

## Enforcement Alert from Hudson Cook, LLP: FTC Announces Settlement with Multistate Auto Dealership and General Manager Over Alleged Unauthorized Charges for Optional Products and Discrimination Against Black Applicants

April 4, 2022 | [Lucy E. Morris](#) and [Gabriela Chambi](#)

### HIGHLIGHTS:

- The Federal Trade Commission (FTC), jointly with Illinois, announced a \$10 million resolution of allegations that a multistate auto dealership group and General Manager violated the FTC Act, Equal Credit Opportunity Act, Truth in Lending Act, and state law in connection with selling and financing vehicles and optional products. The FTC alleged that the defendants engaged in unfair and deceptive practices in selling optional products like service contracts, GAP insurance, and paint protection. The FTC also alleged that the defendants marked up interest rates and added unauthorized charges for optional products, resulting in higher costs to Black applicants, in violation of the ECOA.
- The defendants neither admitted nor denied the allegations but consented to the entry of an injunction and order requiring them to establish a comprehensive fair lending program and to only charge consumers for optional products with their express and informed consent.
- The Commission vote to approve the action was 4-0. In a separate statement, Chair Lina Khan and Commissioner Rebecca Slaughter explained that "protecting consumers from unscrupulous auto sales practices" is a critical role for the FTC and it will continue to take action to "make sure consumers get accurate pricing and financing information."
- Additionally, Khan and Slaughter said the FTC will be "aggressively pursuing" violations of the Equal Credit Opportunity Act (ECOA). The pair would have also supported a separate unfairness count for the alleged discriminatory practices, echoing similar statements by CFPB Director Chopra about the use of unfairness to combat discrimination more broadly.

### CASE SUMMARY:

On March 31, 2022, the FTC and Illinois announced that they had resolved, via a Stipulated Order, claims against nine auto dealerships and a General Manager. The Complaint alleges that the defendants violated the FTC Act, the Truth in Lending Act, the Illinois Consumer Fraud Act, the Equal Credit Opportunity Act, and the Illinois Motor Vehicle Advertising Law, for illegally adding on fees for unwanted optional products such as service contracts and paint protection. According to the agencies, in many

instances the fees were added despite consumers specifically declining the products, and in other instances consumers were falsely told the products were free or required to purchase or finance their car. Finally, the Complaint alleges the defendants discriminated against Black applicants in connection with the financing of their vehicles. The Complaint alleges that the multistate dealership has a "discretionary policy that permits its employees to mark up interest rates and add charges for add-on products, which resulted in higher costs to Black applicants than similarly-situated non-Latino White applicants." The Complaint asserts that the dealership charged Black borrowers "on average, approximately \$190 more in interest ... [and] charged Black consumers more often for add-ons" leading to Black consumers paying "\$99 more on average for add-on packages."

The defendants did not admit or deny these allegations but agreed to settle the matter for \$10 million. The Stipulated Order will prohibit them from misrepresenting the costs or terms to buy, lease, or finance a car, and prohibit them from unlawful credit discrimination. The Settlement will also require the defendants to establish a comprehensive fair lending program and to charge consumers for optional products only with express, informed consent.

#### RESOURCES:

You can review all of the relevant court filings and press releases at the [FTC's Enforcement page](#).

- [Complaint](#)
- [Stipulated Order](#)
- [FTC Press Release](#)
- [Statement from Chair Lina Khan](#)

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