



Motor
Vehicle Sales Authority
of British Columbia

MOTOR DEALER ADVERTISING GUIDELINES

October 2007

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Record of Updates

The table below outlines the updates to the Motor Dealer Advertising Guidelines since the document was first published in November 2005. The “Date” column shows the month that the updated guidelines were published. The “Changes” column describes the changes from the previous version of the guidelines. The “Advertising Bulletin” column references the Advertising Bulletin that explained the changes included in the updated guidelines.

Advertising Bulletins and the most recently updated version of the Advertising Guidelines are available on the Vehicle Sales Authority website at www.mvsabc.com.

Date	Changes	Advertising Bulletin
November 2005	Original document	N/A
July 2006	<ul style="list-style-type: none"> • new definition for “deceptive or misleading advertising” – see pg. 6 • further examples of deceptive or misleading advertising – see pg. 7 	AD-1
	<ul style="list-style-type: none"> • clarifies policy on price comparisons of new and used vehicles – see pg. 9 • change to policy on advertising savings claims for used vehicles – see pg. 10 	AD-2
October 2007	<ul style="list-style-type: none"> • addition of guideline on use of fine print – see pg. 7 • changes to definition and requirements for display of total price – see pg. 8 • changes to information that must be displayed when advertising credit – see pg. 11 • changes to information that must be displayed when advertising leases – see pg. 13 • changes to information that must be displayed when advertising extended warranties – see pg. 15 • clarification of requirements for dealer identification – see pg. 17 • changes to information that must be affixed to a vehicle – see pg. 18 • general update including changes from Motor Dealer Council to Vehicle Sales Authority; references to legislation, and wording changes for clarification 	AD-3

Introduction

Purpose of the advertising guidelines

Under Motor Dealer Directive #4, the Registrar requires that motor dealers adhere to the Motor Dealer Advertising Guidelines as a condition of licensing. The Advertising Guidelines are intended to provide motor dealers with a comprehensive and plain language description of the requirements for advertising motor vehicles. While the Advertising Guidelines are not “law”, they are based on a motor dealer’s legal obligations under legislation, and adherence to them will be enforced by the Registrar as a condition of licensing.

Meaning of “advertising”

In the Advertising Guidelines, advertising or advertisement means any type of solicitation by a motor dealer that urges consumers to buy their products or use their services. This includes, but is not limited to solicitations:

- on motor vehicles
- in newspapers or magazines, or on buses
- on radio, television, the internet
- sent via mail or e-mail, or
- in flyers, brochures, signs, posters, or showroom displays.

Relevant legislation

The Advertising Guidelines are based on requirements found in the following legislation:

- the provincial ***Motor Dealer Act***, section 13 and the **Motor Dealer Act Regulations**, sections 24, 26, 26.1, and 27
- the provincial ***Business Practices and Consumer Protection Act***, Part 2, sections 4 – 6, and Part 5, sections 59 – 64 and the **Disclosure of the Cost of Consumer Credit Regulation**, and
- the federal ***Competition Act***, Part VI, section 52 and Part VII.1.

Motor dealers must be familiar with legislation governing advertising as well as all other legislative requirements governing the industry.

Enforcement by the Registrar

Compliance with the Advertising Guidelines will be enforced by the Registrar. Enforcement activities may be initiated as a result of routine monitoring of motor dealer advertisements, motor dealer inspections, or a complaint received by the Registrar. Depending on the nature of the non-compliance, enforcement may include one or more of the following:

- a warning (verbal or written)
- a violation ticket
- a compliance order
- an undertaking
- a hearing
- an administrative penalty, or
- suspension or cancellation of licence.

For more information

If you have questions or need more information about the Advertising Guidelines, contact the Motor Vehicle Sales Authority of BC:

- by e-mail at enquiry@mvsabc.com
- by phone at 604-574-5050, local 237
- by fax at 604-574-5886 or
- by mail at Suite 208 - 5455 152nd Street, Surrey, BC V3S 5A5.

1. Deceptive or Misleading Advertising

Both the provincial *Business Practices and Consumer Protection Act* and the federal *Competition Act* contain provisions that prohibit a dealer from engaging in deceptive or misleading advertising.

