



MOTOR DEALER ADVERTISING GUIDELINES

July 2006

Table of Contents

RECORD OF UPDATES	3
INTRODUCTION.....	4
Purpose of the advertising guidelines	4
Meaning of “advertising”	4
Relevant legislation	4
Enforcement by the Registrar	4
For more information.....	5
1. DECEPTIVE OR MISLEADING ADVERTISING.....	6
Examples of deceptive or misleading advertising	6
2. ADVERTISING VEHICLE PRICES	8
Total price.....	8
National advertisements vs. dealer advertisements	8
Dealer cost	9
Price comparisons and savings claims.....	9
Trade-in allowances.....	10
3. CREDIT ADVERTISING.....	11
Advertising that credit is available	11
Credit details that must be included.....	11
Information about availability of credit.....	12
Advertising interest-free periods	12
4. LEASE ADVERTISING	13
Lease details that must be included	13
5. ADVERTISING FUEL ECONOMY FOR NEW VEHICLES	14
6. ADVERTISING EXTENDED WARRANTIES	15
Manufacturer’s warranty vs. extended warranty	15
Extended warranty details that must be included	15
7. AVAILABILITY OF ADVERTISED VEHICLES	16
Requirement to include stock number or VIN.....	16

Illustrations or photographs16

8. REQUIREMENT FOR DEALER IDENTIFICATION 17

9. INFORMATION TO BE AFFIXED TO A VEHICLE..... 18

 Any vehicle exhibited or offered for sale18

 New vehicles.....18

IMPORTANT TERMS..... 19

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 Motor Dealer Council website at www.mdcbc.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

Introduction

Purpose of the advertising guidelines

Under the Motor Dealer Directives, 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 advertisements placed in newspapers, magazines, radio, television, the internet, or via e-mail, as well as any 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)
- an administrative penalty
- a violation ticket
- a hearing, or
- suspension or cancellation of licence.

For more information

If you have questions or need more information about the Advertising Guidelines, contact the Motor Dealer Council of BC:

- by e-mail at adguidelines@mdcbc.com
- by phone at 604-294-9889, ext. 527
- by fax at 604-294-2264, or
- by mail at Suite 150 - 6400 Roberts Street, Burnaby, BC V5G 4C9.

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 MDC 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.

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. 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
- pre-delivery and inspection service, and
- interest or other charges incurred for financing or leasing.

The total price does not have to include taxes, licence or insurance costs, but an advertisement must clearly indicate whether or not these costs are included in the total price quoted.

The total price must be prominently and clearly displayed within the advertisement. It must be preceded by the words “total price” and must include a \$ symbol, for example “total price - \$23,954”. The abbreviation “TP” is not an acceptable substitute for the words “total price” and must not be used.

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 national advertisements, the advertiser may quote a manufacturer’s suggested list price as the approximate cost of a vehicle. Where a manufacturer’s suggested list price is used, the national advertisement must identify 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, dealer advertisements must not include disclaimers regarding additional costs such as “Freight and Dealer Preparation Extra” or “Plus Freight & PDI - \$565”.

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 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.

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.

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.

It is acceptable to compare the prices of different vehicles provided that:

- no explicit claim of cost savings is made, and
- the differences between the vehicles are clearly disclosed.

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 list 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 MDC.

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 trade-in allowance must not be shown as a deduction from the total price of the vehicle.

For example, if the total price of a vehicle is \$25,000 and the dealer is advertising a minimum trade-in allowance of \$2,000, the advertisement must not indicate that the total price of the vehicle is \$23,000 (\$25,000 - \$2,000 trade-in allowance).

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. In this case, the advertisement may include phrases such as “financing available”, “on approved credit” or “monthly payments can be arranged” without providing any further details.

However, if an advertisement does include any other details about the credit being offered, such as the interest rate or the amount of any payment, then there are specific requirements about what information must be included. These requirements are described below.

Credit details that must be included

Whenever the details of a credit offer are advertised, the advertisement must identify that the offer is for a purchase plan, and all of the following information must be prominently and clearly displayed:

- the amount of any down payment required
- the number of monthly payments
- the amount of the monthly payment
- 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
- the total cost of borrowing, including any non-interest credit charges, for example, administration fees, and
- the total obligation under the credit offer including taxes.

When displaying this information:

- the APR must be displayed at least as prominently as the other required information, and
- the amount of the consumer’s total obligation under the credit offer including taxes must be displayed at least as prominently as the amount of the monthly payment.

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".

The abbreviation "O.A.C." is not sufficiently clear for this purpose and must not be used.

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.

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

Whenever the details of a lease offer are advertised, the advertisement must indicate that the offer is for a lease and all of the following information must be prominently and clearly displayed in the advertisement:

- 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 must be paid during the term of the lease
- the APR (annual percentage rate) of the lease
- the total obligation under the lease, and
- where applicable, the buy-out amount at the end of the lease term.

When displaying this information:

- the APR must be displayed at least as prominently as the other required information, and
- the amount of the consumer's total obligation under the lease including taxes must be displayed at least as prominently as the amount of the regular lease payment.

5. Advertising Fuel Economy for New Vehicles

In the interest of providing a standard that will permit meaningful comparisons, the Motor Dealer Council endorses the fuel economy test procedures approved by Transport Canada. Advertisements that include fuel economy claims must include the following information:

- the actual Transport Canada fuel economy test results
- a statement indicating that actual fuel economy will differ from the Transport Canada results and the information provided should be used for comparison purposes only, and
- where fuel economy results are provided for a specific vehicle model, information on the engine size and transmission type of the model tested.

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.

Extended warranty details that must be included

It is acceptable for an advertisement to indicate simply that extended warranty coverage is available. However, where any further description of the warranty is provided, for example, "36,000 km, three year extended warranty", then all of the following information also must be provided in the advertisement:

- the identity of the warrantor
- a clear description of the coverage provided under the warranty and the duration of the coverage
- the cost of the warranty and whether or not this cost is included in the price of the vehicle
- a statement that the extended warranty is optional, and
- where applicable, a statement that the extended warranty has a limited cancellation clause.

7. Availability of Advertised Vehicles

Any advertised vehicle, new or used, must be in stock and available at the advertised price.

For example, a dealer may advertise “2006 Hupmobiles – from \$18,000”, where \$18,000 is the base price of the vehicle. However, if the dealer only has 2006 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

When advertising used vehicles, if a specific vehicle is advertised it must be clearly identified by stock number or vehicle identification number, and must be in stock and available at the time the advertisement is placed.

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 registered dealer name and number. 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.

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
- where two or more dealers share the same or adjoining premises, the name of the dealer offering the vehicle for sale, 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, any new vehicle that a dealer is exhibiting or offering for sale must also have the following information affixed to it:

- the serial number or vehicle identification number or numbers, and
- an itemized list describing every accessory and item of optional equipment on the new 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 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 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 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
- pre-delivery and inspection service, and
- interest or other charges incurred for financing or leasing.

The total price does not have to include taxes, licence or insurance costs, but an advertisement must clearly indicate whether or not these costs are included in the total price quoted.