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Used Cars: How to Get a “Peach” Instead of a “Lemon”

Ten minutes after driving the three-year-old sport utility vehicle he'd just bought from a car dealer, a Maryland resident noticed the “check engine” light blazing on his dashboard. It was the beginning of a long list of headaches he would encounter in the vehicle, including worn-out brakes and rotors and a cracked chassis. When the buyer tried to get the dealer to fix the problems, he got excuses, arguments and finally, an order to leave the property.

A Washington, D.C., woman faced similar problems within three weeks of buying a used van. Three mechanics independently agreed that the van needed a new transmission, but the dealer insisted that it didn't – and refused to make the necessary repairs under the warranty.

When a Maryland man took a used sporty import out for a test, he was assured by the dealer that it was in excellent condition, and that the dealership would fix anything he found wrong with it. He bought the car, leaving it with the dealer to have a few minor items worked on. When he returned several days later to pick up his vehicle, it had more problems than when he left it – some that the dealer said the new owner would have to pay for because they weren't covered by the warranty.

These buyers looked under the hood, kicked the tires and even tested the radios on their vehicles before laying out their money. What they *didn't* look for was the most important thing in a used car, truck or van: a Buyers Guide.

The Federal Trade Commission's Used Car Rule requires dealers to post a Buyers Guide inside each used vehicle for sale. The Buyers Guide spells out in writing what warranty coverage, if any, consumers are getting for their money. It lists the major mechanical and electrical systems on the vehicle, including some of the major problems consumers should look out for. It also tells them who at the dealership to contact if there's a problem after they buy it.

It's illegal for dealers in Washington, D.C., to sell used vehicles “as is.” So even if there's no written warranty, consumers are entitled to an “implied warranty,” which means that it has to be in a “reasonable” working order when it's sold.

Consumers who buy their vehicles “as is” in states that allow the practice are responsible for paying for anything that goes wrong after the sale.

Lemuel Dowdy, an FTC attorney who helped draft the Used Car Rule in 1985, says the Buyers Guide is one of the best protections for consumers, who spend about \$366 billion a year buying some 40 million used cars. Yet many consumers don't know to look for the Buyers Guide, and an alarming number of dealers don't post it.

During a June 8 inspection of used car dealers in Washington, D.C., 20 of 32 dealers surveyed -- almost two-thirds -- were in significant violation of the federal regulation as well as local D.C. consumer protection laws. The survey was conducted by the staff of the FTC and the District government.

The dealers are expected to face enforcement action by the D.C. Corporation Counsel. In addition, their lack of compliance may be considered when the city determines whether to reissue their licenses in the future, according to the D.C. Department of Consumer and Regulatory Affairs.

Dowdy says the Buyers Guide gives consumers a lot of important information. But, he adds, used car dealers who *don't* display the Guide also send consumers an important message. "Not displaying the Buyers Guide shows a blatant disregard for the law and for their customers," Dowdy says. "If the dealer isn't giving them the information they're entitled to, consumers should take their business elsewhere -- to a dealer who *will*."

Dowdy acknowledges that the Used Car Rule doesn't guarantee that every used car buyer's experience is going to be positive. Buying a used car can involve high-pressure sales tactics, haggling over the bottom-line price and confusion over financing terms. But, he says the Buyers Guide helps consumers go into the deal with an understanding of what they're getting and what they're not -- *in writing*.

In addition to looking for the Buyers Guide, Dowdy says consumers shopping for a used vehicle should take these steps *before* they buy to help make sure their "peach" of a car doesn't turn into a "lemon" as soon as they leave the dealer's lot:

- Check out its repair record, maintenance costs and safety and mileage ratings in consumer magazines or online. Look up the vehicle's "blue book" value, and be prepared to negotiate the price.
- Ask for the maintenance record from the owner, dealer or repair shop.
- Get the vehicle inspected by an independent mechanic that you hire before you buy.
- Test drive the vehicle on hills, highways and in stop-and-go traffic.
- Get all oral promises in writing.
- Ask to see a copy of the dealer's warranty before you buy.
- Check out the dealer with local consumer protection officials.
- Recognize that warranties are included in the price of the car; service contracts cost extra and are sold separately.
- Recognize that the Used Car Rule generally doesn't apply to private sales.

The FTC works for the consumer to prevent fraud, deception and unfair business practices in the marketplace. The FTC enforces federal consumer protection laws and provides free information to help consumers spot and avoid fraud and deception. For a complete list of publications or to file a complaint, contact the FTC toll-free: 1-877-FTC-HELP (382-4357); TDD: 202-326-2502; online at ftc.gov; or by mail at: Consumer Response Center, Federal Trade Commission, 600 Pennsylvania Ave, NW, Washington, DC 20580.

Although the Commission cannot resolve individual problems for consumers, it can act against a company if it sees a pattern of possible law violations.