

JUL 15 2024

ADMINISTRATIVE HEARING PROCESS

CONSUMER PROTECTION DIVISION,  
OFFICE OF THE ATTORNEY GENERAL,  
200 St. Paul Place, 16<sup>th</sup> Floor,  
Baltimore, Maryland 21202,

Proponent,

v.

DARCARS OF BOWIE, INC. D/B/A  
DARCARS HONDA,  
2260 Crain Highway  
Bowie, MD 20716-3411,

MARIAM, INC.,  
7550 Wisconsin Avenue, 6th Floor,  
Bethesda, Maryland 20770,

JOHN RAHMANGHOLI DARVISH,  
5959 Collins Avenue, Unit 1706  
Miami Beach, FL., 33140,

and,

JAMSHYD DARVISH,  
1177 22nd St. NW, #9D  
Washington, DC 20037,

Respondents.

\* IN THE CONSUMER  
\* PROTECTION DIVISION  
\* OFFICE OF  
\* THE ATTORNEY GENERAL  
\* OF MARYLAND

CPD Case No. 24-017-372787

\* \* \* \* \*

### STATEMENT OF CHARGES

1. The Consumer Protection Division of the Office of the Attorney General of Maryland (the “Proponent,” or the “Division”) institutes this proceeding to enjoin Darcars of Bowie, Inc. d/b/a Darcars Honda, Mariam, Inc., John Rahmangholi Darvish, and Jamshyd Darvish (collectively, the “Respondents”) from engaging in unfair or deceptive trade practices in the course of offering and selling vehicles to consumers in the State of Maryland, and to obtain relief for those consumers victimized by Respondents’ unlawful practices in Maryland.

2. For years, Respondents have advertised, offered, and sold new and used vehicles in Maryland through a car dealership they operate called Darcars Honda, located at 2260 Robert S. Crain Hwy, Bowie, MD 20716. In connection with this business, Respondents have violated, and continue to violate, Maryland's Consumer Protection Act ("CPA"), Md. Code Ann., Com. Law §§ 13-101 through 13-501 (LexisNexis Supp. 2023), through unfair or deceptive trade practices at nearly every stage of Darcars Honda's sales processes, including in the following ways, explained in further detail below:

- (i) by deceptively charging consumers a fee equal to an extra 2% of the vehicle sales price which Respondents misleadingly call a "Sales Commission" and claim is "optional," but that is neither a commission to a salesperson (for all purposes, the fee is just a price increase by another name) nor, in effect, optional;
- (ii) by deceptively advertising new vehicles for prices lower than their true selling prices because the advertised prices fail to include significant charges for dealer added equipment and markups, despite the fact that Maryland car dealer advertising laws require the transparent disclosure of all fees and charges in advertising;
- (iii) by using Closed End Credit ("CLEC") contracts to finance ancillary products that under Maryland law cannot lawfully be financed via CLECs;
- (iv) by deceptively packing consumer vehicle sales transactions with unwanted equipment and products;
- (v) by failing to comply with Maryland's car dealer advertising law requiring the prominent disclosure of dealer processing fees in website advertising offering new vehicles for sale;
- (vi) by failing to adequately disclose and itemize in vehicle sales transaction documents all goods and services that consumers are purchasing, and the pricing for those goods and services, as required by Maryland car dealer sales laws; and,
- (vii) by failing to place a "price statement" with the selling price on each new vehicle offered for sale, as is required under the Maryland Transportation Article.

## **I. THE PARTIES**

3. The Proponent in this proceeding is the Consumer Protection Division of the Office of the Attorney General of Maryland, which is responsible for enforcement of Maryland's consumer protection laws, including the CPA. The CPA prohibits unfair, abusive, or deceptive trade practices in the sale, or offer for sale, of consumer goods. *See* CPA § 13-301. The Division brings this proceeding to redress Respondents' past and present violations, and to prevent them from violating the CPA in the future.