Section 4(1)(a) of the *Business Practices and Consumer Protection Act* provides a statutory definition for a “deceptive act or practice”, which applies generally to any dealer activity in relation to consumers.

In order to assist in compliance with and enforcement of these Advertising Guidelines, the Vehicle Sales Authority has established a specific definition for deceptive or misleading advertising based on the decision of the BC Supreme Court in *Director of Trade Practices v. Household Finance Corporation of Canada* [1976] 3 W.W.R. 731.

For the purpose of enforcing the Advertising Guidelines, deceptive or misleading advertising means:

Any use, in the oral, visual, written or electronic communication of material facts, of a representation that tends to lead a reasonable person into making an error of judgment.

Examples of deceptive or misleading advertising

The following are some specific examples of deceptive or misleading advertising.

- Advertisements that suggest that a dealer’s products or services:
 - have sponsorship, approval, performance characteristics, accessories, ingredients, quantities, components, uses or benefits that they do not have
 - are of a particular standard, quality, grade, style or model if they are not
 - have a particular prior history or usage that they do not have, including a representation that they are new if they are not
 - are available for a reason that differs from the fact
 - are available if they are not available as represented
 - were available in accordance with a previous representation if they were not
 - are available in quantities greater than is the fact, or
 - will be supplied within a stated period if the supplier knows or ought to know that they will not.

- Advertisements that misrepresent or fail to state a material fact about the dealer, or the dealer's products or services. What constitutes a material fact will differ depending on the circumstances, but generally a material fact is information that may have a significant effect on a consumer's decision whether or not to buy a product or service.
- Advertisements which, by comparison to a new vehicle or in any other way, suggest that a vehicle is a new vehicle when it is not.
- Advertisements in which the price of an instalment is given, and the total price of the goods or services is not given at least the same prominence.
- Advertisements that suggest:
 - that the advertisement is for a purpose or intent that differs from the fact
 - that a transaction involves or does not involve rights, remedies or obligations that differs from the fact
 - that a price benefit or advantage exists but it does not.

Use of fine print

The size of font used in an advertisement must be large enough to be easily read by a person viewing the advertisement as printed. Motor dealers are responsible for reviewing their advertising copy to ensure that it can be easily read in the form in which it will be printed.

2. Advertising Vehicle Prices

Total price

Whenever the price of a vehicle is included in an advertisement, it must be the total price of the vehicle.

For a new vehicle, total price means the total cost that must be paid by a consumer to purchase a vehicle, including the cost of any:

- accessories or optional equipment that is physically attached to the vehicle
- transportation charges, and
- pre-delivery and inspection service.

For a used vehicle, the total price means the total cost at which a motor dealer is offering a motor vehicle for sale to a consumer.

The total price:

- must be prominently and clearly displayed within the advertisement, and
- must be the same amount in every form (e.g. newspaper or internet) of active advertisement for that vehicle.

If a dealer chooses to use terms such as “from” or “starting at” to describe the price of a vehicle, the ad must also include the stock number of that vehicle and the total price advertised must correspond with that vehicle.

National advertisements vs. dealer advertisements

It is important for dealers to understand the difference between a national advertisement and a dealer advertisement in regard to advertising vehicle prices.

A **national advertisement** is an advertisement placed by a manufacturer that does not identify any local dealer for the product advertised.

A **dealer advertisement** is any advertisement in which a specific dealer or group of dealers is named, regardless of whether a manufacturer, a dealer, or a group of dealers pays for the advertisement.

In a **national advertisement**, the advertiser may quote a manufacturer’s suggested retail price (MSRP) as the approximate cost of a vehicle. Where a manufacturer’s suggested retail price is used, the national advertisement must identify in a clear and prominent

manner the additional costs, such as local freight and dealer preparation that may apply when the vehicle is purchased.

In a **dealer advertisement**, the price of a vehicle must always be the total price, as described above. Therefore, disclaimers such as “Freight and Dealer Preparation Extra” or “Plus Freight & PDI” **must not** be used.

Dealer cost

One common way to advertise the price of a new vehicle is in relation to the dealer’s cost for the vehicle. For example, a price may be described as “below dealer cost”, “dealer cost plus \$200”, or “\$200 over factory invoice”.

