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FTC Charges Los Angeles-Based Sage Auto Group With Using Deceptive and Unfair Sales and Financing Tactics

FOR RELEASE

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The Federal Trade Commission has charged nine Los Angeles-area auto dealerships and their owners with using a wide range of deceptive and unfair sales and financing practices. The FTC's action filed in the U.S. District Court for the Central District of California seeks to end these practices and return money to consumers.

This is the FTC's first action against an auto dealer for "yo-yo" financing tactics: using deception or other unlawful pressure tactics to coerce consumers who have signed contracts and driven off the dealership lots into accepting a different deal. The FTC also alleges that the defendants packed extra, unauthorized charges for "add-ons," or aftermarket products and services, into car deals financed by consumers.

"The car-buying process is a two-way street," said Jessica Rich, Director of the FTC's Bureau of Consumer Protection. "The FTC expects dealers to honor their contractual obligations, and will pursue those who use yo-yo financing tactics and pack unwanted costly add-ons onto consumers' contracts."



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[Universal City Nissan, Inc., et al.](#)

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has been actively engaged. These pages are especially useful for members of the media.

According to the [FTC's complaint](#), the defendants entice consumers, particularly financially distressed and non-English speaking consumers, into their dealerships with print, internet, radio and television ads that make an array of misleading claims, including that vehicles are generally available for the advertised terms and that consumers can buy vehicles for low prices, finance with low monthly payments, or make low down payments. Other allegedly misleading claims include that consumers can finance the purchase of vehicles – when in fact they are lease offers – and that the defendants will pay off consumers' trade-in vehicles, despite the fact that consumers ultimately are responsible for paying off any amount owed on the trade-in.

The FTC also alleges that the defendants use phony online reviews to tout their dealerships and discredit negative reviews that highlighted their unlawful practices. They and their employees or agents allegedly post positive, five-star online reviews that purport to be from objective or independent reviewers without disclosing their relationship to the dealerships.

In addition to the deceptive advertising and marketing allegations, the FTC has charged that several financing tactics of the defendants are deceptive and unfair. As part of the sales and financing process, the defendants offer add-ons such as extended warranties, guaranteed auto protection (GAP), and maintenance or service plans. The FTC alleges the defendants have violated the FTC Act by charging some consumers for add-ons without their consent or falsely claiming the products were required or were free.

And according to the complaint, in some instances after the consumers have signed contracts, the defendants falsely represent that consumers are required to sign a new contract with different terms. In other instances, the defendants tell consumers who have completed finance contracts that the contracts are cancelled and falsely represent that the defendants are permitted to keep consumers' down payments or trade-ins. When consumers request compliance with the terms of the contract or refuse the defendants' demands, the defendants, in some instances, have falsely represented that consumers will be liable for legal action, including lawsuits, repossession, or criminal arrest for a stolen vehicle.

The FTC's complaint also charges the defendants with violating the Truth In Lending Act and Regulation Z, and the Consumer Leasing Act and Regulation M, for failing to clearly disclose required credit information and lease information in their advertising.

The defendants are Universal City Nissan, Inc., also d/b/a Universal Nissan; Sage Downtown, Inc., also d/b/a Kia of Downtown Los Angeles; Glendale Nissan/Infiniti, Inc., also d/b/a Glendale Infiniti and Glendale Nissan; Valencia Holding Co., LLC, also d/b/a Mercedes-Benz of Valencia; West Covina Auto Group, LLC, also d/b/a West Covina Toyota and West Covina Toyota/Scion; West Covina Nissan, LLC; Covina MJL, LLC, also d/b/a Sage Covina Chevrolet; Sage North Hollywood, LLC, also d/b/a Sage Pre-Owned; and Sage Vermont, LLC, also d/b/a Sage Hyundai.

Also charged are Joseph Schrage, a/k/a Joseph Sage; Leonard Schrage, a/k/a Leonard Sage; and Michael Schrage, a/k/a Michael Sage; Sage Holding Company Inc.; and Sage Management Company Inc..

The Commission vote authorizing the filing of the complaint against the Sage Auto Group defendants was 2-1, with Commissioner Ohlhausen dissenting.

NOTE: The Commission files a complaint when it has “reason to believe” that the law has been or is being violated and it appears to the Commission that a proceeding is in the public interest. The case will be decided by the court.

To learn more, read [Are Car Ads Taking You For a Ride?](#), [Buying A New Car](#), and [Buying A Used Car](#).

The Federal Trade Commission works to promote competition, and [protect and educate consumers](#). You can [learn more about consumer topics](#) and file a [consumer complaint online](#) or by calling 1-877-FTC-HELP (382-4357). Like the FTC on [Facebook](#), follow us on [Twitter](#), read our [blogs](#) and [subscribe to press releases](#) for the latest FTC news and resources.

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