DEFEND THE CONSUMER BUREAU

Report: Auto loan complaints rise in pandemic

Purchasing a car is a minefield for consumers at even the best of times. Tricks and traps in the auto marketplace can leave consumers paying more for a car than they should — or, worse, to being victimized by predatory and abusive practices by auto dealers and lenders. Even before COVID-19, consumers buying or leasing a vehicle frequently faced scams, high-pressure sales tactics, and other problems.

A review of consumer complaints to the Consumer Financial Protection Bureau's Consumer Complaint Database reveals long-standing patterns of abusive and deceptive practices in the automobile industry. The pandemic has brought to light growing auto sales and loan problems.

From **March through July 2020**, the CFPB received 2,844 complaints about auto loans and leases — more than any other five-month period. In particular, complaints related to auto loan payment relief spiked. For more statistics and stories from consumers, see the **full report here**.

CFPB complaints describe widespread problems

In June 2012, the CFPB started publishing complaints to help consumers resolve problems in the **Consumer Complaint Database**. From 2017 through July 2020, consumers submitted nearly 19,000 complaints regarding "vehicle loan or lease" products. Eighty-three percent of those complaints concerned loans, and 17 percent concerned leases, reflecting active loans and leases.

The database also contains thousands of complaints indirectly related to loans and leases, including:

- Over 5,200 complaints dealing with auto debt.
- Over 2,800 complaints about problems with credit reports related to auto payments.
- Many more complaints about vehicle costs creating problems with other financial products, including credit cards, bank fees, and other loans.

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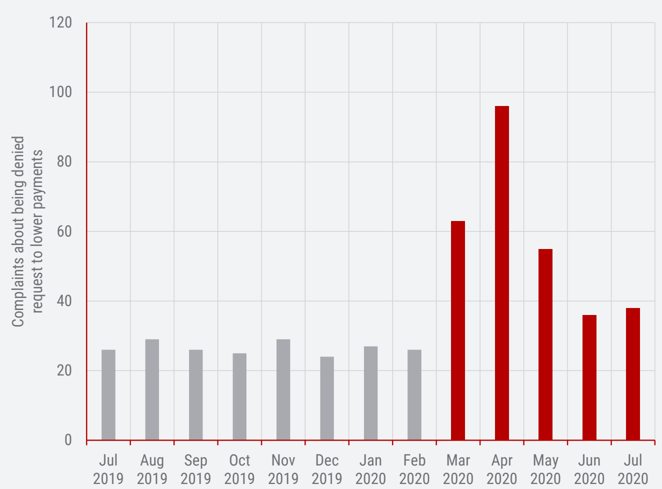
A pattern of abuse

The Consumer Complaint Database reveals scams and abusive practices by banks, captive finance companies, and subprime lenders:

- **Deceptive add-ons**. Dealers often attempt to sell consumers expensive add-on products like extended warranties, service plans and insurance products.
- **High pressure or deceptive sales tactics**. In complaint story narratives, consumers describe feeling pressured into expensive loans and add-on products.
- **Broken billing and payment systems.** More than one in five auto loan and lease complaints are "billing problems" — 42 percent of billing complaint narratives mention the term "late," and broken billing systems causing late fees.

Complaints about being denied requests to lower payments spiked during the COVID-19 pandemic



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- **Harassment over repossessions and debt collection.** Consumers have submitted over 5,000 complaints on debt collection for auto debt, nearly half of which involve harassment from collectors.
- **Yo-yo financing and changing loan terms**. "Yo-yo financing," is when a dealer tries to change loan terms after a consumer has already driven off in their vehicle; a tactic to get consumers to accept higher interest rates than they'd been quoted.
- **Hidden costs when ending a lease.** With leases, returning a vehicle and facing inspection can create opportunities for fees that are based on the judgment of the dealer.

Beyond loans and leases

Buying and maintaining a vehicle can have ripple effects throughout a consumer's financial life — leading consumers to incur debt for vehicle repair expenses, damage to credit reports when loans go sour, financial hardship after a crash or repossession, or the use of a car as collateral in predatory "car title" loans.

The Consumer Complaint Database includes complaints on financial marketplace issues from vehicle expenses and debts:

- **Damaged credit reports** from vehicle debt.
- **High interest loans and credit card debt** to buy or repair a vehicle.
- **Overdrawn bank accounts** resulting from vehicle expenses.

Leaving Americans vulnerable during a pandemic

The amount of outstanding auto debt rose over 75 percent since the end of 2009, with Americans holding auto debt reaching a record high in early 2020. Longer loan terms and expensive add-on products leave more Americans owing more on their vehicles than they are worth — exacerbating vulnerability to economic shocks like the COVID-19 pandemic.

Recommendations

Consumers deserve protections from the scams and abuse that are all-too common in America's current vehicle finance marketplace — and special protection during the COVID-19 crisis. To protect consumers from scams, policymakers must step up enforcement of consumer protection laws. During the pandemic, policymakers must guarantee access to loan relief programs, and ban repossessions, debt collection, and negative credit reporting. Policymakers must permanently protect consumers from predatory or abusive auto loan practices by closing loopholes that allow excessive interest rates.

Helpful Tips if you're a consumer

Don't use "buy-here-pay-here" dealers. Avoid rolling an old loan into a new one and overpriced add-ons. Always read everything, and keep copies. If a dealer does call to say something has fallen through, consult a lawyer. **For more information, visit our Buying A Car Consumer Guide.**

Many complaints have narratives, such as this one, which contains one consumer's account of facing high-pressure sales tactics.

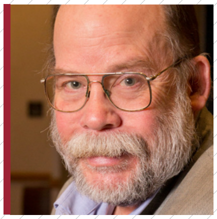
Complaint ID: 3267156 | Date: June 7, 2019

Company: Ally | Product: Loan

Issue: Getting a loan or lease/ High-pressure sales tactics

Company response to consumer: Closed with explanation

I was pressured into co-signing a very expensive auto loan with Ally Financial by a car salesman and general manager at XXXX. I was coerced by the salesman and told that my credit would be the only way the loan could be secured. At the time I did not have steady employment or income to afford the payments on the loan if the owner could not pay. Emotional tactics were used to coerce me into signing the loan. I was under duress when the loan was signed. I had even cried before signing the paperwork. I am now unable to pay the loan as stated in the beginning and I was unaware of the interest rate or total amount of the loan.



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