4. Respondent Darcars of Bowie, Inc. d/b/a Darcars Honda ("Darcars of Bowie") is a corporation incorporated under the laws of the State of Maryland that has its principal office at 2260 Crain Highway, Bowie, Maryland 20716-3411. At all relevant times, Darcars of Bowie has operated a new and used vehicle dealership called Darcars Honda located at 2260 Crain Highway Bowie, MD 20716-3411. The members of Darcars of Bowie's Board of Directors are John Rahmangholi Darvish and Jamshyd Darvish, who are also Respondents in this action, and John R. Darvish, who is not named here. John Rahmangholi Darvish has been and is a Darcars of Bowie Officer, and currently serves as its President. Jamshyd Darvish is and has been a Darcars of Bowie Officer, and currently serves as its Executive Vice President, Secretary, and Treasurer. Darcars of Bowie is owned and operated by Mariam, Inc. Darcars of Bowie committed the unfair and deceptive trade practices alleged herein in connection with its operation of Darcars Honda.

5. Respondent Mariam, Inc. ("Mariam") is a Maryland company with its principal place of business at Wisconsin Ave., 6th Fl., Bethesda, Maryland 20814. Respondents John Rahmangholi Darvish and Jamshyd Darvish own and operate Respondent Mariam. Mariam owns and operates numerous Maryland companies, including Darcars of Bowie, that themselves own and operate vehicle dealerships in Maryland, including Darcars Honda. Mariam controlled Darcars

of Bowie's unlawful and deceptive trade practices that are alleged herein. Mariam is liable for violations of the CPA alleged herein because it: (i) possessed and exercised the authority to control the policies and trade practices at Darcars of Bowie; (ii) was responsible for creating and implementing the alleged unfair or deceptive trade practices described herein; (iii) participated in the alleged unfair or deceptive trade practices described herein; (iv) directed or supervised employees at Darcars of Bowie who participated in the alleged unfair or deceptive trade practices described herein; (v) knew or should have known of the unfair or deceptive trade practices described herein and had the power to stop them, but rather than stopping them, promoted their use; (vi) acted in concert with concert with Darcars of Bowie pursuant to a common design regarding the trade practices allege herein; (vii) knew about the trade practices at Darcars of Bowie alleged herein and gave substantial assistance or encouragement regarding that conduct; or, (viii) gave substantial assistance to Darcars of Bowie in accomplishing the trade practices alleged herein and Mariam's own conduct, separately considered, also comprised an unlawful trade practice.

6. Respondent John Rahmangholi Darvish ("John Darvish") is an individual whose residence is 5959 Collins Avenue, Unit 1706 Miami Beach, Florida 33140. John Darvish owns and operates Mariam, which owns and operates Darcars of Bowie. John Darvish, at all relevant times, has owned and operated Darcars of Bowie, has been a member of the Board of Directors of Darcars of Bowie, and has served as an officer of Darcars of Bowie. John Darvish is individually liable for the unfair and deceptive trade practices alleged herein because he: (i) possessed and exercised the authority to control the policies and trade practices of Mariam and Darcars of Bowie; (ii) was responsible for creating and implementing the alleged unfair or deceptive trade practices described herein; (iii) participated in the alleged unfair or deceptive trade practices described herein; (iv) directed or supervised employees of Mariam and Darcars of Bowie who participated

in the alleged unfair or deceptive trade practices described herein; (v) knew or should have known of the unfair or deceptive trade practices described herein and had the power to stop them, but rather than stopping them, promoted their use; (vi) acted in concert with concert with Mariam and Darcars of Bowie pursuant to a common design regarding the trade practices allege herein; (vii) knew about the trade practices at Mariam and Darcars of Bowie alleged herein and gave substantial assistance or encouragement regarding that conduct; or, (viii) gave substantial assistance to Mariam and Darcars of Bowie in accomplishing the trade practices alleged herein and his own conduct, separately considered, also comprised an unlawful trade practice.

