FTC Proposes Largest Dealer Fine in Its History

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On December 19, 2024, the Federal Trade Commission announced a proposed $20 million settlement with Leader Automotive Group and its parent company, AutoCanada, to resolve claims brought by the FTC and the State of Illinois. The FTC and Illinois alleged that Leader systematically defrauded consumers by, among other things, deceiving consumers about the price and availability of vehicles, charging for add-ons without consumers' consent, imposing "junk fees," posting bogus reviews to mislead consumers as to Leader's reputation, and failing to disclose that U.S. customers were buying vehicles imported from Canada, which voided manufacturer's warranties.

The complaint alleged that Leader required buyers to purchase pre-installed add-on products, like protective coatings and LoJack, that were not included in the advertised price of vehicles or that Leader otherwise charged for these add-on products without buyers' knowledge or consent. In addition, according to the complaint, Leader included GAP coverage and service contracts in financing for purchased vehicles without consumers' authorization. The FTC estimated that almost 80% of customers were charged for at least one add-on without authorizing the purchase or because they were told that the add-on was required. To compound these issues, the FTC and Illinois also claimed that Leader regularly failed to install or apply the add-on products that it sold to consumers.

The litany of allegations also included claims that Leader advertised vehicles that were not available for sale and steered customers to more expensive vehicles than the ones advertised. According to the complaint, Leader often included "junk fees" and surprise "market adjustments" in the final cost of vehicles that were not included in the advertised price, added "certification fees" to the advertised price of "certified pre-owned" vehicles, and imposed exorbitant "reconditioning" fees for non-certified used vehicles. The FTC and Illinois also claimed that Leader did not actually certify vehicles advertised as "certified pre-owned," thereby failing to secure extended warranties from the manufacturers that come with such certifications. Leader allegedly also advertised that vehicles were covered by manufacturers' warranties, despite the fact that such warranties were sometimes voided as a result of importing the vehicles from Canadian manufacturing plants into the United States market.

To top it off, the FTC and Illinois claimed that, in order to bolster its public reputation, Leader pressured employees to post fake reviews and often insisted (in one case, with the threat of withholding keys to a purchased vehicle) that buyers post glowing reviews of Leader.

Beyond the significant monetary judgment, the proposed settlement requires Leader to disclose the offering price for vehicles in advertising and other communications, as well as provide the total cost of the vehicle. The settlement also requires that Leader obtain consumers' express, informed consent before charging for add-ons and other fees.

The FTC and Illinois also sued James Douvas, the former vice president of U.S. operations. The proposed settlement does not resolve the claims against Douvas, and that case is still ongoing.

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