

**UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION**

COMMISSIONERS: **Edith Ramirez, Chairwoman**
 Julie Brill
 Maureen K. Ohlhausen
 Joshua D. Wright
 Terrell McSweeney

In the Matter of

Respondent also fails to disclose the total amount of these fees, which add up to more than \$775 on a standard five-year auto financing contract.

Enrollment in Respondent's Program

5. Most consumers learned about Respondent's payment program at the automobile dealership, after they selected a vehicle to buy. When purchasing a vehicle, consumers sign the legal paperwork to close the transaction with the dealer's Financing and Insurance ("F&I") department. In many instances, an F&I employee offers other products and services that can be "added on" to the financing contract; these are commonly called "add-on products and services." Respondent's payment program was one such add-on service.

Respondent's Payment Structure and Fees

6. Under most auto financing contracts, consumers pay the financing entity a specific amount on a monthly basis. Under Respondent's payment program, Respondent debits money from a consumer's bank account on a biweekly basis. The first biweekly debit is in the amount of one full monthly payment. Subsequent biweekly debits consist of half of the consumer's monthly payment, plus a processing fee. Respondent pays the financing entity on the consumer's behalf on a monthly basis.

7. Under a traditional monthly payment plan, consumers make 12 monthly payments each year to their financing entity. Under Respondent's payment program, consumers make 26 biweekly payments each year to the Respondent, which then makes a total of 13 monthly payments to the consumer's financing entity. Thus, under the payment program, consumers make one additional payment a year as compared to a traditional monthly payment plan.

8. Respondent's promotional materials tout the biweekly payment program's ability to save consumers money through these additional payments, but do not disclose that fees it charges in connection with the biweekly payment program can offset any savings. Specifically, Respondent charges at least three fees:

- Respondent charges every consumer a "Deferred Enrollment Fee" of \$399. Respondent collects a portion of this fee from consumers during the first month of the contract. Respondent deducts the remainder of the enrollment fee from the extra payments made by consumers in the early years of the program by paying biweekly.
- In addition to the \$399 enrollment fee, in many instances, Respondent charges a \$25 "cancellation fee." Respondent has often charged consumers this fee even when they "cancelled" because they had completed Respondent's biweekly payment program or had finished paying off their financing contract.
- Respondent also adds a processing fee to every debit from consumers' banks accounts. The fee is currently \$2.99 per debit, but has ranged from \$1.95 up to \$2.99 per debit in prior years. Over the life of a standard five-year auto financing contract, a \$2.99 per-debit fee amounts to more than \$350.

9. These fees total an average of \$775 on a standard five-year auto financing contract. Nowhere does Respondent disclose this fact.

Respondent's Savings Claims

10. Respondents disseminated or caused to be disseminated brochures and videos promoting the payment program to consumers by providing such materials to the auto dealers that sell its payment program. Respondent also promoted its biweekly payment program on its website, www.nationalpayment.net.

11. Two of Respondent's brochures are attached as Exhibits A and B. The brochures both contain the following statements and depictions:

“Our biweekly payment options have helped thousands of customer [sic] save money on their car loan and achieve their long-term financial goals.”

....

“Bi-Weekly payments can help you:

- Save money on your loan
- Match payments to paychecks
- Simplify your budgeting
- Pay off your loan faster”

....

“PROGRAM BENEFITS

- Save money on your loan
- No up-front costs
- Pay off your loan faster
- No more writing or mailing checks
- Minimize the impact of vehicle depreciation
- Simplify your finances”

....



Thus, Respondent's advertising materials claimed that consumers who enrolled in the biweekly payment program would save money on their loans, and even demonstrated the specific amount of interest savings that a consumer could achieve under certain circumstances. Respondent failed to disclose, however, that in numerous instances, consumers would not achieve savings with Respondent's program due to Respondent's significant fees, amounting to more than \$775 on the average contract. On the contrary, depending on consumers' principal amount, interest rate, and number of payments, in many instances consumers paid more money than they would have under a traditional monthly payment program.

12. In addition, Respondent provided auto dealers authorized to sell its biweekly payment program with marketing tools and other dealer training materials instructing dealers on how to market and sell Respondent's payment program. One such document is a Dealer Reference Guide, attached as Exhibit C. Respondent's Dealer Reference Guide repeatedly states that consumers will experience "reduced interest charges" by enrolling in the biweekly payment program without disclosing that numerous consumers do not experience savings overall and may even end up paying more than they would under a traditional monthly payment program. For example, Respondent represented the following:

SAVINGS EXAMPLES

The Biweekly Payment Plan allows consumers to cuTJ T* [0 Tc 0 Twy w0[4(r)3-2(t P)-P <</MCI(t)-

Respondent's online calculator calculated the specific interest savings each consumer could achieve, but failed to disclose that the specific savings amount would be reduced or even offset by Respondent's significant fees. Only in the small print below the calculator did Respondent state, "Depending on the loan terms, in some cases fees charged to borrower may exceed the 'Interest Savings'."

14. Consumers enrolling in Respondent's biweekly payment program were presented with NPN biweekly calculator-generated savings calculations by auto dealers. For example, one consumer received a document labeled "NPN Biweekly Calculator," attached as Exhibit D. The document represents that the consumer will achieve an interest reduction of \$256. Only in the small print below the calculator does Respondent disclose: "Interest Reduction is not a total savings figure; in some cases the fees charged to borrower may exceed the Interest Reduction."



FEDERAL TRADE COMMISSION ACT VIOLATIONS

Count I

Failure To Disclose Material Information About Fees

15. Through the means described in Paragraphs 10-14, Respondent has represented, expressly or by implication, that consumers who enroll in the biweekly payment program will save money.

16. When making the representation described in Paragraph 15, Respondent has failed to disclose or failed to disclose adequately that in many instances, consumers do not save any money due to Respondent's fees, which amount to hundreds of dollars.

17. These facts would be material to consumers in their decision to enroll in Respondent's biweekly payment program offered for sale in the advertisements. In light of the representation made, the failure to disclose this fact, or to disclose this fact adequately, was, and is, a deceptive practice.

Count II

Failure To Disclose Program Effects

18. Through the means described in Paragraphs 10-14, Respondent has represented, expressly or by implication, that consumers who enroll in the biweekly payment program will save a specific amount in interest.

19. When making the representation described in Paragraph 18, Respondent has failed to disclose or failed to disclose adequately that numerous consumers do not achieve savings overall.

20. This fact would be material to consumers in their decision to enroll in Respondent's biweekly payment program offered for sale in the advertisements. In light of the representation made, the failure to disclose this fact, or to disclose this fact adequately, was, and is, a deceptive practice.

21. The acts and practices of respondent as alleged in this complaint constitute unfair or deceptive acts or practices, in or affecting commerce in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

THEREFORE, the Federal Trade Commission this ___ day of _____, 2015, has issued this complaint against Respondent.

By the Commission.

Donald S. Clark
Secretary

SEAL: