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They're Back! FTC Audits Car Buyer's Guide Compliance

by By Gil Van Over

Recent reports out of the Lone Star state have compliance officers from the Federal Trade Commission (FTC) conducting Buyer's Guide compliance audits at selected dealers. With potential fines of \$11,000 per occurrence for non-compliance, here are some of the things they can be looking for:

Incomplete vehicle information. The only optional item in the vehicle information section is your stock number. The entire VIN must be disclosed. Just as the IRS won't accept the last four of your social on your tax return, the FTC won't accept the last six of the VIN on the Buyer's Guide.

Incomplete warranty information. If you wish to disclose that the balance of factory warranty remains on the vehicle, you cannot just say "Balance of Factory Warranty" or "Remainder of Factory Warranty." The FTC Used Car Rule requires the following safe harbor language: "MANUFACTURER'S WARRANTY STILL APPLIES. The manufacturer's original warranty has not expired on the vehicle. Consult the manufacturer's warranty booklet for details as to warranty coverage, service location, etc."

Likewise, using the term "Limited Powertrain coverage" is insufficient. You must disclose the parts of the powertrain that are covered.

Conflicting warranty information. If your used window sticker touts a three-month/3,000-mile limited warranty and your Buyer's Guide discloses that the vehicle is being sold "As Is," you have a contradiction in terms. Any limited warranty you offer must be disclosed on the Buyer's Guide.

Spanish Translation. To the best of my knowledge, the FTC Used Car Rule is the only federal rule regulating the auto industry that requires a Spanish translation document if the deal is negotiated in part in Spanish. You may be at risk if you advertise "Se Habla Espanol" on TV, radio or newspaper. And since you don't know which vehicle a Spanish-speaking customer will land on, you should cover yourself by having English and Spanish versions on each used vehicle.

Missing disclosure on purchase contracts. The FTC Used Car Rule requires a disclosure on your purchase contracts stating that the Buyer's Guide rules in and contrary warranty disclosures between documents. All retail installment sales contracts have the disclosure. You are also required to have the disclosure on your Buyer's Order—in both English and Spanish.

The Texas Two-Step is a popular dance and this two-step will help keep the FTC hounds at bay.

1. Review the FTC Used Car Rule with all of your managers and charge them with monitoring your compliance. You can find a very useful copy of the rule at [HYPERLINK "http://www.ftc.gov/bcp/online/pubs/buspubs/usedcarc.htm" http://www.ftc.gov/bcp/online/pubs/buspubs/usedcarc.htm](http://www.ftc.gov/bcp/online/pubs/buspubs/usedcarc.htm).

2. Reinstate the requirement that managers walk your lot every morning, in part checking each used vehicle for a properly completed Buyer's Guide.

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