



Consumers Face Harm During Every Stage of Auto Transactions

Vehicle Defects, Deception and Fraud in Financing are Dominant Areas of Consumer Harm in Auto Sales: Consumer Attorney Survey

Consumer advocates from 33 states highlight the most prevalent practices harming consumers in auto transactions, the practices that cause the most systemic harm, and recommended protections. [This NACA survey of advocates](#) who assist consumers affected by risky auto industry practices follows a [2020 Federal Trade Commission study](#) on consumer experiences in car buying.

In a year marked by the COVID-19 pandemic and its resulting financial shock for millions of households, this survey sheds light on harms connected to vehicle purchases, the second highest national consumer expense after housing.

“There is an ocean of fraud and unfair practices in the sales of cars to consumers,” **said Bernard Brown, a consumer attorney in Kansas City.** “Remember that this not only hurts consumers – it puts honest dealers and other industry players at a severe competitive disadvantage.”

The survey of advocates gives an overview of their efforts defending consumers hurt in the course of negotiating, buying, and financing motor vehicles, as well as consumer harms related to auto debt collection and the repossession process.

“Shady auto industry tactics appear to overwhelm buyers in nearly all stages of vehicle sales,” **said Sophia Romero, an attorney at Legal Aid Center of Southern Nevada.**

The Most Commonly Reported Types of Consumer Auto Claims

Misrepresentations and failure to disclose vehicle defects; fraud and trickery in financing; and deceptions in advertising, pricing, and warranty coverage, are the most prevalent areas of harm for consumers in vehicle transactions

A majority or more of survey participants said that in the past four years they have assisted consumers with claims related to vehicle defects or failure to disclose true car condition (84% of participants); misrepresentations or fraud re: car advertising, pricing, or warranty coverage

(78% of participants); deception or fraud in financing and loan costs (76% of participants); failure to deliver title or misrepresentations related to title (67% of participants); spot delivery or yo-yo financing schemes (63% of participants); false promises and deceptions related to add-on products (56% of participants).

Advocates identified numerous auto industry practices that deserved closer scrutiny and investigation, such as a practice they have observed among some used car dealers of covering up defects in cars and selling them “as is.” Others called for investigations of price gouging and unfounded charges in car sales contracts for unnecessary and “forced” add-on products.

Many advocates recommended closer scrutiny of e-contracts in auto sales as well as more oversight of illegal conduct during the repossession process.

The Practices that Cause the Most Systemic Harm

- The top three issues that respondents identified as causing the most systemic harm in the auto market were: 1) Vehicle defects or failure to disclose true car condition (61% identified); 2) deception or fraud in financing applications and loan costs (44%); 3) misrepresentations or fraud in advertising, pricing or warranties (37%)

Survey respondents also expressed deep concerns about consumer harms with spot delivery or yo-yo financing schemes; subprime auto lending debt traps; add-on products; failure to deliver and misrepresentations related to title; unlawful repossessions; abusive debt collection; dealer markups on loans; odometer tampering, fraud and misrepresentations; unrepaired safety recalls; and e-contract abuse. They called for added consumer protections or outright bans of systemic and harmful practices in these areas.

Consumer Advocates Identify Need for Greater Accountability in Auto Transactions

According to the survey, consumers’ troubles continue as a result of the barriers to justice that they face

- Forced arbitration is a major point of concern for consumer advocates. Survey respondents overwhelmingly condemned the use of forced arbitration clauses and class action bans in auto sales contracts. Forced arbitration prevents consumers from taking their claims to a public court.
- Survey respondents also identified unfair contract terms that waive or remove regulations and other statutory consumer rights as limiting consumers’ ability to enforce legal protections.
- Respondents criticized the lack of public enforcement against bad practices, including criminal offenses such as financial exploitation of the elderly

Recommendations for Improving the Auto Market for Consumers

Survey respondents offered many suggestions for how to better protect consumers in auto transactions. Any federal protections implemented should serve as minimum standards to allow state authorities to provide greater protections. Some of the respondents' top recommendations include:

- Create a clear duty to inspect, in states where no such duty already exists, for all car dealers on any car they sell, and require they provide consumers with a detailed report of that inspection including all defects detected.
- Require disclosure of all repairs made in preparation for sale.
- Prohibit dealer kickbacks from creditors, or require disclosure of the interest rate consumer qualifies for, the identity of all potential assignees that received the buyer's credit application, and the range of available credit options
- End yo-yo sales. Prohibit the practice of permitting consumers from leaving the dealership with the car until the financing terms are properly finalized and assigned
- Prohibit arbitration clauses and class action bans.