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December 12, 2006

## **Credit cards redeaux**

*by Gil Van Over*

A loyal reader wrote me after last week's column discussing hold checks and credit card down payments.

"You might want to pen a few more lines in your next article regarding the absolute idiocy of taking credit card payments on car deals - period! We have long prohibited credit card acceptance not only on down payments, but on any car deal."

His points are valid risk management concerns.

First, the juice paid to credit card companies can be upwards of three percent of the amount charged. In other words, a \$10,000 charge will take \$300 out of the gross profit of the deal. I have not seen any pay plans that deducts this juice from the F&I or Sales Manager's commissionable gross.

More importantly, though, is the consumer's rights when a credit card is used. The consumer can dispute the charge, and effectively rescind the transaction.

Which means that the down payment could be charged back to the dealership. Which means that the entire car purchase could be charged back to the dealership.

In my experience, a store that has a high amount of credit card down payments is a result of the cards being solicited in the process. When I leased my last card, the F&I Manager asked me, "Will you be paying the amount in cash, check or by credit card?"

My Amex lease starts cost the dealer some juice. This, after I was prepared to write a check. However, I figured I would let the cash ride for another 30 days before I paid it with cash out of my checking account.

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