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FTC CARS Rule: Combating Auto Retail Scams – A Dealers Guide

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The primary purpose of the FTC's [CARS Rule](#) is to add truth and transparency to the car buying and leasing process by making it clear that certain deceptive or unfair practices are illegal – for example, bait-and-switch tactics, hidden charges, and other conduct that harms consumers and honest dealers. Why is it called the CARS Rule? Because the Rule is about **C**ombating **A**uto **R**etail **S**cams that cost consumers billions of dollars each year and cause honest dealers to lose business.

The Rule lays out four basic principles to protect people shopping for cars and trucks – practices that are already business-as-usual for honest dealers. This Dealers Guide introduces industry members to what the [CARS Rule](#) means for their dealerships.

- [An introduction to the FTC's CARS Rule](#)
- [The CARS Rule prohibits misrepresentations about material information.](#)
- [The CARS Rule requires dealers to clearly disclose the offering price – the actual price anyone can pay to get the car.](#)
- [The CARS Rule makes it illegal to charge consumers for add-ons that don't provide a benefit.](#)
- [The CARS Rule requires dealers to get consumers' express, informed consent before charging them for anything.](#)
- [Answers to questions dealers may have about the CARS Rule](#)
- [Glossary](#)

Combating Auto Retail Scams



The FTC's CARS Rule protects consumers and benefits honest dealers.

Here's how:

1

Prohibits misrepresentations about material information.

The CARS Rule makes it illegal for a dealer to make misrepresentations about certain topics that would affect a consumer's buying or leasing choices. Deceptive claims about price, financing, or add-ons are a few examples.

2

Requires dealers to clearly disclose the offering price – the actual price anyone can pay to get the car, excluding only required government charges.

Before they visit the dealership and throughout the transaction, consumers have the right to know the drive-off-the-lot price. If a dealer mentions optional add-ons, the dealer has to tell the consumers they can say no. And if discussing a monthly payment, the dealer has to tell the consumer the total payment.

3

Makes it illegal for dealers to charge consumers for add-ons that don't provide a benefit.

Under the CARS Rule, if the consumer won't benefit from an add-on product or service, the dealer can't charge for it.

4

Requires dealers to get consumers' express, informed consent before charging them for anything.

That means no surprise fees or hidden charges. Dealers must get a buyer's clear and informed "yes" to what they're buying and how much they're being charged.



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An introduction to the FTC CARS Rule

Buying or leasing a car is a major financial commitment and it's a transaction that consumers have often approached with apprehension or uncertainty. Indeed, according to the public

comments the FTC received as part of rulemaking process for the CARS Rule, many consumers believe they have been subjected to deceptive or unfair practices when buying or leasing a car – especially bait-and-switch tactics and hidden charges. Particularly troubling were reports from servicemembers about deceptive and predatory practices near military installations, and from car dealers about losing business to dishonest dealerships. Those comments underscore what the FTC has observed in decades of law enforcement actions: that unscrupulous dealerships have used illegal tactics to close a deal – conduct that costs consumers time and money and puts honest dealers at an unfair disadvantage.

The Federal Trade Commission’s [Combating Auto Retail Scams Trade Regulation Rule – the CARS Rule](#), for short – ushers in a new era of transparency in car buying and leasing. Most importantly, the Rule explains how long-standing principles of truth in advertising and fair dealing apply when people go car shopping.

The [CARS Rule](#) is a big win for consumers, who can expect that established standards of truth and transparency that apply in other consumer transactions will also apply when they’re looking to buy or lease a car. What’s more, now they can point to specific legal provisions that will help protect them in the process. If consumers see that a dealer is complying with the CARS Rule, it adds a measure of confidence. But if they spot a dealer who flouts those protections, consumers may take their business elsewhere.

The CARS Rule also is a big win for honest industry members who already implement the Rule’s principles of truth and transparency at their dealerships. Most salespeople can recount a story of losing

a sale to a cross-town competitor who used questionable tactics to lure away a prospective customer. That shouldn't happen. Dealers who work hard to treat customers fairly shouldn't have to go head-to-head against competitors who resort to deception to close a deal. The CARS Rule establishes clear rules of the road that apply to all car dealers – meaning that consumers will be able to comparison shop based on truthful claims about price, financing, and service. When all dealers are held to the same clear standards, dealers who meet (or exceed) consumers' expectations have a fair shot at winning the sale, gaining customers' loyalty, and earning a word-of-mouth reputation as the dealer to do business with. Another benefit is that the CARS Rule accomplishes these goals without requiring consumers or dealers to fill out more paperwork.

