

CRAIN'S CHICAGO BUSINESS

SETTLEMENT COULD COST CAR DEALERS

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A soon-to-be-settled class-action suit against a Chicago-area auto dealer could cause headaches for dealers nationwide. The suit, filed last year in U.S. District Court in Chicago against Currie Motors Lincoln-Mercury Inc., challenges how costs of extended warranties are disclosed in sales financing contracts. Plaintiffs Mark and Tenda Slawson allege that extended service contract costs are misrepresented fraudulently because the dealer's profit is not disclosed. The contract used in the Slawson sale was drawn up by Ford Motor Credit Co. and is used nationally. Currie Motors is part of the Currie Group, which owns six Chicago-area dealerships. The case is the first to be settled of 21 suits brought against local dealerships by Chicago lawyer Daniel Edelman. Another lawyer, Vincent DiTommaso of Oakbrook Terrace, has filed 13 similar class-action suits in state court. All are pending. Lawyers for the dealerships describe the cases as "ridiculous" and "a play for attorneys' fees." But sources said the dealerships are being pressured by their insurance companies to settle the claims to avoid hefty court costs. The Slawson suit alleges that Currie Motors Lincoln-Mercury violated federal truth-in-lending and Illinois consumer fraud laws when the Slawsons bought a \$1,195 extended warranty and financed the purchase, along with a used 1992 Oldsmobile Cutlass Supreme in 1994. Currie's markup on the service contract-about \$500, according to court documents-wasn't broken out of the total cost, the Slawsons allege. The settlement, expected to be approved soon by Judge James Holderman, will give each of the 674-member class of service contract purchasers a book of 10 coupons, each worth \$20 toward goods and services at the dealership. The proposed settlement also includes denial of any wrongdoing by Currie Motors and \$26,960 in attorneys' fees for Mr. Edelman's firm. Neither the dealership nor Ford Motor Credit would comment on the settlement. Mr. Edelman expects the Slawson settlement will change how warranty costs are calculated. "Hopefully, this settlement will mean the warranty cost will be negotiated and the price will decline," he said. Crain News Service