

UNITED STATES OF AMERICA  
FEDERAL TRADE COMMISSION

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In The Matter of )  
 )  
 ) DOCKET NO. C-3713  
MITSUBISHI MOTOR SALES )  
OF AMERICA, INC., )  
a corporation. )  

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COMPLAINT

The Federal Trade Commission, having reason to believe that Mitsubishi Motor Sales of America, Inc., a corporation ("respondent" or "Mitsubishi"), has violated the provisions of the Federal Trade Commission Act, 15 U.S.C. §§ 45-58, as amended, the Consumer Leasing Act, 15 U.S.C. §§ 1667-1667e, as amended, and its implementing Regulation M, 12 C.F.R. § 213, as amended, and the Truth in Lending Act, 15 U.S.C. §§ 1601-1667, as amended, and its implementing Regulation Z, 12 C.F.R. § 226, as amended, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Mitsubishi Motor Sales of America, Inc. is a California corporation with its principal office or place of business at 6400 Katella Avenue, Cypress, California 90630. Respondent distributes Mitsubishi vehicles and offers such vehicles for sale or lease to consumers.
2. Respondent has disseminated advertisements to the public that promote consumer leases, as the terms "advertisement" and "consumer lease" are defined in Section 213.2 of Regulation M, 12 C.F.R. § 213.2, as amended.
3. Respondent has disseminated advertisements to the public that promote credit sales and other extensions of closed-end credit in consumer credit transactions, as the terms

"advertisement," "credit sale," and "consumer credit" are defined in Section 226.2 of Regulation Z, 12 C.F.R. § 226.2, as amended.

4. The acts and practices of respondent alleged in this complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44.

#### Lease Advertising

5. Respondent has disseminated or has caused to be disseminated consumer lease advertisements ( "lease advertisements ") for Mitsubishi vehicles, including but not necessarily limited to the attached Mitsubishi Exhibits A through C. Mitsubishi Exhibits A and B are television lease advertisements (attached in video and storyboard format). Mitsubishi Exhibit C is a print lease advertisement. These advertisements contain the following statements:

A. [Audio:] "Lease for zero down and just two forty-nine a month for thirty-six months."

[Video:]

"MITSUBISHI GALANT S  
\$0 DOWN \$249 A MONTH, 36 MONTHS"

[The advertisement contains the following lease disclosure at the bottom of the screen in dark-colored fine print superimposed on a background of similar shade: "First payment, plus a \$0 down payment and a refundable security deposit of \$250 (in NY, final monthly payment of \$249 in lieu of security deposit) due upon delivery. 36 monthly payments based on MSRP of \$18,043 . . . with a dealer capitalized cost reduction of \$922, excluding tax, title, license, registration, regionally required equipment, dealer options, and charges for a 36-closed month closed-end lease. . . . Total payments: \$8964 Lessee liable for maintenance, non-warrantable repairs, excess wear and tear, and up to 15[cents]/mile over 36,000 miles and \$350 disposition fee and applicable taxes at lease end. Option to purchase at lease end for residual value of \$10,068, plus applicable fees and taxes and purchase option fee of \$150. . . ." The fine print is displayed on three screens, each containing a block of at least seven lines, and each block appearing for approximately three seconds.] (Mitsubishi Exhibit A).

B. [Audio:] "Lease for just two forty-nine a month for forty-eight months with a thousand dollars down."

[Video:]

"\$1000 DOWN  
\$249 A MONTH 48 MONTHS"

[The advertisement contains the following lease disclosure at the bottom of the screen in white fine print superimposed on a dark-colored, moving background and accompanied by background sound and other moving images: "First payment, plus a \$1000 down payment and a refundable security deposit of \$250 (in NY, final monthly payment of \$249 in lieu of security deposit) due upon delivery. 48 monthly payments based on MSRP of \$18,747 . . . with a dealer capitalized cost reduction of \$1,289, excluding tax, title, license, registration, regionally required equipment, dealer options, and charges for a 48-month closed-end lease. . . . Total payments: \$11,952 Lessee liable for maintenance, non-warrantable repairs, excess wear and tear, and up to 15[cents]/mile over 60,000 miles and \$350 disposition fee and applicable taxes at lease end. Option to purchase at lease end for residual value of \$8,436, plus applicable fees, taxes and purchase option fee of \$150. . . ." The fine print is displayed on three screens, each containing a block of seven lines, and each block appearing for approximately three seconds.] (Mitsubishi Exhibit B).

C.

