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# Wisconsin Legislative Council



Anne Sappenfield  
Director

TO: MEMBERS, JOINT COMMITTEE ON FINANCE

FROM: David Moore, Senior Staff Attorney

RE: Department of Justice Proposed Plan of Settlement

DATE: October 31, 2023

This memorandum summarizes a proposed plan of settlement that the Department of Justice (DOJ) submitted to the Joint Committee on Finance pursuant to s. 165.08 (1), Stats., in a letter dated October 24, 2023. DOJ seeks approval of the following settlement.

## **FEDERAL TRADE COMMISSION AND THE STATE OF WISCONSIN V. RHINELANDER AUTO CENTER, INC., RHINELANDER MOTOR COMPANY, RHINELANDER AUTO GROUP, LLC, RHINELANDER IMPORT GROUP, LLC, AND DANIEL TOWNE—AGENDA ITEM I**

*Federal Trade Commission and the State of Wisconsin v. Rhineland Auto Center, Inc., Rhineland Motor Company, Rhineland Auto Group, LLC, Rhineland Import Group, LLC, and Daniel Towne* is an enforcement action related to unfair and deceptive trade practices and discriminatory financing practices.

The Federal Trade Commission (FTC) and the State allege the defendants, who operate a group of affiliated motor vehicle dealerships, engaged in the following actions on numerous instances, in violation of various provisions of federal and state law. They allege the defendants:

- Represented that consumers were required to purchase various “add-on” products (such as Guaranteed Asset Protection (GAP) insurance, prepaid maintenance, tire and wheel protection, key replacement, nitrogen tire fills, or theft recovery) to purchase, lease, or finance a vehicle, though purchasing add-on products was not, in fact, required.
- Charged consumers for add-on products without obtaining consumers’ express, informed consent.
- Imposed higher costs on American Indian consumers than on similarly situated non-Latino white consumers.
- Imposed higher costs, in connection with motor vehicle credit transactions, on American Indian applicants on average than similarly situated non-Latino white applicants.

According to DOJ, the parties have negotiated a resolution to be entered in court through a stipulated consent order, pending approval by this committee. Because ownership of the motor vehicle dealerships changed during the time period the violations were alleged to have occurred, the FTC and State have proposed separate consent orders for two groups of defendants. One pertains to the former corporate

owners, and the other pertains to the current corporate owners and Daniel Towne, the General Manager of the dealerships.

The consent order that applies to the former corporate owners requires them to pay \$100,000, which the FTC and State intend to use for consumer relief. It also permanently enjoins and restrains them from promoting, advertising, marketing, offering for sale or lease, or financing motor vehicles to any customer, or conducting any other business other than the liquidation and wind-up of their prior business.

The consent order that applies to the current corporate owners and Daniel Towne requires them to pay \$1,000,000, which is also intended for consumer relief. The order also permanently enjoins and restrains these defendants from engaging in various unfair and deceptive trade practices and from engaging in unlawful credit discrimination. It further requires the defendants to establish and implement a fair lending program that satisfies certain requirements.

Please let me know if I can provide any further assistance.

DM:kms