



Interest Rates and Financing Representations

A recent CBC news story raised concerns about high interest rates in the subprime lending market. Under current legislation, the interest rate charged in the story (25%) was not at the criminal rate. Further, the dealer would have complied with the *Business Practices and Consumer Protection Act (BPCPA)* and the *Disclosure of the Cost of Consumer Credit Regulation* if they disclosed the following:

- the interest rate
- the annualized rate
- the total cost of borrowing to the consumer, and
- other disclosures required by the legislation.

However, if a dealer made a promise that the rate would be reduced in one year, and it was not, that could be a misrepresentation. This would include failing to be clear that to receive a reduced interest rate, the consumer would need to enter into a new transaction for a different vehicle and not simply modify their current loan.

Remember, the court's definition of a deceptive act is any oral or written representation that tends to lead a reasonable person to make an error in judgment. The British Columbia Supreme Court said that the legislation permits a finding that there has been deception by silence, if a material fact is not disclosed during other representations. Were this alleged by a consumer, the VSA would be required to investigate.

Tapping a \$900 Million Market: Private Sales

The 2013 Consumer Confidence Survey found that the majority of consumers are becoming more confident in British Columbia's licensed vehicle sales industry. Results showed that 67% of recent buyers gave the industry a positive rating of seven or above (on a 10 point scale) and 35% said that their most recent buying experience was better than before. The survey shows that consumers are recognizing the increased professionalism of the industry.

Still, more than one-third of used vehicle buyers choose to purchase from private sellers. Why?

- 63% bought privately because of a good price
- Other factors included knowing the seller and vehicle attributes
- Private buyers have less confidence in the licensed sales industry because they believe there are dishonest practices and pushy sales techniques, in addition to higher prices
- 24% of buyers reported problems when buying privately while 32% of buyers reported problems when buying from a dealership
- 80% of private buyers rated their buying experience very positively
- Removing responses from those who knew the seller modified the outcomes, but not dramatically

Buyers preoccupied with price will never be converted unless they understand the risks of buying privately. A focus on price must be shifted to a focus on value. And, there is real value in the protections and services provided through a purchase from a licensed dealer. However, it will take the professionalism of every member of the industry and the VSA working together to tap into that \$900 million annual market.