misrepresenting the existence or amount of any balloon payment or the annual percentage rate for the loan, and require ads stating the amount of any payment to disclose prominently the amount of any balloon payment in close proximity to the most prominent of the payment statements. In addition, any ad stating the down payment, the amount of any periodic payments, the period of repayment, or the amount of any finance charge would have to disclose clearly and conspicuously the amount or percentage of the down payment, the terms of repayment, the amount of any balloon payment, and the correct annual percentage rate for the loan.

All five settlements also contain various record keeping and reporting requirements that are designed to assist the FTC in monitoring the companies compliance.

The Commission votes to announce the proposed consent agreements for public comment were 5-0. An announcement of the agreements will be published in the Federal Register shortly. They will be subject to public comment for 60 days, after which the Commission will decide whether to make them final. Comments should be addressed to the FTC, Office of the Secretary, 6th Street and Pennsylvania Avenue, N.W., Washington, D.C. 20580.

**NOTE:** A consent agreement is for settlement purposes only and does not constitute an admission of a law violation. When the Commission issues a consent order on a final basis, it carries the force of law with respect to future actions. Each violation of such an order may result in a civil penalty of $11,000.

Copies of the FTC’s "Look Before You Lease" alert and other information about buying or leasing a car, as well as the complaints, proposed consent agreements, and analyses to assist public comment in these five cases, are available on the Internet at the FTC’s World Wide Web site at: [http://www.ftc.gov](http://www.ftc.gov); the consents are available by calling 202-326-3627. In addition, FTC documents are available from the FTC’s Public Reference Branch, Room 130, 6th Street and Pennsylvania Avenue, N.W., Washington, D.C. 20580; 202-326-2222; TTY for the hearing impaired 1-866-653-4261. To find out the latest news as it is announced,
call the FTC NewsPhone recording at 202-326-2710.

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FTC File Nos.:

Mitsubishi -- 952 3096
Honda -- 952 3094
GM -- 952 3093
Isuzu -- 952 3095
Mazda -- 952 3450

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