
ANALYSIS OF PROPOSED CONSENT ORDER TO AID PUBLIC COMMENT

Summary: The Federal Trade Commission has accepted separate agreements, subject to final approval, from Chrysler Corporation ("Chrysler") and two advertising agencies, Bozell Worldwide, Inc. ("Bozell") and Martin Advertising, Inc., ("Martin")(collectively referred to as "respondents"). Bozell is the advertising agency for Chrysler, and Martin is an advertising agency for numerous automobile dealers and dealer marketing groups.

The proposed consent orders have been placed on the public record for sixty (60) days for receipt of comments by interested persons. Cadvertisements that violate the Federal Trade Commission Act ("FTC Act"), the Consumer Credit Leasing Act ("CLA"), and Regulation M. The complaint against Martin also alleges that respondent Martin's automobile credit advertisements violated the FTC Act, the Truth in Lending Act ("TILA"), and Regulation Z. One of Martin's advertisements was a balloon payment credit advertisement at issue in the Federal Trade Commission's enforcement action against General Motors Corporation ("GM"), Dkt. No. C-3710.

Section 5 of the FTC Act prohibits false, misleading, or deceptive representations or omissions of material information in advertisements. In addition, Congress established statutory disclosure requirements for lease and credit advertising under the CLA and TILA, respectively, and directed the Federal Reserve Board ("Board") to promulgate regulations implementing such statutes -- Regulations M and Z. See 15 U.S.C. §§ 1667-1667e; 12 C.F.R. Part 213; 12 C.F.R. Part 226.

I. Chrysler and Bozell

A. FTC Act Violations -- Lease Advertising

1. Misrepresentation of Model Availability

The complaints against Chrysler and Bozell allege that these companies misrepresent the vehicle models available at the advertised lease terms. According to the complaints, these respondents represent that consumers can lease the Chrysler vehicles featured in respondents' advertisements at the lease terms prominently stated in the advertisements. This representation is false, according to the complaints, because the lease terms apply to Chrysler models of lesser value than the Chrysler vehicles featured in the advertisements. The complaints allege that the fine

print disclosures in Chrysler and Bozell's lease advertisements, including but not limited to "Limited model shown, higher" are inadequate to disclaim or modify the representation. The Bozell complaint also alleges that Bozell, the advertising agency, knew or should have known

representation is false, according to the complaint, because the monthly payment amounts stated in respondent's lease advertisements are components of lease offers and not credit offers. Count I, therefore, alleges that respondent's practices constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act.

2. Misrepresentation of Inception Fees

Count II of the Martin complaint alleges that Martin's automobile lease advertisements represent that a particular amount stated as "down" or "cash or trade down" is the total amount consumers must pay at lease inception to lease the advertised vehicles. According to the complaint, this representation is false because consumers must pay additional fees at lease inception beyond the amount stated as "down" or "cash or trade down," such as a security deposit, first month's

Count V of the Martin complaint alleges that respondent Martin's lease advertisements state a monthly payment amount, the number of required payments, and/or an amount "down." Respondent Martin's advertisements, however, allegedly omit or fail to clearly and

respondent from disseminating motor vehicle closed-end credit advertisements that state the amount or percentage of any downpayment, the number of payments or period of repayment, the amount of any periodic payment, including but not limited to the monthly payment, or the amount of any finance charge without disclosing, clearly and conspicuously, all of the terms required by Regulation Z, as follows: (1) the amount or percentage of the downpayment; (2) the terms of repayment, including but not limited to the amount of any balloon payment; and (3) the correct annual percentage rate, using that term or the abbreviation "APR," as defined in Regulation Z and the Official Staff Commentary to Regulation Z. If the annual percentage rate may be increased after consummation of the credit transaction, that fact must also be clearly and conspicuously disclosed.