



FEDERAL TRADE COMMISSION
PROTECTING AMERICA'S CONSUMERS

Business Blog

Record-setting \$10 million FTC-Illinois settlement takes on car dealers' unauthorized add-ons and discriminatory lending practices

By: Lesley Fair | April 4, 2022

A rose is a rose is a rose, but for many consumers who go car shopping, the price isn't the price isn't the price. A record-setting [\\$10 million settlement announced by the FTC and the State of Illinois](#) alleges that North American Automotive Services – car buyers in Illinois, Florida, Pennsylvania, and Missouri know them by the dealership name Napleton – used a host of deceptive and unfair tactics related to hidden fees for add-ons like service contracts, gap insurance, and maintenance plans. What's more, according to the FTC and Illinois, the defendants engaged in discriminatory practices that resulted in Black car buyers paying disproportionately higher interest rate markups than similarly situated non-Latino White applicants.

The [complaint](#) – which names as defendants the Napleton corporate office, eight dealerships, and the General Manager of two dealerships – alleges that the Defendants would regularly wait until the end of a long negotiations process before burying stealth charges into a mountain of other paperwork. In some cases, consumers were quoted prices that didn't include the unauthorized add-ons. But even if consumers called the dealerships on the concealed costs, the defendants often responded by falsely claiming the add-ons were actually free or that the charges were mandatory. And let's be clear: According to the FTC and Illinois, this wasn't a matter of a rare random fee here or there. A survey cited in the complaint showed that 83% of buyers were charged for add-ons either without their approval or as a result of the defendants' deception.

The [complaint](#) also alleges that the Defendants violated multiple federal and state laws – including the [Equal Credit Opportunity Act](#) – by discriminating against Black consumers who financed vehicles. Napleton employees had wide latitude to increase the cost of an individual consumer's loan by boosting the amount paid in interest or by sneaking add-ons into the contract. According to the complaint, that discretion was exercised to discriminate against customers on the basis of their race, and Black customers at the dealerships were charged approximately \$190 more in interest. The complaint also states that Black customers paid \$99 more for add-ons.

Under the terms of the [proposed settlement](#), \$9.95 million of the \$10 million financial remedy will go toward monetary relief for consumers, with \$50,000 to be paid to the Illinois Attorney General Court Ordered and Voluntary Compliance Payment Projects Fund. The settlement also requires bumper-to-bumper changes in how the

Defendants do business. That includes the establishment of a comprehensive fair lending program that requires them – among other things – to cap the additional interest markup they can charge consumers, to train their employees in fair lending practices and take action against employees who violate the provisions of the program, and to notify the FTC about any discrimination complaints they receive. The settlement also prohibits misrepresentations about the cost or terms to buy, lease, or finance a car. In addition, the Defendants must get consumers' express informed consent for all charges.

The message to auto dealers should be apparent. The same legal standards for truth and transparency that apply in other consumer transactions apply to the car buying process, too. Furthermore, law enforcers won't tolerate discrimination against consumers based on their race, ethnicity, religion, national origin, sex, marital status, age, or other prohibited criteria.

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