7. Respondent Jamshyd Darvish ("Jayme Darvish") is an individual whose residence is 1177 22nd Street NW, #9D Washington, DC 20037. Jayme Darvish owns and operates Respondent Miriam, which owns and operates Darcars of Bowie. At all relevant times, Jayme Darvish owned and operated Darcars of Bowie, has been a member of the Board of Directors of Darcars of Bowie, and has served as an officer of Darcars of Bowie. Jayme Darvish is liable for violations of the CPA alleged herein because he: (i) possessed and exercised the authority to control the policies and trade practices of Mariam and Darcars of Bowie; (ii) was responsible for creating and implementing the alleged unfair or deceptive trade practices described herein; (iii) participated in the alleged unfair or deceptive trade practices described herein; (iv) directed or supervised employees of the Mariam and Darcars of Bowie who participated in the alleged unfair or deceptive trade practices described herein; (v) knew or should have known of the unfair or deceptive trade practices described herein and had the power to stop them, but rather than stopping them, promoted their use.; (vi) acted in concert with concert with Marriam and Darcars of Bowie pursuant to a common design regarding the trade practices allege herein; (vii) knew about the trade practices at Marriam and Darcars of Bowie alleged herein and gave substantial assistance or

encouragement regarding that conduct; or, (viii) gave substantial assistance to Marriam and Darcars of Bowie in accomplishing the trade practices alleged herein and his own conduct, separately considered, also comprised an unlawful trade practice.

## **II. LEGAL AND REGULATORY BACKGROUND**

### **A. The Consumer Protection Act.**

8. The CPA prohibits unfair or deceptive trade practices. CPA § 13-303. The Division investigates and prosecutes potential violations of the CPA. CPA § 13-204(a).

9. A trade practice is deceptive, among other ways, if it involves statements that have the capacity, tendency, or effect of deceiving or misleading consumers, or if the trade practice involves the omission of a material fact that would tend to deceive a consumer. CPA § 13-301(1) and (3). The price of a good or service is always material information to consumers.

10. A trade practice can also be unfair and violate the Consumer Protection Act if it causes substantial injury to consumers, that cannot be reasonably avoided, and the practice does not benefit competition or the marketplace.

11. A deceptive or unfair trade practice is a violation of the CPA regardless of whether any consumer has been misled, deceived, or damaged because of the practice. CPA § 13-302.

12. While a dealer's trade practice can be unfair and deceptive in violation of the CPA without being a violation of a separate Maryland consumer protection law, a violation of other Maryland consumer protection laws, such as those found in the Maryland Transportation Article or the Maryland Commercial Code, is also an unlawful trade practice under the CPA.

13. If, after a hearing, the Agency<sup>1</sup> determines that a merchant has violated the CPA, the Agency may issue an order requiring the violator to cease and desist from the violation and to take affirmative action, including the restitution of money or property. CPA § 13-403(b)(1)(i). The Agency may also order a violator to pay the costs of the action and a penalty of up to \$10,000 for each of its violations. CPA §§ 13-409 and 13-410.

**B. The Maryland Transportation Article.**

14. The Maryland Transportation Article, MD. CODE ANN., TRANSP. § 15-101, *et seq.* (LexisNexis Supp. 2023) and its corresponding regulations, regulate vehicle dealers in Maryland, including through consumer protections that prohibit dealers from misleading consumers about vehicle pricing and that prohibit dealers from charging surprise junk fees, *i.e.*, fees from which a consumer gets no added value and that simply add to the cost of a transaction that are, in essence, price increases under a guise.

15. Under TRANSP. § 15-313(a), a “dealer or an agent or employee of a dealer may not use any advertisement that is in any way false, deceptive, or misleading.”

16. The Transportation Article makes clear that it is false, deceptive, and misleading for a dealer to advertise “the purchase price of a vehicle” when that advertised price is not “the full delivered purchase price of the vehicle, excluding *only* taxes, title fees, and any freight or dealer processing charge...” TRANSP. § 15-313(c)(1)(i) (emphasis added).

17. The corresponding Maryland Code of Regulations also provides that “[a]dvertising a vehicle at a price which does not include equipment with which it is fitted or is ordinarily fitted ... for the purpose of advertising a low price and baiting the customer into charges above the

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<sup>1</sup> The Consumer Protection Division of the Maryland Attorney General’s office acting in its enforcement capacity is referred to herein as the Division, while the Consumer Protection Division acting in its role as an adjudicative body is referred to herein as the “Agency.”

advertised price is prohibited.” COMAR 11.12.01.14.D(3).

