

Common Illegal Practices To Avoid

By Tony Dupaquier



There seems to be some serious confusion as to what is legal in the business office and what is not. Certain procedures that have been considered for years as “standard practice” are often deemed illegal. To prevent dealership employees from making unnecessary mistakes, the following is a quick rundown of some of

the more common illegal practices.

#1: Including products in a payment without disclosing them to the customer as separate, optional products when presenting a menu

The legal term for this is “menu manipulation.” It is widely known that packing a payment from the sales desk is illegal, and the same rules apply in the business office. This problem arises when a service contract is sold and the business manager includes a maintenance agreement in the deal. Once the customer discovers that he/she was charged for a maintenance agreement that was not independently disclosed, the dealership becomes susceptible to litigation for deceptive and deceitful business practices. “Menu manipulation” also creates a problem when the contract is canceled and a refund is due to the customer. The solution is to ensure that every customer has a full understanding of every product that is included in the payment or quoted from the menu. Remember, depending on the state the dealership is in, it may be mandatory to disclose a separate price for each optional product.

#2: Power booking

Power booking occurs when false information is given to a lender concerning the specific equipment level on a pre-owned vehicle. This is something pre-owned managers, particularly, should know. In many stores, it is the pre-owned manager’s responsibility to ensure that the vehicle’s book-out sheet accurately reflects the equipment on the vehicle. It is crucial, however, to remember that business managers are the ones who are ultimately responsible for protecting the dealership.

More and more, lenders are following-up with customers to ensure that the vehicle does, in fact, have a bed-liner, step rails, leather seats, etc. If the lender discovers that a vehicle was misrepresented, the dealership may have to buy back the contract, which would destroy the dealership’s relationship with the lender. The solution is to ensure that the equipment level of the vehicle is the same on the book-out sheet. Ask customers a few questions during the interview to double check the vehicle’s equipment and to make sure that they know what equipment the vehicle has.

#3: Trading rate for product (NEED DESCRIPTION)

This practice of enticing customers to buy products by, in turn, lowering the interest rate on their retail contract may go as far back as the creation of the business office. Although it is not illegal, it is a bad practice and, unfortunately, an all-too-common occurrence. The solution is to never tell customers that a better rate is available if they purchase a product.

#4: Falsifying information to the lender

In response to the identity theft problem the automotive industry deals with, more lenders are checking the



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accuracy of the information on credit applications. Some lenders verify prior to the deal being approved, whereas many lenders wait until after funding the deal. Many banks grant automatic approvals, depending on the customer's credit score. Even if a customer receives an automatic approval, this does not mean the business manager can give that customer a raise on his/her income or increase that person's work time to ensure compliance with the lender's criteria. If a business manager gets caught doing

this, the dealership will have to buy back the contract. The solution is to make sure all information on the credit application is correct and accurate and to never help or coach the customer on what to put on a credit application.

When it comes to the retail automotive industry, everything must be 100 percent accurate, 100 percent of the time. It is not worth trading a career for one deal.

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