"\$0  
Down Plus  
\$500  
CASH BACK  
\*  
Now, Lease for 36 Months or  
Buy a Galant S  
\*  
LEASE  
OR  
BUY  
\$0 DOWN  
\$249 A MONTH"

[The advertisement contains the following lease disclosure at the bottom of the page in small print:

" . . . \*\*First payment, plus a \$0 down payment and a refundable security deposit of \$250 (in NY, final monthly payment of \$249 in lieu of security deposit) due upon delivery. 36 monthly payments based on MSRP of \$18,043 for a Galant S with automatic transmission (FOG A88), with a dealer capitalized cost reduction of \$922, excluding tax, title, license, registration, regionally required equipment, dealer options, and charges for a 36-month closed-end lease rounded to the nearest dollar. Total payments: \$8,964. Lessee liable for maintenance, non-warrantable repairs, excess wear and tear, and up to 15 [cents]/mile over 36,000 miles and \$350 disposition fee and applicable taxes at lease end. Option to purchase at lease end for residual value of \$10,068, plus applicable fees and taxes and purchase option fee of \$150. . . . "] (Mitsubishi Exhibit C).

Federal Trade Commission Act Violations  
COUNT I: Misrepresentation in Lease Advertising

6. Through the means described in Paragraph 5, respondent has represented, expressly or by implication, that the amount stated as "down" in respondent's lease advertisements is the total amount consumers must pay at lease inception to lease the advertised vehicles.

7. In truth and in fact, the amount stated as "down" in respondent's lease advertisements is not the total amount consumers must pay at lease inception to lease the advertised vehicles. Consumers must also pay additional fees beyond the amount stated as "down," such as the first month's payment and security deposit, at lease inception. Therefore, respondent's representation as alleged in Paragraph 6 was, and is, false or misleading.

8. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a).

COUNT II: Failure to Disclose Adequately in Lease Advertising

9. In its lease advertisements, respondent has represented, expressly or by implication, that consumers can lease the advertised vehicles at the terms prominently stated in the advertisements, including but not necessarily limited to the monthly payment amount and/or amount stated as "down." These

lease advertisements do not adequately disclose additional terms pertaining to the lease offer, including but not necessarily limited to a required security deposit and first month's payment due at lease inception. The existence of additional terms would be material to consumers in deciding whether to lease a Mitsubishi vehicle. The failure to disclose adequately these additional terms, in light of the representation made, was, and is, a deceptive practice.

10. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a).

COUNT III: Consumer Leasing Act and Regulation M Violations

11. Respondent's lease advertisements, including but not necessarily limited to Mitsubishi Exhibits A through C, state a monthly payment amount, the number of required payments, and/or an amount "down." The lease disclosures in these advertisements contain one or more of the following terms required by Regulation M: that the transaction advertised is a lease; the total amount of any payment such as a security deposit or capitalized cost reduction required at the consummation of the lease or that no such payments are required; the total of periodic payments due under the lease; a statement of whether or not the lessee has the option to purchase the leased property and at what price and time or the method of determining the purchase-option price; and a statement of the amount or method of determining the amount of any liabilities the lease imposes upon the lessee at the end of the term.

12. The lease disclosures in respondent's television lease advertisements, including but not necessarily limited to Mitsubishi Exhibits A and B, are not clear and conspicuous because they appear on the screen in small type, against a background of similar shade, for a very short duration, with background sounds or images, and/or over a moving background. The lease disclosures in respondent's print lease advertisements, including but not necessarily limited to Mitsubishi Exhibit C, are not clear and conspicuous because they appear in small type.

13. Respondent's practices violate Section 184 of the Consumer Leasing Act, 15 U.S.C. § 1667c, as amended, and Section 213.5(c) of Regulation M, 12 C.F.R. § 213.5(c), as amended.

Credit Advertising

14. Respondent has disseminated or has caused to be disseminated credit sale advertisements ( "credit advertisements ") for Mitsubishi vehicles, including but not necessarily limited to the attached Mitsubishi Exhibits C, D, and E. Mitsubishi Exhibits D and E are television credit advertisements (attached in video and storyboard format). Mitsubishi Exhibit C, described above, is also a print credit advertisement. These advertisements contain the following statements:

A. [Audio:] "Buy a new Galant ES with automatic

[Video:] "\$199 a mo. \$750 down/  
Auto. Transmission  
Air conditioning.

[The advertisement contains the following credit disclosure at the bottom of the screen in light-colored fine print superimposed on a light-colored, moving background with background sounds and images: "Example based on MSRP of \$18,300 and a selling price of \$16,764 for a Galant ES (FOG A83). \$750 down. 5.15% APR Diamond Advantage Plan financing for 60 months: 59 months at \$199 per month and a FINAL PAYMENT OF \$7,320. Tax, title, license, registration, regionally required equipment, dealer options, and charges extra. Under certain conditions you may refinance the final payment or sell the vehicle to Mitsubishi Motors Credit of America, Inc. at end of term . . ." The fine print is displayed on two screens, each containing a block of five lines, and each block appearing for approximately three seconds.] (Mitsubishi Exhibit D).

