

**UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION**

FEDERAL TRADE COMMISSION, and

OFFICE OF THE MARYLAND ATTORNEY
GENERAL, CONSUMER PROTECTION
DIVISION,

advertising, marketing, promotion, offering for sale, lease or financing, and sale, lease, or financing of motor vehicles. For these violations, the FTC seeks relief, including a permanent injunction and other relief, pursuant to Section 13(b) of the FTC Act, 15 U.S.C. § 53(b).

2. The Division brings this action under Maryland’s Consumer Protection Act (“CPA”), Md. Code Ann., Com. Law §§ 13-101 through 13-501 (LexisNexis Supp. 2023), to enjoin Defendants from engaging in unfair or deceptive trade practices in the course of offering and selling vehicles to consumers in the State of Maryland, and to obtain relief for those consumers victimized by Defendants’ unlawful practices.

JURISDICTION AND VENUE

3. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331, 1337(a), and 1345.

4. Supplemental jurisdiction over the State of Maryland’s claims is proper under 28 U.S.C. § 1367.

5. Venue is proper in this District under 28 U.S.C. § 1391(b)(2), (c)(1), and (c)(2), and 15 U.S.C. § 53(b).

PLAINTIFFS

6. The FTC is an independent agency of the United States Government created by the FTC Act, which authorizes the FTC to commence this district court civil action by its own attorneys. 15 U.S.C. §§ 41–58. The FTC enforces Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or affecting commerce.

7. The Consumer Protection Division of the Office of the Attorney General of Maryland is responsible for enforcement of Maryland’s consumer protection laws, including the CPA. The CPA prohibits unfair, abusive, or deceptive trade practices in the sale, or offer for sale, of consumer goods. *See* CPA § 13-301.

DEFENDANTS

8. Defendant Lindsay Chevrolet, L.L.C., also doing business as Lindsay Chevrolet of Woodbridge (“Lindsay Chevrolet”), is a Virginia limited liability company with its principal place of business at 15605 Richmond Highway, Woodbridge, VA 22191. Lindsay Chevrolet transacts or has transacted business in this District.

9. Defendant Lindsay Motors, LLC, also doing business as Lindsay Chrysler-Dodge-Jeep-Ram (“Lindsay CDJR”), is a Virginia limited liability company with its principal place of business at 8100 Centreville Road, Manassas, VA 20111. Lindsay CDJR transacts or has transacted business in this District.

10. Defendant Lindsay Ford, LLC, also doing business as Lindsay Ford of Wheaton (“Lindsay Ford”), is a Maryland limited liability company with its principal place of business at 11250 Veirs Mill Road, Wheaton, MD 20902. Lindsay Ford transacts or has transacted business in this District.

11. Defendant Lindsay Management Company, LLC (“Lindsay Management”) is a Virginia limited liability company with its principal place of business at 3410 King Street, Alexandria, VA 22302. Lindsay Management provides operational services to Lindsay dealerships, including building maintenance, payroll, IT services, inventory management, employee training, marketing, and human resources management. Lindsay Management also paid the Defendant dealerships’ civil penalties for law violations assessed by the Motor Vehicle Dealer Board of Virginia. Lindsay Management Company, LLC transacts or has transacted business in this District.

12. Defendants Lindsay Chevrolet, Lindsay CDJR, Lindsay Ford, and Lindsay Management are hereinafter referred to collectively as the “Corporate Defendants.”

13. Defendant Michael Lindsay is part-owner and president of Lindsay Management, Lindsay Chevrolet, Lindsay CDJR, and Lindsay Ford. At all times relevant to this Complaint, acting alone or in concert with others, he has formulated, directed, controlled, had the authority to control, or participated in the acts and practices described in this Complaint. For example, Defendant Lindsay is responsible for hiring and firing senior employees such as the chief operating officer and general manager. He approves dealership budgets and attends regular meetings to discuss dealerships' general operations, compliance, and advertising. He has also regularly received complaints regarding the practices described in this Complaint. Defendant Michael Lindsay resides in this District and, in connection with the matters alleged herein, transacts or has transacted business in this District.

