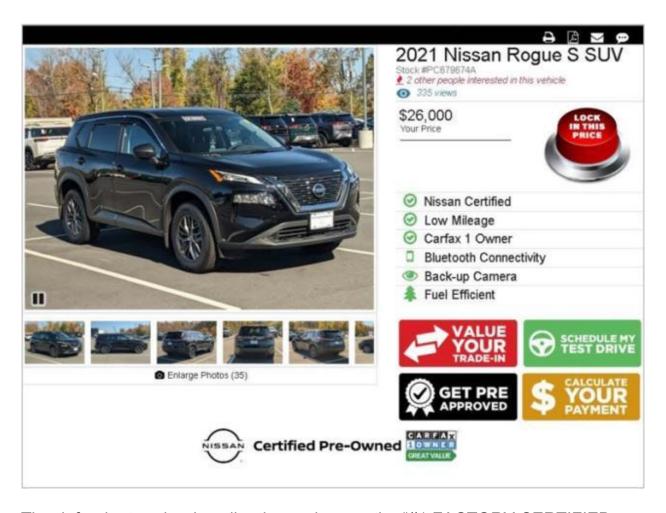
https://www.ftc.gov/business-guidance/blog/2024/01/car-dealer-tacked-junk-fees-bogus-add-ons-ftc-connecticut-allege

## Car dealer tacked on junk fees and bogus add-ons, FTC and Connecticut allege

Buying a vehicle is a major financial commitment for consumers and price is a material consideration in most people's purchase decision. That's why deceptive double charges, illegal junk fees, and bogus add-ons hit car buyers head-on. The FTC and the State of Connecticut allege that Chase Nissan LLC – which also does business as Manchester City Nissan – has engaged in deceptive and unfair practices involving "certified" used cars, junk fees, and add-ons consumers didn't agree to pay for.



The defendants, who describe themselves as the "#1 FACTORY CERTIFIED NISSAN DEALER IN NEW ENGLAND!," advertise certain certified pre-owned vehicles for specific prices. For example, on their website, they advertised a

"Nissan Certified" 2021 Nissan Rogue S SUV with "Your Price" of \$26,000. What's more, they claimed that certified vehicles come with an inspection and a "Limited Warranty: 84 Month/100,000 Mile (whichever comes first) from original in-service date."

But according to the FTC and Connecticut, when consumers attempt to buy a "certified" car for the advertised price, in many cases the defendants pile on hundreds or even thousands of dollars in additional fees for services that are already part of the certification process. The complaint cites the example of a consumer who visited the dealership looking to buy a certified pre-owned car advertised for \$15,700 only to learn that the defendants added a \$5,295 junk "inspection fee" for a car it had already inspected. In other words, the defendants allegedly double-bill consumers for things included in the cost of a "certified" used vehicle. Another example of an allegedly illegal junk fee: charging consumers for "CT [Connecticut] Safety and Reconditioning" when Connecticut doesn't require consumers to pay a fee for safety and reconditioning. The complaint also alleges that the defendants have often failed to report to Nissan that a certified car has been sold, leaving consumers without the additional warranty the defendants promised in their ads.

In addition, the FTC and Connecticut allege that during the financing process, the defendants have included add-on charges amounting to hundreds or even thousands of dollars in the closing documents without getting consumers' express informed consent to pay for those extras. In one example cited in the complaint, a consumer learned after the fact that without her knowledge or authorization, the defendants had charged her \$3,300 for a service contract and \$3,500 for a preventative maintenance agreement. She also was surprised to learn that the defendants had charged her \$516 for Total Loss Protection – an additional fee the FTC and Connecticut say the defendants tacked on in more than 90% of their deals.

In addition, the complaint alleges the defendants have inflated the amount of mandatory fees for registration and other state services. For example, the defendants told one consumer that Connecticut registration and other state fees were \$345 when the actual amount was \$208.

Pending in federal court in Connecticut, the <u>complaint</u> alleges multiple violations of the FTC Act and the Connecticut Unfair Trade Practices Act. Even at this early stage of litigation, companies can take several compliance points from the filing of the action.

Individuals may be charged with violations of the FTC Act and state consumer protection laws. The lawsuit names the corporate defendants, but it

also names principals Patrick Dibre and Refaat (Brian) Soboh, general manager Michael Hamadi, finance manager Aiham Alkhatib, and sales managers Matthew Chmielinksi and Fred (Freddy) Mojica. Individual liability is a fact-specific inquiry, and corporate executives are wrong to conclude that their conduct is beyond the reach of the law.

Heed law enforcement warnings about your practices. Connecticut's Department of Consumer Protection had previously warned the dealership about a number of the allegedly illegal practices cited in the lawsuit. But according to the complaint, "Defendants nonetheless have continued to charge consumers extra to certify vehicles that were advertised as certified. And they have continued to mislead consumers into thinking that optional add-on charges were required." If a law enforcement agency raises questions about your practices, savvy businesses take those concerns seriously.

The FTC will take steps necessary to protect consumers from illegal sale tactics. It's the law – and it's always been the law – that companies can't charge consumers without their consent. If you've spotted an across-the-board uptick in law enforcement actions challenging junk fees, it's not a coincidence. As the <u>CARS Rule</u> underscores, junk fees are a particular concern in the car buying process. Dealerships that charge hidden or bogus fees injure consumers and they unfairly steal sales from honest competitors who work hard to comply with the law.