18. To further ensure price transparency, the Transportation Article requires dealers to “attach” a “price statement to a window of a vehicle, next to any other price disclosure required by law,” stating the “total price for which the dealer is offering to sell the vehicle,” including any dealer processing charge, TRANSP. § 15-311.1(f), *i.e.*, the price statement is supposed to have an “all in” price, just like price advertising is supposed to reflect the “all-in” price.

19. Under the Transportation Article, in connection with a vehicle sale, a dealer can change consumers *only* the following two fees for the dealer’s sales activities and other overhead expenses: (i) a “freight” fee for the cost of transporting a vehicle from the manufacturer to the dealership; and, (ii) a “dealer processing charge,” which cannot exceed \$500, for any and all administrative costs and tasks in connection with selling the vehicle. TRANSP. § 15-311.1.

20. To ensure that consumers are aware of these extra overhead charges before visiting the dealer’s lot, the Transportation Article requires that, if a dealer advertises “the price of a vehicle, the amount of any dealer processing charge and freight charge shall be included in the advertised price unless the dealer clearly and conspicuously discloses the amount of the dealer processing charge and freight charge in at least 10 point and bold font within reasonable proximity to the advertised price.” TRANSP. § 15-311.1(e).

21. To further confirm that consumers fully understand all the fees and charges they ultimately will pay, the Transportation Article also requires dealers to provide consumers with a contract for the sale of a vehicle, *i.e.*, a Buyer’s Order, containing (among other things not relevant here) “the base price of the vehicle,” TRANSP. § 15-311(b)(1), a “clear and specific description of each extra item and each extra charge not included in the base price of the vehicle ordered by the buyer,” TRANSP. § 15-311(b)(3), and any “other charge made in connection with the sale of the



vehicle,” TRANSP. § 15-311(a)(5); *see also* COMAR 11.12.01.15.D.

22. Respondents, at their Darcars Honda dealership, have violated the Transportation Article in the following ways: (i) in addition to the authorized freight charge and \$500 dealer processing charge, unlawfully and misleadingly charging consumers a further overhead fee equal to an additional 2% of the vehicle purchase price and other add-on items (often several hundred or over a thousand dollars) to purportedly “offset” Darcars Honda’s overhead commitments to pay its sales people and other employees, a fee that Respondents deceptively call a “Sales Commission”; (ii) by unlawfully advertising prices that omit charges for dealer added equipment and price markups; (iii) by failing to enumerate charges that comprise the difference between a vehicle’s base price and the ultimate selling price on consumer Buyers Orders; (iv) by failing to include an appropriate disclosure of their Dealer Processing charge in internet advertisements; and (v) by failing to place “price statements” on each car with the vehicle’s selling price.

### **C. Maryland’s Closed End Credit Provisions.**

23. Respondents finance consumer vehicle purchase transactions via installment sales agreements that elect to be governed under the Maryland Code, Commercial Article’s Credit Grantor Closed End Credit Provisions, MD. CODE ANN., COM. LAW § 12-1001, *et seq.* (LexisNexis Supp. 2022) (“CLEC Provisions”).

24. Section 12-1002 of the CLEC Provisions permits dealers to finance via closed end credit contracts only those charges that are specifically authorized by statute.

25. Under CLEC Provisions § 12-1005(a) and (b), dealers may only finance specific types of dealer expenses like government taxes, title fees, filing fees, and the like. Dealers may not finance stand-alone fees covering their general overhead like employee salaries or sales commissions owed.

26. The CLEC Provisions also tightly limit the kinds of ancillary products that dealers can finance via closed end credit contracts. Authorized products are limited to the following two things: (i) “The cost to the borrower of an optional debt cancellation agreement, provided that the cost of the debt cancellation agreement is separately itemized in the financing agreement,” CLEC Provisions § 12-1005(c), and (ii) “the cost to the borrower of a mechanical repair contract sold in connection with a motor vehicle, provided that the cost of the mechanical repair contract is separately itemized in the financing agreement,” CLEC Provisions § 12-1012(a)(1).

27. Respondents, through their Darcars Honda dealership, violated the CLEC Provisions by financing the following things via closed end credit contracts: (i) a deceptive “Sales Commission” fee, which is not a sales commission and instead goes to Respondents, equal to an additional 2% of the vehicle purchase price fee; and (ii) ancillary products, regularly costing from about \$1,000 to \$2,500, which are not authorized to be financed through closed end credit contracts.

