Substantial dealer abuses involve financing and trade-ins. Financing frauds are quite varied, but often involve the consumer paying more in finance charges than the dealer initially promised or than the consumer was led to expect. Kickbacks to dealers from lenders are also common. Another prevalent practice is spot delivery or yo-yo selling. In one of these sales, a consumer buys and takes possession of a car on the spot. Later the consumer is told that the deal fell through, and the consumer will have to pay more in financing costs or purchase a different car.

A classic dealer misrepresentation whenever the consumer wants to unwind a deal is to claim that the consumer’s trade-in has already been sold. Other trade-in abuses relate to deception as to how much the trade-in is really reducing the purchase price of the new car or the amount financed.

The best place to look for information on these various abuses is NCLC’s Unfair and Deceptive Acts and Practices, particularly §§ 6.3–6.6 on oppressive credit practices, § 7.3.4 on trade-in practices, and § 7.2 on dealer financing and insurance office practices. NCLC’s Credit Discrimination discusses disparate impact claims under the Equal Credit Opportunity Act challenging dealer discretionary upcharges of interest rates. Discussion of used car financing issues in general can be found in NCLC’s Consumer Credit Regulation. Yo-yo sales are examined in Chapter 4, infra.

Financing practices must always be checked for compliance with the Truth in Lending Act (TILA), including such issues as hidden finance charges and the treatment of spot deliveries. See generally NCLC’s Truth in Lending. For state laws regulating the rate and nature of automobile credit, see NCLC’s Consumer Credit Regulation.

Footnotes


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[3] https://library.nclc.org/nclc/link/UDAP.07.02
[4] https://library.nclc.org/nclc/link/UDAP.07.03.04
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