

North Carolina Attorney General Fines Dealer

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The Alan Vester family of car dealerships signed an agreement last week with North Carolina's attorney general that obligates them to pay \$100,000 and to reform certain sales and business practices.

Attorney General Roy Cooper alleges that Vester employees engaged in deceptive and unlawful advertising, deceived consumers about the terms of vehicle financing available from and sold through the dealership, and deceived lenders by giving them false information about consumer down payments, consumer income and vehicle purchases.

The attorney general's office, which began investigating Vester in mid-2005, also believes the dealerships created straw purchases in which the people listed on documents as buyers were not acquiring vehicles.

The dealerships, which operate under various names in Henderson, Oxford, Greenville, Roanoke Rapids, Roxboro, Wilson and other locations, deny the allegations. They claim that before receiving notice of the attorney general's concerns, they launched a program to promote compliance with state and federal laws and regulations, fired "certain employees" and asked a state agency for help with a problem involving a former employee.

Vester contends that the difficulties the attorney general found were caused by "certain unauthorized and isolated acts of former employees acting outside the scope of their authority in violation of the policies of the Vester Dealerships," according to the agreement.

In the document, the company denies liability for the conduct of former employees and states that it is entering the settlement "to avoid the costs and expenses of further proceedings regarding this matter."

Under the settlement, Vester must do the following: - Pay the attorney general \$75,000 to use for consumer restitution, education, enforcement and other consumer protection purposes and \$25,000 to cover the attorney general's legal fees and investigative costs.

- Hire a coordinator for each location to review and respond to complaints and to deal with the attorney general's office.
- Give buyers a list of charges for all back-end options included in the price and the total price of the vehicle without the options. If the consumer is financing through Vester, the company must show how much monthly payments will be boosted by these options.
- Limit the interest rate it charges the automobile buyer to 2 to 2.5 percent more than the quoted rate on any loan financed through the dealerships, depending on the length of the

loan. This limit will go into effect in two weeks and will remain in place for five years unless state law changes or a court rules such limits invalid.

- Have buyers and employees sign disclosure forms as part of all sales. The form states, among other things, that buyers need not arrange for financing through Vester, that interest rates are negotiable and that certain items such as service contracts, anti-theft protection and prepaid maintenance plans are not required in order to obtain financing or a lower interest rate at the dealerships. This requirement will go into effect in two weeks and will last for five years unless state auto sale disclosure law changes sooner.

- Provide buyers with free English and Spanish copies of the National Automobile Dealers Association publication "Understanding Vehicle Financing." This requirement goes into effect in two months.

- Train managers on financing, sales and advertising laws and guidelines.

"We want to make sure that consumers get good information about the true cost of buying a car," Cooper said in a press release.

"We'd like to see all car dealerships make these changes," he added. "My office stands ready to work with dealers and consumer groups to make sure that North Carolina consumers are treated fairly when they buy a car."

Vester is facing other litigation in federal and state courts. It's not clear whether the lawsuit will affect those cases.