

FTC Staff Report on Buying and Financing Cars: Part I

In July 2020, the Federal Trade Commission (“FTC”) issued its “Staff Report on Buying and Financing Cars.” The Staff Report consisted of two separate reports – a report from the FTC’s Bureau of Consumer Protection (“BCP”) entitled “Buckle Up: Navigating Auto Sales and Financing,” and a joint study entitled “The Auto Buyer Study: Lessons from In-Depth Consumer Interviews and Related Research” issued by the BCP and the Bureau of Economics. This article, the first of a two-part series, will address the “Buckle Up” report.

The FTC’s findings in the “Buckle Up” report stemmed from a study conducted by the BCP in April 2017. The BCP interviewed 38 consumers who had recently purchased and financed a vehicle through an automobile dealer. The “Buckle Up” report compiled and analyzed the consumers’ answers to a variety of questions regarding auto advertising, price negotiation, financing negotiation, ancillary products and services, document consummation, and spot delivery. In particular, the “Buckle Up” report noted the following consumer issues in auto sales and financing:

- **Auto Advertising:** The BCP found that dealer advertisements included misleading financing terms, such as advertising 0% rates when not all consumers could qualify for that rate.
- **Negotiating a Price:** The BCP noted consumers expressed confusion regarding their ability to negotiate the price of the vehicle. Some of this confusion arose from the fact that dealers negotiated based on total monthly payment, which would include finance charges, instead of the cash price of the vehicle. Other consumers felt like they had negotiated the price of the vehicle with the salesperson only to have to renegotiate the price of the vehicle with the financing department.
- **Negotiating Financing:** Consumer interviews also revealed that consumers experienced inconsistency between the information they received during the sales process versus what they received during the financing process. For example, consumers thought they were entitled to certain rebates only to find out during the financing process that the APR incentives weren’t available in conjunction with certain rebates. Customers were also not aware that they could negotiate not just the price, but also the APR.
- **Ancillary Products and Services:** The BCP found that consumers were confused about ancillary products, such as extended warranties, service contracts, and GAP waivers. In fact, customers indicated that they didn’t know which ancillary products they had purchased, were unable to identify ancillary products in the paperwork, were unclear about what the

ancillary products included, and sometimes didn’t realize they had purchased any ancillary products at all.

- **Reviewing and Signing Documents:** The “Buckle Up” Report also noted that the length of the transaction was problematic. By the time consumers had reached the point of consummating the transaction, the customers were so tired of dealing with the sales and financing process that they rushed through the review of important customer documentation. Other customers felt like the dealership representatives rushed them through the document signing process.

- **Spot Delivery:** Consumers also expressed confusion about spot delivery. Specifically, consumers indicated that they didn’t know that the financing transaction was not final and were surprised to learn that their financing could fall through.

The “Buckle Up” Report includes far more information and guidance than outlined above. The FTC ends the Report by noting that Commission Staff expects “to continue to focus on law enforcement and deceptive or unfair tactics in the auto industry as they arise, bringing cases against dealers as appropriate.” Auto dealers should review the Report in detail and ensure their sales and financing practices comply with the FTC’s expectations.

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