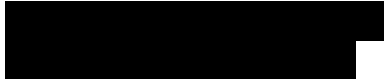




September 22, 2014

VIA EMAIL AND REGULAR MAIL

Robert Kaufman, President
Ted J. English, CEO
Bob's Discount Furniture
428 Tolland Tpke
Manchester, CT 06042



Re: Deceptive Advertising of "Interest Free" Financing

Dear Mr. Kaufman and Mr. English:

I am writing to you on behalf of Truth in Advertising, Inc. ("TINA.org"), a nonprofit consumer advocacy organization dedicated to protecting consumers from false and deceptive advertising. We have received several consumer complaints regarding Bob's Discount Furniture's point-of-sale advertising of "interest free" financing as a way to pay for furniture purchased from the company.

Specifically, consumers have complained that, when shopping for furniture at Bob's, representatives of the store offered them "interest free" financing without clearly disclosing the conditions of the offer – namely, that if the balance is not paid off by the selected time period (either 6 or 12 months), then interest will be back-charged from *the date of purchase* and the interest rate imposed is an exorbitant 27.99%. In addition, and perhaps worse, consumers who select the "interest free" financing and pay every monthly bill they receive in full and on time will inevitably still have an amount due by the end of the deadline, and thus will owe interest for the past 6 or 12 months despite having selected "interest free" financing. This is because Bob's appears to set customers up for failure by issuing monthly bills that do not add up to the total amount due.

For example, one consumer explained to us that she purchased \$2,600 worth of furniture, selected a 12-month "interest free" payment plan after being persuaded by the Bob's sales representative to do so, and then received monthly bills in the amount of \$95.60. She paid each bill in full and on time but, by the end of the 12-

month period, had only paid for less than half of her furniture, meaning she still owed approximately \$1,700 for the furniture, plus over \$800 in interest. At no time did Bob's notify her that she would need to increase her monthly payments or make a large lump sum payment in order to meet the 12-month deadline and avoid huge interest charges that date back to her purchase. Other consumers have told us that they had similar experiences.

Not only are these actions by Bob's deceptive and egregious, they are also in violation of federal and state laws. The Federal Trade Commission has made it clear that when the disclosure of qualifying information is necessary to prevent advertisements – which include statements made by sales representatives – from being deceptive, the information should be presented clearly and conspicuously so that consumers can actually notice and understand it. See FTC Policy Statement on Deception, <http://www.ftc.gov/public-statements/1983/10/ftc-policy-statement-deception>; see also .com Disclosures: How to Make Effective Disclosures in Digital Advertising, <http://www.ftc.gov/sites/default/files/attachments/press-releases/ftc-staff-revises-online-advertising-disclosure-guidelines/130312dotcomdisclosures.pdf> (“Disclosures that are required to prevent an advertisement from being deceptive, unfair, or otherwise violative of a Commission rule, must be presented ‘clearly and conspicuously.’”). In other words, advertisers cannot use fine print disclosures in buried text to clear up misimpressions that the ad would leave otherwise. This is particularly true when advertising credit terms as is the case here. See Truth in Lending Act, 15 U.S.C. § 1632(a) and Regulation Z, 12 CFR § 226.24(b); see also Connecticut Truth-in-Lending Act, Conn. Gen.Stat. § 36a-676 *et seq.*, (adopting Federal Regulation Z by reference). Despite explaining the credit terms in its online marketing, Bob's point-of-sale marketing does not appear to do so, and thus violates these laws.¹

TINA.org's editor, Fran Silverman, contacted Cathy Poulin of your company about this issue last year upon receiving our first complaint. In that instance, your company refunded the complaining customer the money she spent on the interest and late fees. However, our continued receipt of consumer complaints about this

¹ The FTC has also made it clear that the term “free” means that a consumer will not need to pay anything for the item or service at issue, and that if there are any terms, conditions, or obligations that must be met in order to obtain the allegedly “free” item or service, then those terms must be stated “clearly and conspicuously at the outset of the offer so as to leave no reasonable probability that the terms of the offer might be misunderstood.” FTC Guide Concerning the Use of the Word “Free” and Similar Representations, §251.1(b)(1) and (c), available at <http://www.ftc.gov/bcp/guides/free.htm>; see also Connecticut Unfair Trade Practices Act § 42-110b-19(a) (“It shall be an unfair or deceptive act or practice to . . . Advertise any merchandise or service as free by the use of the word ‘free’ or any other terms of similar import when the merchandise or service is not, in fact, free. . . . Failure to disclose any and all terms, conditions and obligations required of the consumer shall be a violation of sections 42-110b-1 to 42-110b-31, inclusive, of the Regulations of Connecticut State Agencies.”).

issue suggests that Bob's has not made any significant changes to the problematic marketing by its sales representatives and thus is continuing to deceive consumers.

Based on the above, we intend to notify state and federal regulators of these issues unless Bob's makes timely changes to its point-of-sale advertising of credit terms so that it fully complies with all applicable state and federal laws, and notifies us of those changes.

If you have any questions, please do not hesitate to contact me directly.

Sincerely,

A handwritten signature in blue ink that reads "L. Smith". The signature is written in a cursive, flowing style.

Laura Smith, Esq.
Legal Director
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lsmith@truthinadvertising.org