14. Defendant John Smallwood is Chief Operating Officer of Lindsay Management. At all times relevant to this Complaint, acting alone or in concert with others, he has formulated, directed, controlled, had the authority to control, or participated in the acts and practices described in this Complaint. For example, Defendant Smallwood is responsible for implementing company strategies into daily operations at Lindsay Chevrolet, Lindsay CDJR, and Lindsay Ford. He has also regularly received complaints regarding the practices described in this Complaint. Defendant Smallwood is often personally involved in communicating with consumers who complain about Defendants' practices. Defendant Smallwood, in connection with the matters alleged herein, transacts or has transacted business in this District.

15. Defendant Paul Smyth is General Manager of Lindsay Chevrolet, Lindsay CDJR, and Lindsay Ford. At all times relevant to this Complaint, acting alone or in concert with others, he has formulated, directed, controlled, had the authority to control, or participated in the acts and practices described in this Complaint. For example, Defendant Smyth oversees the day-to-

day operations of the Defendant dealerships, sets compensation structures for dealership employees, and designs, modifies, and implements policies and training regarding the sale of add-ons and financing. He has also regularly received complaints regarding the practices described in this Complaint. Defendant Smyth resides in this District and, in connection with the matters alleged herein, transacts or has transacted business in this District.

16. Defendants Michael Lindsay, Smallwood, and Smyth are hereinafter referred to collectively as the “Individual Defendants.”

COMMON ENTERPRISE

17. The Corporate Defendants have operated as a common enterprise while engaging in the deceptive and unfair acts and practices alleged below. Corporate Defendants conduct the business practices described below through an interrelated network of companies that have common ownership, officers, managers, employees, business functions, advertising, and office locations. Because these Corporate Defendants have operated as a common enterprise, each of them is liable for the acts and practices alleged below.

COMMERCE

18. At all times relevant to this Complaint, Defendants have maintained a substantial course of trade in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

DEFENDANTS’ BUSINESS ACTIVITIES

19. Defendants are the owners and operators of Lindsay Management and Lindsay Chevrolet, Lindsay CDJR, and Lindsay Ford, three automobile dealerships located in the greater Washington, DC metropolitan region and collectively doing business as the “Lindsay Automotive Group” (hereinafter, “Lindsay”). Lindsay has systematically engaged in a pattern of unlawful conduct harming consumers seeking to purchase, finance, and lease motor vehicles.

Lindsay's illegal practices take several forms. First, Lindsay tricks consumers into visiting its dealerships by touting low prices in online advertisements. However, Lindsay does not honor these prices. Instead, in numerous instances, Lindsay charges consumers thousands of dollars more than the advertised price. Second, Lindsay often falsely claims that consumers must pay additional fees to purchase a vehicle if they do not finance through Lindsay, for which Lindsay receives monetary "kickbacks." Third, in many instances, Lindsay tacks fees for unwanted add-ons such as service contracts, GAP coverage, or extended warranties onto consumers' deals either without consumers' consent or after falsely telling consumers those add-ons are required. Lindsay's practices are so pervasive that, according to a survey of Lindsay customers who were charged for add-ons, 68% were charged for at least one add-on they did not agree to buy or were falsely told was required. As a result of these unlawful practices, Lindsay has overcharged consumers by millions of dollars.

Lindsay's Deceptive Advertising

20. Lindsay lures consumers to its dealerships by advertising low prices for specific motor vehicles on its website and third-party websites. For example, in an advertisement on Lindsay's website, below, Lindsay represents that consumers can purchase a 2024 Chevrolet Silverado 1500 at the "Lindsay Love It Price" of \$42,990:

21. Many consumers shopping for a motor vehicle view these low prices and believe that Lindsay wi

23. In numerous instances, only at this point does Lindsay inform consumers that the price is hundreds or thousands of dollars more than the price it advertised. In fact, the overwhelming majority of consumers who purchase a vehicle at a Lindsay dealership pay more than the advertised price. For example, a random sample of Lindsay's transactions from April 2020 through March 2023 shows that, of the vehicles Lindsay advertised and priced on third-party sites CarGurus.com and Cars.com, *over 88% of consumers* paid more than the advertised price. And of those consumers, most paid *over \$2,000 more*.

