



Financing Enquiries and Complaints Rise Dramatically

With four months still to go in the reporting period, consumer enquiries on credit and financing have already hit 150% of last year. This category of complaint is now consistently one of the top five made to the VSA. As a result, investigations of this type could see a 50% increase this year.

Complaints and investigations include allegations such as:

- Improper disclosure of the impacts of negative equity being included in a new loan agreement. Allegations include confusion about the actual vehicle price, the value given for a trade-in and unexpected sales tax when the sale amount bumps into the luxury tax range.
- Adding co-signers to obtain financing for an unqualified individual and:
 - ◊ Failing to explain or misrepresenting the impacts of being a co-signer for a vehicle in which they may have no interest
 - ◊ Converting a co-signer to a sole borrower without their knowledge
 - ◊ Selling insurance products that would fail to cover all parties in the transaction
- The misstatement of the income, employment or expenses of a buyer in order to obtain financing for an otherwise unqualified individual. This can include not providing the loan application to the consumer so they would understand why they were offered financing.
- The misrepresentation of the benefits of so-called “credit rebuilding loans.” This includes not disclosing the full requirements placed on a buyer if they want to return after a stated period of time to reduce the loan interest rate.
- Misstatement of a buyer’s credit rating or financing options, such as:
 - ◊ Stating there is just one vehicle that they can afford or for which they can get financing
 - ◊ Stating the bank will approve a loan only for a brand new vehicle or an upgraded model
 - ◊ Stating the bank will approve the loan or offer a lower interest rate only if an extended warranty or other insurance is purchased
 - ◊ Stating that a rate is the best possible interest rate the consumer can get when it may include a dealer reserve or premium
 - ◊ Third-party financing is required so the manufacturer’s incentives do not apply
- Unauthorized, undisclosed or improperly reported finance placement fees. See the [February 3, 2015 Bulletin](#).

While every allegation must be investigated and proven for compliance action to be taken, this significant rise in financing concerns is troubling.

As result, the VSA is now getting loan application documents from banks and finance companies when sufficient grounds exist to prepare a production order. The VSA is also in contact with the Insurance Council of BC and the Financial Institutions Commission of B.C. (FICOM) regularly.

When financing is offered as part of a consumer transaction, the *Business Practices and Consumer Protection Act* requires that it be done in an open and transparent manner. Specific cost of credit regulations also apply. Over 30 financing-related files have been investigated and closed since April 1, resulting in nearly \$100,000 in consumer restitution.

Don't Forget, Salespeople Can Connect with the VSA

In only a few weeks, several suggestions have been published on the VSA website and are available for discussion.

Comments on the [draft Registrar's Rules](#) are also being posted here: <http://mvsabc.com/salespeople/salesperson-suggestions/>

- To make a comment or suggestion, fill out the quick form on the [Salesperson Suggestions](#) page
- Comments can be published anonymously or with your name
- All comments, questions and ideas will be responded to
- Constructive suggestions will be published on the website for ongoing discussion