

Hudson Cook Enforcement Alert: FTC and Online Used Car Dealer Agree to Settle Alleged Unfair and Deceptive Advertising and Business Practices Claims

July 8, 2024 | [Julia K. Whitelock](#) and [Kristen Yarows](#)

HIGHLIGHTS:

- The Federal Trade Commission ("FTC") reached a proposed settlement with an online used car dealer (the "Company") to resolve allegations that the Company violated the FTC Act, the Used Car Rule, the Pre-Sale Availability Rule, and the Mail, Internet, and Telephone Order Rule ("MITOR").
- The FTC alleged that the Company failed to deliver purchased cars within the advertised timeframe, failed to conduct the thorough inspection process as advertised, and failed to provide the requisite Buyers Guide until late in the purchase process.
- The Company neither admitted nor denied the allegations, but agreed to pay \$1 million to the FTC for consumer refunds, agreed to document all claims about promises it makes regarding shipping times, agreed to refrain from making misleading claims about inspections and shipping times, and agreed to abide by the rules at issue in this case.

CASE SUMMARY:

On July 2, 2024, the FTC filed a joint motion for entry of the FTC and the Company's stipulated order for permanent injunction, monetary judgment, and other relief to resolve allegations of misleading consumers who purchased used vehicles through the Company's website. The FTC alleged that the Company misrepresented that it thoroughly examined the vehicles before listing them for sale in violation of Section 5(a) of the FTC Act. The FTC alleged that the Company's website and advertising told consumers that cars would be delivered in fourteen days or less, but that the Company often did not meet this delivery timeline and regularly failed to give consumers the opportunity to consent to a longer delivery timeline or to cancel their purchase and receive a refund, as required by MITOR. The FTC's Used Car Rule requires that the dealer prominently display on each used car a Buyers Guide, which discloses warranty information. The FTC alleged that the Company failed to provide the Buyers Guide until late in the purchase process and that the Buyers Guides were often missing required

information. The FTC further alleged that the Company violated the Pre-Sale Availability Rule by failing to post the terms of its warranty on the Company's website in close proximity to the warranted used vehicle.

If the court enters the stipulated order, the Company has agreed to pay \$1 million to the FTC for consumer refunds. The Company will be prohibited from making misleading claims regarding inspection and shipping and it must document all claims about promises regarding shipping times and comply with MITOR, the Used Car Rule, and Pre-Sale Availability Rule.

RESOURCES:

You can review all of the relevant court filings and press releases at the [FTC's Enforcement Page](#).

- [Complaint](#)
- [Proposed Stipulated Order](#)
- [FTC Press Release](#)

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