### **III. FACTUAL ALLEGATIONS**

28. As set forth below, Respondents have committed thousands of unfair and deceptive trade practices in violation of the CPA in connection with their advertisement, sale, and financing of vehicles sold to consumers in Maryland through their Darcars Honda dealership.

#### **A. Respondents’ Unlawful Charge of a 2% Overhead Fee.**

29. On or about October 1, 2021, Darcars of Bowie’s owners John and Jayme Darvish, and the senior management of Mariam, developed and adopted a practice at Darcars Bowie of Darcars Honda unlawfully and misleadingly charging consumers, in addition to the price for a vehicle, a supposedly “optional” fee (the “2% Overhead Fee”) equal to an extra 2% of the vehicle

price plus 2% of the cost of certain ancillary products that Darcars Honda sells.<sup>2</sup> Darcars Honda has charged this fee in thousands of transactions and continues to charge the fee to date.

30. While Respondents misleadingly call this fee a “Sales Commission” in all Darcars Honda’s written disclosures to consumers, in fact the 2% Overhead Fee is not a sales commission at all. Rather than being a sales commission paid to a salesperson, as the term “Sales Commission” indicates, Respondents use the funds from the 2% Overhead Fee to offset their existing obligations to pay sales commissions and salaries to their employees and recoup that amount as profit.

31. Explained differently, and to highlight what the 2% Overhead Fee really is, Respondents are obligated to pay sales commissions and salaries to their employees *regardless* of whether consumers pay the supposedly optional 2% Overhead Fee. Consumers get *no* added benefit from paying the 2% Overhead Fee. Respondents’ employees get *no* benefit from consumers paying the 2% Overhead Fee.

32. When a consumer pays the 2% Overhead Fee, the entire benefit from the payment goes *entirely* to the Respondents. For all purposes, therefore, the 2% Overhead Fee is simply an increase to the price of the vehicle that the Respondents have deceptively broken out as a supposed independent “fee” and misleadingly labeled as a “Sales Commission.”

33. This extraordinary practice is unlawful for many reasons. As an initial matter, the Respondents’ charge of the 2% Overhead Fee is *per se* unlawful under the Transportation Article. As discussed above, the Transportation Article prohibits dealers from increasing the price of their vehicles via junk charges, limiting dealerships to charging only two specific fees covering their overhead: (i) a freight fee, and (ii) a \$500 dealer processing fee. TRANSP. § 15-311.1. Thus,

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<sup>2</sup> The relevant ancillary products are the Darcars Assurance and the Darcars Protection Plan. Those products are described below.

Respondents charge of the 2% Overhead Fee is both unlawful under the Transportation Article and violates the CPA because it is deceptive and unfair for merchants like Respondents to charge legally prohibited fees to consumers.

34. Respondents' charge of the 2% Overhead Fee is additionally deceptive because consumers are not adequately informed either of what the fee is or that it is optional: Darcars Honda's consumers are not sufficiently told that the fee is a voluntary 2% price increase on their transaction from which neither they nor Respondents' salespeople get any benefit.

35. To begin, as stated, Respondents misleadingly call the 2% charge a "Sales Commission" in each of Darcars Honda's written disclosures that refer to the fee. Those disclosures, in their totality, are comprised of the following materials: (i) the Buyer's Order provided to each consumer, which calls the fee a "Sales Commission"; (ii) the dealership's website which, for the brief time between on or about October 2021 and April 2022 mentioned a 2% Overhead Fee, in small print, at the bottom of multiple pages of price advertisements, as a "2% sales commission charge" (Respondents stopped mentioning the charge on the website altogether on or about April 2022); (iii) an internal "worksheet" Respondents sometimes show to consumers for sales purposes that refers to the fee, in fine print, as a "2% sales commission" and, oddly, as "taxable fees"; and (iv) an "Elected Options" form the dealership started using in May 2022 (seven months after Darcars Honda started charging the fee) which also calls the fee a "Sales Commission."