24. Lindsay often refuses to honor its advertised prices because

he got to the dealership, was required to purchase a “Blazer Package” he did not want or need for an additional \$1,799 fee. When the consumer attempted to have the fee removed, a salesperson told him Lindsay always “tacks on” the fee to ensure he would get maintenance. Another consumer drove 70 miles to Lindsay CDJR to look at a car advertised for \$24,500. Once there, the consumer learned the dealership ad

example of how Lindsay disclosed its dealer processing charge in Maryland, in small, remote, unbolded typeface:

Lindsay's Unlawful Financing and Add-on Practices

31. After consumers have gone through the long process of choosing a vehicle at the dealership and negotiating the price of the vehicle, consumers must meet with a Lindsay finance manager to finalize the purchase, even if they are not seeking financing. In many instances, consumers must wait a significant amount of time to get into the finance and insurance office. Once consumers sit down, there is often a discussion of the financing terms, during which time Lindsay often misrepresents that consumers must rely on Lindsay to secure financing or employs other unlawful tactics. Lindsay then presents consumers with a stack of complex, highly technical documents and rushes consumers through the closing process, which typically requires consumers to sign their name in over a dozen places. In many instances, Lindsay sneaks in unauthorized charges for add-ons that consumers have not consented to, or falsely claims these add-ons are required.

Lindsay Falsely Claims Consumers Must Finance Through The Dealership

32. Consumers purchasing a car typically fund the purchase in one of three ways. First, consumers may purchase the vehicle in cash (including through a cashier's or personal pET/Figure

arriving at a dealership and using this financing financial institution to pay for their chosen vehicle. Lindsay does not receive compensation on the financing portion of the vehicle sale transaction when a consumer arranges financing themselves. Third, consumers may rely on the dealership to arrange financing for the purchase through a third-party financing entity while the consumer is at the dealership. Lindsay managers describe compensation Lindsay receives through this type of financing as “a kickback.”

33. In numerous instances, Lindsay employees falsely claim that, in order to purchase a vehicle or obtain the advertised price, consumers must use Lindsay to arrange the financing. After being told this, many consumers either leave empty-handed after having invested significant time and expense, or acquiesce and finance through the dealership at greater cost than other options. Even in rare instances where consumers successfully negotiate to use their own financing, they often invest significant time and bargain away power in negotiating to do so.

34. For example, one consumer who attempted to pay cash for a used vehicle from Lindsay Chevrolet was told it was “mandatory” that he take out financing from the dealership, which the consumer neither wanted nor needed. Another consumer went to Lindsay Chevrolet after finding a car

would cost the consumer an additional \$2,180 over the life of the loan. The consumer later discovered that Lindsay had also charged her \$24,776.93 for a car they had advertised for \$21,200, even though the consumer ultimately *had* financed with Lindsay – the supposed condition for obtaining the advertised price.

35. Another consumer went to purchase a vehicle advertised by Lindsay Ford. Once the consumer informed a Lindsay employee that he had his own financing, the employee told him he could only receive the advertised price if he financed through the dealership. The consumer noted that this requirement was not listed anywhere, and Lindsay employees refused to provide it in writing. A manager came over and said he could “guarantee” that his banks could match or beat the interest rate offered by the consumer’s credit union, so the consumer agreed to complete the application. The manager then returned with a rate that was 2.5% higher than the consumer’s credit union and told the consumer that if he used his own financing the cost of the car would increase by \$2,000.

36. Yet another consumer who viewed Lindsay’s advertised prices traveled 40 miles to Lindsay CDJR with her own financing in hand, only to be told by a manager that the advertised price was not the price if the consumer used her own financing. The consumer went back to the vehicle listing and confirmed no such limitation had been stated. The consumer left emptyhanded.

37. According to a survey of consumers who purchased a vehicle from Lindsay, over 38% were told financing through the dealership was required to purchase a vehicle or obtain the advertised price. Nearly all of these consumers ultimately financed through Lindsay, even if they initially brought their own financing.

38. Lindsay has admitted that, contrary to its claims, consumers are permitted to bring their own financing when purchasing a vehicle from Lindsay. For example, Lindsay has confirmed to an advertising partner that its advertised prices are not contingent on financing through Lindsay, though Lindsay is aware that consumers have been told the opposite.

Lindsay's Unauthorized and Deceptive Add-on Charges

39. In numerous instances, Lindsay employees charge consumers for add-ons such as GAP coverage, service contracts, maintenance contracts, and dent protection that they did not consent to purchase, or after falsely telling consumers that the add-ons are mandatory. These charges often amount to hundreds or thousands of dollars for each consumer.

40. In numerous instances, Lindsay has included add-on charges on consumers' deals that consumers never agreed to purchase. Because the add-ons are typically added to the amount financed, spread out over monthly payments, and buried in stacks of paperwork, unauthorized add-on charges are difficult to detect.