As explained in more detail in this Dealers Guide – and as decades of work by the FTC and other law enforcement partners makes clear – the four principles of truth and transparency outlined in the CARS Rule aren't new. The Rule simply restates those principles in straightforward language specific to the auto industry and includes new remedies if a car dealer engages in certain deceptive or unfair practices.

What are those bottom-line truth-in-car-buying principles? Here's a summary of what the [CARS Rule](#) does:

1. The CARS Rule prohibits misrepresentations about material information.
2. The CARS Rule requires dealers to clearly disclose the offering price – the actual price anyone can pay to get the car,

excluding only required government charges. Before they visit the dealership and throughout the transaction, consumers have the right to know the drive-off-the-lot price. If a dealer mentions optional add-ons, the dealer has to tell the consumer they can say no. And if discussing a monthly payment, the dealer has to tell the consumer the total payment.

3. The CARS Rule makes it illegal for dealers to charge consumers for add-ons that don't provide a benefit.
4. The CARS Rule requires dealers to get consumers' express, informed consent before charging them for anything.

Read on for specifics about the across-the-board principles that all dealers must abide by.

1. The CARS Rule prohibits misrepresentations about material information.

A key part of the CARS Rule is a prohibition on misrepresentations about certain categories of information that are material to consumers when shopping for a car. What does "[material](#)" mean in this context? The Rule defines it in the same way the FTC has for decades: information "likely to affect a person's choice of, or conduct regarding, goods or services." And stating a long-standing principle that applies to all other businesses, the Rule prohibits both express and implied misrepresentations.

To put some industry specifics on the prohibition on material misrepresentations, the CARS Rule lists a number of practices that violate both the Rule and Section 5 of the FTC Act's ban on deceptive and unfair practices. More specifically, it's illegal for

dealers to make misrepresentations about material information in all of these categories:

- a. The costs or terms of buying, financing, or leasing a vehicle;
- b. Any costs, limitation, benefit, or any other aspect of an add-on product or service;
- c. Whether the terms are, or transaction is, for financing or a lease;
- d. The availability of any rebates or discounts that are factored into the advertised price but not available to all consumers;
- e. The availability of vehicles at an advertised price;
- f. Whether any consumer has been or will be preapproved or guaranteed for any product, service, or term;
- g. Any information on or about a consumer's application for financing;
- h. When the transaction is final or binding on all parties;
- i. Keeping cash down payments or trade-in vehicles, charging fees, or initiating legal process or any action if a transaction isn't finalized or if the consumer doesn't wish to go forward with a transaction;
- j. Whether or when a dealer will pay off some or all of the financing or lease on a consumer's trade-in vehicle;

- k. Whether consumer reviews or ratings are unbiased, independent, or ordinary consumer reviews or ratings of the dealer or the dealer's products or services;
- l. Whether the dealer or any of the dealer's personnel or products or services is or was affiliated with, endorsed or approved by, or otherwise associated with the United States government or any federal, state, or local government agency, unit, or department, including the Department of Defense or any branch of the military;
- m. Whether consumers have won a prize or sweepstakes;
- n. Whether, or under what circumstances, a vehicle may be moved, including across state lines or out of the country;
- o. Whether, or under what circumstances, a vehicle may be repossessed; and
- p. Any of the disclosures required by the Rule.

2. The CARS Rule requires dealers to clearly disclose the offering price – the actual price any consumer can pay to get the car, excluding only required government charges.

Two particular concerns consumers have expressed about the car shopping process are the use of bait-and-switch tactics and hidden charges – practices that make it tough for consumers to figure out the actual price they'll have to pay and what they're actually paying for. The CARS Rule seeks to remedy that problem

by requiring dealers to disclose certain important facts about the deal, including the offering price, [clearly and conspicuously](#). (This Dealers Guide includes more information about making clear and conspicuous disclosures.)