36. The only place in writing where Darcars Honda's consumers can possibly learn the truth about the "Sales Commission" is on the back of the Buyer's Order where, in small print, at the bottom of a list of sixteen things, fifteen of which are unrelated to the 2% Overhead Fee, it says the following:

16. **SALES COMMISSION CHARGE:** The Sales Commission Charge collected on a new or used vehicle sale is an amount that partially offsets the commission and other compensation amounts paid to sales consultants, managers, and support staff in conjunction with activities leading up to and including the sale of the vehicle. The Sales Commission Charge does not cover administrative services, including but not limited to, complying with federal or state privacy laws, document and/or record retaining, title document filing, lien release obtainment, title and/or license plate obtainment, or preparation of written documentation of the transaction.

37. Neither the front of the Buyer's Order nor any of Respondents' other written documents mentioning the 2% Overhead Fee inform consumers they need to look at the back of the Buyer's Order for an explanation of what the fee really is. Respondents do not orally direct consumers to the disclosure. Nor do Respondents orally explain to consumers what the fee really is. The fee simply shows up, unexplained, in the paperwork.

38. Thus, if Darcars Honda's consumers do not notice the charge in their voluminous and confusing sales transaction paperwork, they pay the 2% Overhead Fee without realizing.

39. If a consumer does notice the fee in the paperwork, all they see is a charge called a "Sales Commission." They cannot understand what the fee really is unless they happen, unprompted and undirected, to find and read the sixteenth point, in small print, on the back of the Buyer's Order.

40. Importantly, Darcars Honda's paperwork also fails to adequately inform those consumers who notice the charge that the 2% Overhead Fee is optional. Respondents additionally fail to orally tell consumers that the fee is optional.

41. Darcars Honda's website has never indicated that the fee was optional. Darcars Honda's "worksheets" have never mentioned that the fee is optional. Darcars Honda's Buyer's Orders have never mentioned that the fee is optional: importantly, the supposed optionality of the fee is not even on the back of the Buyers Orders where the 2% Overhead Fee is otherwise defined. To the contrary, in all its paperwork, Darcars Honda describes the fee as a "Sales Commission" and a "charge" which indicates to consumers that paying the 2% Overhead Fee is a required charge.

42. And while Darcars Honda's so-called "Elected Options" document states that the items listed on the sheet are "optional" and "not required by law or as a condition of sale," this document is still deceptive and not nearly sufficient to provide consumers a real choice about paying the 2% Overhead Fee for several reasons.

43. As an initial matter, the presence of the 2% Overhead Fee in the Elected Options Form, which is just one of many forms presented to consumers, can easily be overlooked and Darcars Honda's does not direct consumers to this disclosure during the long, paperwork-heavy, and often confusing car purchase process.

44. Further, when consumers notice the charge in the document (as with all Respondents' paperwork) the form misleadingly calls the charge a "Sales Commission" without describing what the charge really is. Consumers cannot meaningfully decide whether to pay a fee, especially an unexpected and misleadingly named fee like the 2% Overhead Fee, without knowing what the fee truly is or who benefits from the fee's proceeds.

45. And the 2% Overhead Fee appearing in the document without explanation creates a situation where, rather than the fee being presented as truly "optional," i.e., where a consumer is shown the charge and then asked to opt-into paying it, the fee is presented as an opt-out charge, i.e., a charge where the consumer has to notice the fee and then demand that the fee be removed, which minimizes, and discourages consumer choice. Put differently, the 2% Overhead Fee cannot be considered truly "optional" when the onus is entirely on the consumer to notice the charge, figure it out, deduce that it can be removed while still completing the purchase of the car, and then demand that the fee be removed.

46. Tellingly of the fact that consumers do not understand the fee or whether it is optional, Darcars Honda's consumers have paid the fee in nearly every sales transaction since Respondents implemented the 2% Overhead Fee in October 1, 2021.

47. Respondents violated the CPA each time they added the 2% Overhead Fee to the purchase price of consumers' vehicles.

### **B. Respondents' Unlawful Website Price Advertising.**

48. From at least January 1, 2019, through the present, Respondents have misleadingly advertised vehicles prices for the new vehicles offered for sale on Darcars Honda's website, darcarshonda.com, in violation of the CPA and the Transportation Article. Respondents put vehicle prices on Darcars Honda's website that fail to include significant known charges, including hundreds of dollars in charges for dealer installed equipment, and hundreds or thousands of dollars in markups they call "adjusted market value" charges.