41. For example, one consumer who went to Lindsay Chevrolet had been at the dealership for hours by the time she was signing the paperwork to complete the transaction. She later discovered Lindsay had charged her \$3,687 for a service contract she had never agreed to pay for

47. Defendants' advertising practices, set forth above, violate TRANSP. § 15-313(c)(1)(i) when they advertised purchase prices for h(ces)-aod(r)-1.pr9.48 -0 0 9.5

52. In September 2022, a consumer posted an online video complaining that Lindsay Chevrolet tried to sneak in a charge for a \$2,500 “Blazer” package into his purchase. The consumer explains that once he questioned the fee, an employee told him that the package was not optional. The consumer left without purchasing the vehicle. Two weeks after the video was posted, Lindsay’s Chief Marketing Officer (CMO) alerted Defendants Smyth and Smallwood that the video had 7.4 million views and said, “This problem is only escalating.” The CMO noted that the name “Blazer” had been “tainted in social media” and recommended changing the name of the “optional” product to “protection package.” Another Lindsay executive forwarded the internal discussion of the video to Defendant Michael Lindsay with the comment, “Same stuff as always.” Subsequent consumers have traveled to Lindsay Chevrolet of Woodbridge in the weeks and months after this incident only to be told that the dealership’s “protection package”—now a whopping \$3,000—is required to purchase.

53. Others in the auto industry have flagged Lindsay’s deceptive advertising, sales, and financing practices for the Individual Defendants. In an exchange forwarded to Defendant Paul Smyth, a third-party advertising site contacted one of Defendant Michael Lindsay’s other dealerships in July 2020 stating the site had determined the dealership’s prices were conditional on financing and noted that the dealership must provide “full cash prices that do not include the financing discount, any additional incentives, or rebates dependent on financing.” The site explained their pricing policy “is trying to avoid showing pricing that includes a laundry list of incentives most shoppers won’t qualify for.” Separately, Lindsay’s third-party add-on provider contacted Defendants Smallwood and Smyth in December 2020 to inform them that Lindsay “might be misrepresenting products at the time of sale” and scheduled mandatory training for Lindsay employees. Other dealers have also been surprised by Lindsay’s conduct. One dealer

sent a consumer to Lindsay CDJR to complete a purchase, only to have a Lindsay salesperson quote a retail price that was, according to the dealer, “a complete fiction,” and add a warranty and service contract the consumer did not want or need. The dealer complained to Defendant Paul Smyth that Lindsay’s conduct was why consumers are “increasingly dissatisfied with ‘the dealership experience’” Despite all of these exchanges and warnings, Lindsay’s unlawful practices have continued.

54. Based on the facts and violations of law alleged in this Complaint, the FTC has reason to believe that Defendants are violating or are about to violate laws enforced by the FTC.

VIOLATIONS OF THE FTC ACT

55. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits “unfair or deceptive acts or practices in or affecting commerce.”

56. Misrepresentations or deceptive omissions of material fact constitute deceptive acts or practices prohibited by Section 5(a) of the FTC Act.

57. Acts or practices are unfair under Section 5 of the FTC Act if they cause or are likely to cause substantial injury to consumers that consumers cannot reasonably avoid themselves and that is not outweighed by countervailing benefits to consumers or competition. 15 U.S.C. § 45(n).

Count I

Misrepresentations Regarding Advertised Prices (By Plaintiff FTC against all Defendants)

58. In numerous instances in connection with the advertising, marketing, promotion, offering for sale, lease, or financing, or sale, lease, or financing of motor vehicles, including through the means described in Paragraphs 20 through 29, Defendants represent, directly or

indirectly, expressly or by implication, that Defendants will sell particular vehicles at specific prices.

59. In fact, in numerous instances in which Defendants have made the representations described in Paragraph 58, Defendants do not sell those vehicles at those prices.

60. Therefore, Defendants' representations as described in Paragraph 58 are false or misleading and constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

Count II

Misrepresentations Regarding Financing (By Plaintiff FTC against all Defendants)

61. In numerous instances, in connection with the ad (, 58 0 Td(r0e(t)-2 (a)-2 001 9 (e)J0 Tc 0 T[Cq3

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Count III

**Misrepresentations Regarding Add-On Charges
(By Plaintiff FTC against all Defendants)**

64. In numerous instances, in connection with the advertising, marketing, promotion, offering for sale, lease or financing, or sale, lease or financing of motor vehicles, including through the means described in Paragraphs 39 through 43, Defendants represent, directly or indirectly, expressly or by implication, that consumers are required to buy one or more add-ons.

