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Sometimes we are our own worst enemy V

by Gil Van Over

An Attorney General recently levied fines and restitution worth \$150,000 against a dealership for a "litany of deceptive acts." There may be more coming as area consumers have until next week to file claims.

The list of allegedly deceptive acts comprise a significant percentage of compliance no-nos, including: deceptive advertising, signing blank contracts, stuffing products, promising rate reductions, holding documents until funding and increasing the cash price to offer discounts.

I haven't heard the dealership's response or defense, but if these allegations are true, the plaintiff's bar can't be too far behind with the lawsuits flowing. If the dealership has been systematically using these deceptive practices for a while, class action may not be out of the question.

The Alleged Practices

Deceptive advertising – the dealership allegedly lured consumers into the dealership using a scratch off mailer which promised the consumer a prize. But the mailer required that the consumer visit the dealership to claim the prize. Most consumers "won" a worthless prize due to purchase requirements or extensive black-out periods.

Signing blank contracts – the dealership is accused of having customers signing blank contracts and then later filling out the paperwork with terms that were not agreed to by the consumer.

Stuffing products – this one is tied to signing blank contracts. The consumers apparently purchased ancillary products that they didn't know about.

Promising rate reductions – what a novel approach to selling a high APR! Make a promise that after a period of timely payments, the lender will lower the APR.

Holding documents – the dealership is accused of not giving the consumer copies of the documents that were signed, a potential Truth in Lending violation.

Increasing cash price – the Attorney General claims the dealership increased the cash price of the vehicle, then offered a false discount to get the vehicle price back to its original amount.

How to protect yourself

You can protect yourself against these types of charges being levied against your business with some old-fashioned corporate governance.

- Establish a tone from the top. These types of acts will not be tolerated and will lead to disciplinary action, up to and including termination.
- Develop and implement policies and procedures for both sales and F&I. Provide the materials to all involved employees and obtain an acknowledgement to adhere to the policies after the employees have sufficient time to review the materials.
- Provide regular training on the policies and procedures and document the training delivered.
- Conduct regular, periodic audits of the work performed to ensure compliance with your policies.

- Regularly review your policies and procedures for modifications as new technology, regulations or efficiencies evolve.

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