Regardless of how it is referred to, when an advertisement refers to dealer cost, the amount referenced must be the cost of the vehicle to the dealer minus any discounts, volume rebates or other reduction from the manufacturer in the cost of placing that vehicle in stock. Dealer cost must not include any allocation for the dealer’s overhead or operating expenses.

Describing the price of a vehicle in relation to dealer cost is not a substitute for the total price. The total price, as described above, must be included in all advertisements and affixed to the motor vehicle being advertised.

Price comparisons and savings claims

In general, a dealer must not claim or imply that a price benefit exists when it does not. When a vehicle is advertised at a “sale price”, the sale price must be a real cost saving for the purchaser as per section 4(3)(b) and (c) of the *Business Practices and Consumer Protection Act*.

Comparing prices between vehicles

When price comparisons are used as the basis for a savings claim, the vehicles being compared must be identical. It is misleading to represent cost savings by comparing the price of vehicles that are not identical. For example, it is not acceptable to compare vehicles that are different models or model years, or vehicles that have different optional equipment or number of kilometres.

A used vehicle is always considered to be different from a new vehicle. The practice of making a savings claim based on comparing the prices of a late model used vehicle and the price of an identical or similar new vehicle is unacceptable, even where the used vehicle and the new vehicle are identical in all other respects.

Any advertised price comparisons between a used vehicle and a new vehicle must not make a savings claim and must clearly identify that one vehicle is used while the other is new.

Savings claims for new vehicles

Advertisements for new vehicles must not imply a savings claim by comparing the actual selling price with a manufacturer's suggested retail price, unless a reasonable number of the advertised vehicles have been sold in the area at the manufacturer's suggested list price.

Savings claims for used vehicles

It is only acceptable to advertise a savings claim for a used vehicle based on a reduction from a regular price if the savings claim represents a real cost savings when compared with a legitimate regular price. Further, a dealer advertising such a savings claim must be prepared to provide documentation to support the legitimacy of the claim if requested by the Vehicle Sales Authority.

Trade-in allowances

Trade-in allowances are always a matter for negotiation between a dealer and a purchaser, and will vary according to the condition and age of the purchaser's vehicle and other discounts or incentives that a dealer may offer. Therefore, when advertising the price of a vehicle, a specific or guaranteed trade-in allowance, regardless of the vehicle's condition must not be offered.

This means that an advertisement may not suggest that the actual price of a vehicle is the total price less the minimum trade in value (e.g. total price of \$25,000 less \$2,000 trade-in allowance equals \$23,000).

3. Credit Advertising

Advertising that credit is available

It is acceptable for an advertisement to indicate that a dealer may offer financing on the purchase of a vehicle by including phrases such as “financing available”, “on approved credit” or “monthly payments can be arranged” without providing any further details.

If an advertisement states that a dealer offers financing and includes a specific APR that is available, the advertisement must also include the term of the **credit** and must be a general statement and not one that refers to a specific vehicle or group of vehicles.

Credit details that must be included

As required under sections 59 and 60 of the *Business Practices and Consumer Protection Act*, whenever the details of **credit** are offered in an advertisement, the advertisement must identify that the offer is for **credit**, and all of the following information must be prominently and clearly displayed:

- the APR (annual percentage rate)
- the term of the **credit**
- the total cash price of any vehicle for which the **credit offer** is being advertised, and
- the total cost of borrowing, including any deferred interest charges and non-interest **credit** charges, for example, administration fees.

When displaying this information, the APR must be displayed at least as prominently as the other required information.

Information about availability of credit

Advertisements that include details of a **credit offer** must make it clear that **credit** is available at the dealer’s discretion by using a phrase such as “on approved credit” or “credit available to qualified buyers”.

Advertising interest-free periods

Where an advertisement about **credit** indicates that no interest is payable for a certain period of time, the advertisement must indicate and explain whether this period is an **interest-free period** or a **grace period** as required under section 62 of the *Business Practices and Consumer Protection Act*.

An **interest-free period** means a period during which no interest accrues on the money advanced to a purchaser to purchase the vehicle. This means that the dealer is not entitled to any interest for this period under any circumstances, even where the purchaser defaults on payments.

A **grace period** means a period during which interest accrues but will be forgiven if the purchaser satisfies the conditions specified in the credit agreement. This means that the dealer may be entitled to interest for this period if the purchaser doesn't meet the conditions of the agreement, for example, by defaulting on payments.

