

**UNITED STATES OF AMERICA  
BEFORE FEDERAL TRADE COMMISSION**

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In the Matter of )  
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 ) Docket No. C-3674  
BUDGET RENT A CAR SYSTEMS, INC., )  
 a corporation. )  
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**COMPLAINT**

The Federal Trade Commission, having reason to believe that Budget Rent A Car Systems, Inc., a corporation ("respondent"), has violated the provisions of The Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, alleges:

PARAGRAPH ONE: Respondent Budget Rent a Car Systems, Inc., is a Delaware corporation with its principal office and place of business located at 4225 Naperville Road, Lisle, Illinois 60532-3662.

PARAGRAPH TWO: Respondent has advertised, offered for rent, and rented, directly and through franchisees, vehicles to consumers.

PARAGRAPH THREE: The acts and practices of respondent alleged in this complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act.

PARAGRAPH FOUR: In connection with the renting of vehicles, respondent has disseminated or caused to be disseminated promotional and informational material through advertisements, an 800-number that contains recorded messages, respondent's own telephone reservation system, third-party computerized reservation systems operated by airline and travel agency employees, and point of sale disclosures.

PARAGRAPH FIVE: Some of respondent's promotional and informational material including, but not limited to, the vehicle rental contract, brochure, and telephone script attached as

Exhibits A - C, describe the renter's liability for loss of or damage to vehicles under various circumstances.

PARAGRAPH SIX: In connection with the renting of vehicles, respondent has offered renters in most states a choice of either accepting or declining an option called the loss damage waiver ("LDW"). If a renter accepted LDW, respondent would add an additional fee to the total rental charge. In 1993 respondent typically charged renters approximately \$13 per day for LDW. LDW is not insurance but instead waives respondent's claim against the renters for damages in the event the vehicle is damaged or stolen during the pendency of the rental agreement.

PARAGRAPH SEVEN: The renter's own vehicle insurance company or credit card issuer will often pay for loss of or damage to rental vehicles when a renter declines to purchase LDW. Respondent's informational materials, referred to in Paragraph Five, and numerous public sources of information, have made this fact known to potential renters.

PARAGRAPH EIGHT: In numerous instances respondent has sought and obtained from renters who declined LDW and who have been involved in accidents as much as \$4,500 more than the vehicle's repair cost or market value. This charge is called "loss of turnback". "Turnback" is a sales incentive some manufacturers offer Budget. It occurs when the manufacturer, using a pre-negotiated formula, agrees to repurchase a used vehicle from Budget. The formula's repurchase price can be much higher than the car's market value. Respondent did not inform the renter about this potential extra charge for loss of turnback until respondent made a claim against the renter for loss or damage. Insurance companies and credit card issuers usually refuse to pay respondent's claim for loss of turnback because it exceeds the vehicle's cost of repairs or its fair market value.

PARAGRAPH NINE: In the informational materials referred to in Paragraph Five, respondent has represented that renters were liable for loss of or damage to the rental vehicle if they did not purchase LDW. Respondent failed to disclose that it might include, in a damage or loss claim against renters who decline LDW, as much as \$4,500 for loss of turnback. This fact would have been material to consumers' decisions to rent a vehicle from respondent and to purchase LDW. The failure to disclose this material fact, in light of the representations made, was, and is, a deceptive act or practice.

PARAGRAPH TEN: In the informational materials referred to in Paragraph Five, respondent has represented that only two charges related to damages, a loss of use fee and the insurance policy deductible, might not be covered by the renter's vehicle insurance. Respondent failed to disclose that the renter's

vehicle insurance would likely not cover a loss of turnback charge. This fact would have been material to consumers' decisions to rent a vehicle from respondent and to purchase LDW. The failure to disclose this material fact, in light of the representations made, was, and is, a deceptive act or practice.

PARAGRAPH ELEVEN: In numerous instances where vehicles were damaged, respondent has sent, or caused to be sent, written communications to renters who declined LDW demanding that they reimburse respondent for "loss of turnback."

PARAGRAPH TWELVE: By demanding reimbursement for loss of turnback, respondent has represented, directly or by implication, that the signed rental contract entitled it to collect this charge.

PARAGRAPH THIRTEEN: In truth and in fact, the signed rental contract did not entitle respondent to collect loss of turnback. Therefore, the representation set forth in Paragraph Twelve was, and is, false and misleading.

PARAGRAPH FOURTEEN: In numerous instances where vehicles were stolen or declared "totaled," respondent has charged renters who declined LDW for loss based on "Budget book value" or "net vehicle cost."

PARAGRAPH FIFTEEN: In charging a renter for loss based on the "Budget book value" or "net vehicle cost" when a vehicle was stolen or declared a total loss, respondent has represented, directly or by implication, that it was charging the fair market value of the vehicle.

PARAGRAPH SIXTEEN: In truth and in fact, respondent was not charging the fair market value of the vehicle. Instead, it was charging the value that included loss of turnback. Therefore, the representation set forth in Paragraph Fifteen was, and is, false and misleading.

PARAGRAPH SEVENTEEN: The acts and practices of respondent as alleged in this complaint constitute unfair or deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act.

THEREFORE, the Federal Trade Commission on this seventeenth day of June, 1996, issues this complaint against respondent.

By the Commission.

Donald S. Clark  
Secretary

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