B. [Audio:] "Now you can buy a ninety-four Eclipse for one fifty-nine a month with five hundred down."

[Video:] "BUY: \$159 a month/\$500 DOWN"

[The advertisement contains the following credit disclosure at the bottom of the screen in white fine print superimposed on a multi-colored, moving background and accompanied by background sound: "Example based on MSRP of \$12,519 and a selling price of \$11,827 for an Eclipse STD M/T (FOG A01). \$500 down. 5.06% APR Diamond Advantage Plan financing for 54 mos.: 53 months at \$159/mo. and a FINAL PAYMENT OF \$4,757. Tax, title, lic., registration, regionally required equipment, dealer options, and charges extra. Under certain conditions you may refinance the final

payment or sell the vehicle to Mitsubishi Motors Credit of America, Inc. at end of term. . . ." The fine print is displayed on two screens, each containing a block of five lines, and each block appearing for approximately three seconds.] (Mitsubishi Exhibit E).

- C. [Along with the statements described in Paragraph 5, financing available for 24 months at \$801 per month for a Galant S with automatic transmission (FOG A88), with a selling price of \$18,043. \$0 down. Tax, title, license, registration, regionally required equipment, dealer options, and charges extra . . . Example based on MSRP of \$18,043 and a selling price of \$17,121 for a Galant S with automatic transmission (FOG A88). \$0 down. 5.53% APR Diamond Advantage Plan financing for 42 months: 41 months at \$249 per month and a FINAL PAYMENT OF \$9,509. Tax, title, license, registration, regionally required equipment, dealer options, and charges extra. Under certain conditions, you may refinance the final payment or sell the vehicle to Mitsubishi Motors Credit of America, Inc. at end of term. . . ."] (Mitsubishi Exhibit C).

Exh

Federal Trade Commission Act Violations  
COUNT IV: Misrepresentation in Credit Advertising

15. Through the means described in Paragraphs 5 and 14, respondent has represented, expressly or by implication, that consumers can buy the advertised Mitsubishi vehicles at the terms prominently stated in the advertisements, including but not necessarily limited to the monthly payment amount and/or amount stated as "down."

16. In truth and in fact, consumers cannot buy the advertised Mitsubishi vehicles at the terms prominently stated in the advertisements, including but not necessarily limited to the monthly payment amount and/or amount stated as "down." Consumers are also responsible for a final balloon payment of several thousand dollars to purchase the advertised vehicles. Therefore, respondent's representation as alleged in Paragraph 15 was, and is, false or misleading.

17. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a).

COUNT V: Failure to Disclose Adequately in Credit Advertising

18. In its credit advertisements, respondent has represented, expressly or by implication, that consumers can buy the advertised vehicles at the terms prominently stated in the advertisements, including but not necessarily limited to the monthly payment amount and/or amount stated as "down." These advertisements do not adequately disclose additional terms pertaining to the credit offer, including but not necessarily limited to a final balloon payment of several thousand dollars and the annual percentage rate. The existence of these additional terms would be material to consumers in deciding whether to buy a Mitsubishi vehicle. The failure to disclose adequately these additional terms, in light of the representation made, was, and is, a deceptive practice.

19. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a).

COUNT VI: Truth in Lending Act and Regulation Z Violations

20. Respondent's credit advertisements, including but not necessarily limited to Mitsubishi Exhibits C, D, and E, state a monthly payment amount and/or an amount "down." The credit disclosures in these advertisements contain the following terms required by Regulation Z: the annual percentage rate and the terms of repayment.

21. The credit disclosures in respondent's television credit advertisements, including but not necessarily limited to Mitsubishi Exhibits D and E, are not clear and conspicuous because they appear on the screen in small type, against a background of similar shade, for a very short duration, with background sounds and images, and/or over a moving background. The credit disclosures in respondent's print credit advertisements, including but not necessarily limited to Mitsubishi Exhibit C, are not clear and conspicuous because they appear in small print.

22. Respondent's practices violate Section 144 of the Truth in Lending Act, 15 U.S.C. § 1664, as amended, and Section 226.24(c) of Regulation Z, 12 C.F.R. § 226.24(c), as amended.

THEREFORE, the Federal Trade Commission this sixth day of February, 1997, has issued this complaint against respondent.

By the Commission.



Donald S. Clark  
Secretary

SEAL:

[Exhibits A-E attached to paper copies of complaint, but not available in electronic form.]