Here are disclosures the CARS Rule requires dealers to make clearly and conspicuously:

- **The offering price.** In connection with the sale or financing of vehicles, dealers must clearly disclose the [offering price](#), defined in the CARS Rule as the full cash price for which the dealer will sell or finance the vehicle to any consumer. The only costs that can be excluded from the offering price are required [government charges](#) – for example, taxes, license and registration costs, or inspection or certification fees. The Rule specifies three circumstances where the dealer must clearly disclose the offering price
 1. In any ad that references, expressly or by implication, a specific vehicle;
 2. In any ad that represents, expressly or by implication, any monetary amount or financing term for any vehicle; and
 3. In any communication with a consumer that refers, expressly or by implication, to a specific vehicle or to any monetary amount or financing term. In its first response to a consumer, the dealer must clearly disclose the offering price. If the communication or response is in writing, the offering price must be disclosed in writing.
- **The fact that add-ons aren't required.** When making any representation, expressly or by implication, about an [add-on product or service](#), the dealer must clearly disclose that the add-on isn't required and that the consumer can buy or lease

the vehicle without the add-on, if that's the case. If the dealer makes the representation in writing, the disclosure must be in writing, too. As explained further in this Dealers Guide, the Rule includes other important provisions prohibiting dealers from charging consumer for [add-ons that don't offer consumers a benefit](#).

- **The total of payments for a financed or lease transaction.** When making any representation, expressly or by implication, about a monthly payment for a vehicle, the dealer must clearly disclose the total amount the consumer will pay after making all payments as scheduled. If the dealer makes the representation in writing, the disclosure must be in writing, too. If the total amount assumes the consumer will provide consideration – for example, a cash down payment or a trade-in – the dealer must clearly disclose the amount of consideration the consumer must provide. If the dealer makes the representation in writing, the disclosure must be in writing, too.
- **Monthly payments comparison.** If a dealer makes any express or implied comparison between payment options that includes a discussion of a lower monthly payment, the dealer must clearly disclose that the lower monthly payment will increase the total amount the consumer will pay to buy or lease the vehicle, if that's the case. If the dealer makes the representation in writing, the disclosure must be in writing, too.

3. The CARS Rule makes it illegal to charge consumers for add-ons that don't provide a benefit.

In commenting about the CARS Rule, consumers and some dealers expressed concern that unscrupulous dealers deceptively include [add-on products or services](#) in the transaction, or charge

consumers for surprise items. The Rule defines an add-on as any product or service not provided to the consumer or installed by the manufacturer that the dealer, directly or indirectly, charges the consumer for. A particularly harmful practice is when those add-ons don't offer consumers a benefit.

Under the CARS Rule, a dealer may not charge for an add-on product or service if the consumer wouldn't benefit from it. Examples include charges for "nitrogen-filled tires" that contain no more nitrogen than naturally exists in the air. Other examples are add-ons that don't provide coverage for the vehicle, the consumer, or the transaction, or are duplicative of the car's warranty coverage. It would be illegal for a dealer to charge consumers for a [GAP Agreement](#) – a term the CARS Rule defines – if the consumer's vehicle or neighborhood is excluded from coverage or the loan-to-value ratio means the consumer won't benefit financially from the product or service.

4. The CARS Rule requires dealers to get consumers' express, informed consent before charging them for anything.

Under the CARS Rule, dealers must get consumers' [express, informed consent](#) before charging them for anything. Period. The Rule explains that express, informed consent means an affirmative act communicating unambiguous assent to be charged, made after receiving clear and conspicuous disclosures of: (1) what the charge is for; and (2) the amount of the charge, including, if the charge is for a product or service, all fees and costs the consumer will be charged over the period of repayment with and without the product

or service. Under the CARS Rule, the consumer's consent must be in close proximity to when and where the dealer makes the clear disclosures. This information must be conveyed in writing, and also orally for in-person transactions.

Comments from consumers and the FTC's law enforcement experience in challenging illegal conduct by certain dealers point to some practices that subvert express, informed consent – for example, a signed or initialed document, by itself; a prechecked box; or an agreement obtained through any practice that has the effect of impairing consumers' autonomy, decision-making, or choice. The CARS Rule simply states that a basic tenet of consumer protection law – that consumers have a right to know in advance what they'll be charged and must give an unambiguous and fully informed “yes” before the business can charge them – applies with full force in the car buying or leasing process. Dealers who do these things – and [keep records showing they did](#) – are complying with that part of the CARS Rule.