If the period is a **grace period**, the advertisement must also include:

- the conditions that must be met for the interest accrued during the grace period to be forgiven, and
- the APR (annual percentage rate) that will apply to the grace period if the conditions are not met.

4. Lease Advertising

Lease details that must be included

Under section 63 of the *Business Practices and Consumer Protection Act*, whenever the details of a **lease** are offered in an advertisement, the advertisement must indicate that the offer is for a **lease** and the advertisement must identify all of the following information in a prominent and clear manner:

- the term of the **lease**
- the amount of any down payment required
- the amount of any security deposit (even where it is refundable)
- the nature and amount of any other payments that must be made prior to, or at the beginning of the lease (including freight, pre-delivery and inspection charges)
- whether or not taxes are included
- the amount, timing and number of regular **lease** payments
- the nature and amount of any payments, other than regular lease payments, that may be required under the **lease** (including, where applicable, a buy-out amount), and
- the APR (annual percentage rate) of the **lease**.

When displaying this information, the APR must be displayed at least as prominently as the other required information.

5. Advertising Fuel Economy for New Vehicles

Through a Memorandum of Understanding with the federal government, motor vehicle manufacturers have agreed to affix an EnerGuide Fuel Consumption Label on all new vehicles sold in Canada. The label has a standardized design and can be affixed to the vehicle alone or as part of the vehicle options and price label.

The following information appears on the label:

- the city fuel consumption in litres-per-100 kilometres and in miles-per-gallon
- the highway fuel consumption in litres-per-100 kilometres and in miles-per-gallon
- the estimated annual fuel cost, based on an annual distance travelled of 20 000 km, with 55 percent city and 45 percent highway driving and a basic fuel price in cents-per-litre (the fuel prices for regular gasoline, premium gasoline and diesel fuel are established each year by Natural Resources Canada), and
- statements describing sources of data, testing methods and how to obtain a copy of the Fuel Consumption Guide.

Advertisements that include fuel economy claims for a specific vehicle must include all of the information contained in the EnerGuide Fuel Consumption Label for that vehicle.

6. Advertising Extended Warranties

Manufacturer's warranty vs. extended warranty

There are two types of vehicle warranty commonly available on the purchase of a vehicle, a manufacturer's warranty and an extended warranty.

A **manufacturer's warranty** is a warranty provided by the manufacturer of the vehicle, which is provided with a new vehicle at no additional cost to the purchaser.

An **extended warranty** is a warranty that requires the purchaser to pay an additional cost, either directly or through an agreement to purchase some specified products or services.

An extended warranty may be offered as a supplement to a manufacturer's warranty to increase the coverage or the length of the warranty period on a new vehicle, or to provide warranty coverage on a used vehicle.

Since there are significant differences between the coverage offered by a manufacturer's warranty and an extended warranty, it is important to ensure that advertising for an extended warranty does not lead purchasers to believe that the extended warranty simply extends the same coverage provided by the manufacturer's warranty.

7. Availability of Advertised Vehicles

Any advertised vehicle, new or used, must be in stock and available at the advertised price. If an advertised vehicle is sold, the advertisement must be immediately removed or amended to indicate that the advertised vehicle has been sold.

For example, a dealer may advertise “2007 Hupmobiles – from \$18,000”, where \$18,000 is the base price of the vehicle. However, if the dealer only has 2007 Hupmobiles with options that bring the price of the vehicle to \$21,000, then the advertisement must not use the lower base price.

If an advertised vehicle model is not immediately available but may be ordered from the factory, then this limitation must be stated in the advertisement.

Requirement to include stock number or VIN

If a specific new or used vehicle is advertised it must be clearly identified by stock number or vehicle identification number. That vehicle must be in stock and available at the time the advertisement is placed, and the corresponding stock number or vehicle identification number must be affixed to the vehicle being advertised.

Illustrations or photographs

Any illustrations or photographs of vehicles used in advertisements must accurately represent the vehicle offered for sale. The phrase “not exactly as shown” is not an acceptable substitute for an accurate illustration or photograph and must not be used.

8. Requirement for Dealer Identification

All dealer advertisements must include the **dealer's registered name and number** as required under section 13 (1)(a) of the Motor Dealer Act. The dealer name and number must be displayed in equal prominence to each other in the advertisement.