65. In fact, in numerous instances in which Defendants have made the representations described in Paragraph 64, consumers are not required to buy one or more add-ons.

66. Therefore, Defendants' representations as described in Paragraph 64 are false or misleading and constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

Count IV

**Misrepresentations Regarding Charges
(By Plaintiff FTC against all Defendants)**

67. In numerous instances, in connection with the offering for sale, lease, or financing, or sale, lease or financing of motor vehicles, Defendants represent, directly or indirectly, expressly or by implication, that the charges appearing on consumers' sales contracts are authorized by consumers.

68. In fact, in numerous instances in which Defendants have made the representations described in Paragraph 67, the charges appearing on consumers' sales contracts include charges not authorized by consumers.

69. Therefore, Defendants' representations as described in Paragraph 67 are false or misleading and constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

Count V

**Unfair Practices Relating to Add-On Charges
(By Plaintiff FTC against all Defendants)**

70. In numerous instances, Defendants charge consumers for add-ons without obtaining consumers' express, informed consent.

71. Defendants' acts or practices cause or are likely to cause substantial injury to consumers that consumers cannot reasonably avoid themselves and that is not outweighed by any benefits to consumers.

Therefore, Defendants' acts or practices constitute unfair practices under Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

- c. Misrepresent that consumers are required to purchase one or more add-ons, when they are not;
- d. Misrepresent that the charges appearing on consumers' sales contracts are authorized by the consumers, when they are not; and
- e. Deceptively charge consumers for one or more add-ons that the consumer has not agreed to purchase.

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Count VIII

Unfair Trade Practices

(By Plaintiff Division against Defendants Lindsay Ford, LLC, Lindsay Management Company, LLC, Michael Lindsay, John Smallwood, and Paul Smyth)

83. The Division incorporates paragraphs 1 through 82 as if they were fully alleged herein.

84. Defendants engage in unfair trade practices in their offer and sale of motor vehicles and related services to consumers, in violation of § 13-303 of the CPA.

85. Defendants' practices set forth above have and are likely to cause substantial injury to consumers. Consumers were and are substantially harmed each time they paid or pay fees that were or are not adequately disclosed or explained and/or that were illegal. Consumers were and are substantially harmed each time they were or are misled into purchasing goods or services they do not know of, do not want, do not understand the cost of, or were or are misleadingly told are mandatory to purchase. Consumers were and are substantially harmed each time they were or are charged without their express, informed consent. Consumers were and are substantially harmed each time they were and are misled into entering financing arrangements at these terms.

86. Consumers who purchase Defendants' goods and services cannot reasonably avoid their injuries because of Defendants' misrepresentations and omissions of material fact.

87. The injuries that consumers have suffered and are suffering as a result of Respondents' actions are not offset by any benefit to consumers or to competition and are unfair trade practices that violate § 13-303 of the CPA.

CONSUMER INJURY

88. Consumers are suffering, have suffered, and will continue to suffer substantial injury as a result of Defendants' violations of the FTC Act and the CPA. Absent injunctive relief by this Court, Defendants are likely to continue to injure consumers and harm the public interest.

PRAYER FOR RELIEF

Wherefore, Plaintiffs request that the Court:

- A. Enter a permanent injunction to prevent future violations of the FTC Act and the CPA;
- B. Award such relief as the Court finds necessary to redress injury to consumers resulting from Defendants' violations of the CPA, including, but not limited to, the disgorgement and restitution to consumers of all moneys that Defendants received in connection with their unfair or deceptive trade practices and payment of all other economic damages incurred by these consumers in connection with Defendants' unfair or deceptive trade practices, pursuant to Md Code Ann., Com. Law § 13-403(b)(1)(i);
- C. Require Defendants to pay the costs of this action, including all costs of investigation, pursuant to Md. Code Ann., Com. Law § 13-409;
- D. Require Defendants to pay a civil penalty pursuant to Md. Code Ann. Com. Law § 13-401(a) of up to \$10,000 for each violation Defendants committed of the CPA;
- E. Hold that all Defendants are jointly and severally liable for the restitution,

Dated: December 27, 2024

Respectfully submitted,

FEDERAL TRADE COMMISSION

/s/ Mary Weaver (with permission)

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