



Where did "doc fees" come from?

"Documentation fees" have been around so long that most dealers and salespeople sincerely believe they are "standard practice" and that everyone charges them. Neither of these assumptions is correct.

Make sure your selling practices are legal !

Ken Smith, the President of the VSA and the Registrar of Motor Dealers, says the first step that industry members must take to ensure compliance with recent clarifications to the VSA's Advertising Guidelines and their reference to "documentation fees", is to simply stop ignoring the law. "Dealers continuing to surprise purchasers with last minute previously undisclosed extra fees and charges and representing them as somehow required are committing a deceptive act under the Business Practices and Consumer Protection Act - and the practice needs to stop! Purchasers may be entitled to a full refund on charges collected in this manner, and, in some cases may have the right to cancel the sale."

Dealer fees and fixed charges need to be included in the advertised total price of a vehicle if they are mandatory. If purchasers are told that the documentation fee is a standard charge required by the dealership, it must be included in the total advertised price of the vehicle - which includes the price on the window sticker. The VSA Advertising Guidelines emphasize this long-standing legal requirement.

If these fees are included in the published list price, properly disclosed during the negotiations, and clearly explained to a customer before a purchasing decision is made, the dealer is free to add on whatever extra charges they may want - and of course the consumer is then free to make an informed decision on whether or not to go ahead with the purchase. Fees and extra charges include administration, finance, registration, lien checks, vehicle history reports, compulsory etching programs, and of course documentation fees. The only additional charges that can be added as "standard" or "required" are sales taxes, the Battery Levy and the Tire Levy.

All licensed dealers, salespeople and those responsible for dealership advertising, should become familiar with the updated Advertising Guidelines

<http://www.mvsabc.com/documents/VSAAdvertisingGuidelines-July292009.pdf>

Industry veteran Bob Clarke, the long-time Executive Director of the Automotive Retailers Association (ARA) and a former dealer and manufacturing executive, recently surveyed his network of contacts, exploring the history of documentation fees in British Columbia.

"I can remember during the late 1950s and early 60s when a salesperson's commission on a car deal was as low as \$25, but there was no such thing as extra charges for items such as transport and Pre-Inspection Delivery (PDI)," Clarke said. "Even at the end of the 1960s, the dealer mark-up was just \$400 to \$600 on imports and \$500 to \$900 on domestics. But since then everything in the business has become more complex."

Before the 1960s finance was a non-issue. It was virtually the exclusive domain of finance companies with brand names such as HFC, Niagara Finance, IAC and so on. Clarke remembers that the Bank of Nova Scotia, followed by the Bank of Commerce were the first banks to enter the auto financing field in Canada. They offered much lower rates than the finance companies and also kicked back one or two points to the referring dealer as an incentive.

Business offices of dealerships became major operations in the 1960s. They had to manage finance, a growing regulatory environment, advertising and complex agreements and incentives from manufacturers and fleet sales.

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Clarke believes that the first consistent add-on of a documentation fee in a B.C. dealership started in the late 1960's and was about \$100 which, in those days, was certainly a hefty "straight-to-the-bottom line" add-on to the dealer's mark-up.

"Soon everybody was doing it and nobody even thought there might be a legal concern," Clarke said.

High-profile sales consultants started travelling the continent advising dealers on how they could improve profits with "value-added" extras they

could sell a customer, along with "cost recovery" of charges such as "Doc Fees."

"It seems that then - as now - there is nothing wrong with add-on fees being charged by a dealer as long as they are not being collected through deception. However, when the customer responds to an advertisement, negotiates what he or she believes to be the final price, and then discovers mysterious, previously-undisclosed charges added on to their contract, then the dealer has broken the law," Clarke said. Some manufacturers prohibit their dealers from charging documentation fees at any time.