Derivatives of the dealer name can be used in written advertisements only if the derivative is registered at the Corporate Registry and approved by the Registrar of Motor Dealers.

A description in the format of "D# 00000" is acceptable when identifying the dealer registration number.

9. Information to be Affixed to a Vehicle

In addition to the advertising requirements discussed above, the *Motor Dealer Act* and the Motor Dealer Act Regulations require dealers to display some basic information directly on any vehicle that they are exhibiting or offering for sale. This information should be prominently and clearly displayed, and securely attached to the vehicle at all times.

The information affixed to a vehicle must be the same as any corresponding information included in any other form of advertising for that vehicle.

Any vehicle exhibited or offered for sale

Any vehicle that a dealer is exhibiting or offering for sale must have the following information affixed to it:

- the total price of the vehicle
- the stock number, serial number or vehicle identification number
- where two or more dealers share the same or adjoining premises, the name of the dealer offering the vehicle for sale,
- where a vehicle is not ready for sale, the statement “Not Ready For Sale” or “Not for Sale” or if the vehicle is sold, the word “Sold”; and
- where the vehicle is sold for parts only or for purposes other than transportation because it is not suitable for transportation, the statement “Not Suitable for Transportation”.

New vehicles

In addition to the information required for any vehicle, the information affixed to any new vehicle that a dealer is exhibiting or offering for sale must also include an itemized list describing every accessory and item of optional equipment on that vehicle.

Important Terms

This section contains definitions of important terms used in the Advertising Guidelines. These definitions are provided solely to assist the reader's understanding of the Guidelines. They are general interpretations only and are not to be considered legal definitions. Where legal questions arise, dealers should consult legal counsel.

Advertising/advertisement – means any type of solicitation by a dealer that urges consumers to buy their products or use their services. This includes, but is not limited to advertisements placed in newspapers, magazines, radio, television, the internet, or via e-mail, as well as any flyers, brochures, signs, posters, or showroom displays.

APR (annual percentage rate) – means an interest calculation representing an effective rate of interest accruing over a one year period. The formula for calculating APR is found in the Disclosure of the Cost of Consumer Credit Regulation, under the *Business Practices and Consumer Protection Act*.

Dealer advertisement – means any advertisement in which a specific dealer or group of dealers is named, regardless of whether a manufacturer, a dealer, or a group of dealers pays for the advertisement.

Dealer cost – when referred to in an advertisement, means the cost of a vehicle to the dealer minus any discounts, volume rebates or other reduction from the manufacturer in the cost of placing that vehicle in stock. Dealer cost must not include any allocation for the dealer's overhead or operating expenses.

Extended warranty – means a warranty that requires the purchaser to pay an additional cost, either directly or through an agreement to purchase some specified products or services. An extended warranty may be offered as a supplement to a manufacturer's warranty to increase the coverage or the length of the warranty period on a new vehicle, or to provide warranty coverage on a used vehicle.

Grace period – in reference to a credit agreement, means a period during which interest accrues but will be forgiven if the purchaser satisfies the conditions specified in the credit agreement. This means that the dealer may be entitled to interest for this period if the purchaser doesn't meet the conditions of the agreement, for example, by defaulting on payments. See the *Business Practices and Consumer Protection Act* for a statutory definition of this term.

Interest-free period – in reference to a credit agreement, means a period during which no interest accrues on the money advanced to a purchaser to purchase the vehicle. This means that the dealer is not entitled to any interest for this period under any circumstances, even where the purchaser defaults on payments. See the *Business Practices and Consumer Protection Act* for a statutory definition of this term.

Manufacturer’s warranty – means a warranty provided by the manufacturer of the vehicle, which is provided with a new vehicle at no additional cost to the purchaser.

Material fact – means information that may have a significant effect on a consumer’s decision whether or not to buy a product or service.

National advertisement – means an advertisement placed by a manufacturer that does not identify any local dealer for the product advertised.

Total price – means

- for a new vehicle, the total cost that must be paid to purchase a vehicle, including the cost of any:
 - accessories or optional equipment that is physically attached to the vehicle
 - transportation charges
 - documentation or transfer fees, and
 - pre-delivery and inspection service.
- for a used vehicle, the price at which it is offered for sale.