49. To begin, Respondents often advertise vehicles on Darcars Honda's website for a "DARCARS Price" or a "SELLING PRICE," each shown as a reduction from MSRP.

**2023 Honda Ridgeline RTL-E**  
[View Details](#)


**Body Style:** 4D Crew Cab  
**Engine:** 4 Cyl 3.5 L  
**Drive Type:** AWD  
**Transmission:** 9-Speed Automatic  
**Ext. Color:** Modern Steel  
**Int. Color:** Gray  
**MPG:** 18 City / 24 Hwy  
**VIN #:** 5NKK3P7M8044829  
**Stock #:** 5P4514  
**Dealership:** DARCARS Honda

MSRP: \$44,105  
**DARCARS Price: \$44,605**

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Manufacturer's Suggested Retail Price (MSRP). For informational purposes only and not an offer for sale and does not include the amount of a certain federal excise tax, applicable state taxes, and any other available equipment.



**2022 Honda Pilot Touring 7 Passenger**  
 Darcars Honda's Website

Body Style: 4D Sport Utility	MSRP: \$47,145
Engine: 3.5L V-6	DARCARS Savings: \$439
Drive Type: AWD	<b>SELLING PRICE: \$46,706</b>
Transmission: 9-Speed Automatic	Asst. Honda Office: \$1,750
Mileage: 0 mi	
MPG: 19 City / 26 Hwy	
VIN: # 5TMYF4H47NB017247	
Stock #: 295521	
Dealership: DARCARS HONDA	

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[TEST US](#)

50. However, Respondents sold these vehicles, and hundreds of others, for more than the advertised SELLING PRICE or DARCARS Price. The increases between the advertised price and the sales prices included the following: (i) charges for dealer-added equipment that had already been added to the car at the time the vehicle was offered for sale, which charges Respondents are specifically required to put in the advertised price under the Transportation Article and COMAR 11.12.01.14.B(1); and (ii) markups to the car price called “adjusted market value” charges that also should have been included in the required “all in” advertised price, TRANSP. § 15-313(c)(1)(i).

51. At those times when consumers go to the dealership and ask to pay the advertised SELLING PRICE or DARCARS Price for the vehicles, the Respondents will tell those consumers that they must pay more because the advertised vehicles were not actually for sale at the advertised price. Consumers are told that they must pay the extra, unadvertised charges for dealer added equipment and/or for markups that the dealer had added to the price.

52. Respondents also misleadingly advertised Darcars Honda’s vehicles for sale by displaying the Manufacturer’s Suggested Retail Price (“MSRP”) next to vehicles that they offer for sale on Darcars Honda’s website that Respondents did not intend to sell for MSRP. Below is an example of such an advertisement, which sold for thousands of dollars above the listed price.



**JUST ARRIVED**  
PHOTOS COMING SOON!

**2022 Honda Civic**  
[View Vehicle Details](#)

Body Style: 4D Sedan  
Engine: 4 Cyl. 1.5 L  
Drive Type: FWD  
Transmission: 6-Speed Manual  
Ext. Color: Rallye Red  
Int. Color: Black  
VIN #: 2H0FE1E55N470101  
Stock #: 2P0558  
Dealership: DARCARS Honda

MSRP: \$28,315  
Add Honda Offers: 0 \$1,000

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53. This trade practice is misleading because while Respondents are advertising Darcars Honda's vehicles for sale using the MSRP, Respondents do not disclose that, in addition to the MSRP as a base price for the vehicles, Respondents are charging more for the vehicles for undisclosed markups for equipment that was already added to the vehicle by the dealer (including the "DARCARS Value Package," described below) and/or for additional price markups, often in the thousands of dollars. When consumers request to pay the advertised MSRP for a vehicle, Respondents charge them more than the advertised price because of the dealer added equipment and markups not disclosed in the advertisements.

54. Because the Respondents' practice is to not include charges for dealer added equipment or markups in Darcars Honda's vehicle advertising, Respondents do not accurately advertise the price of Darcars Honda vehicles for which they charge a markup or for dealer added equipment.

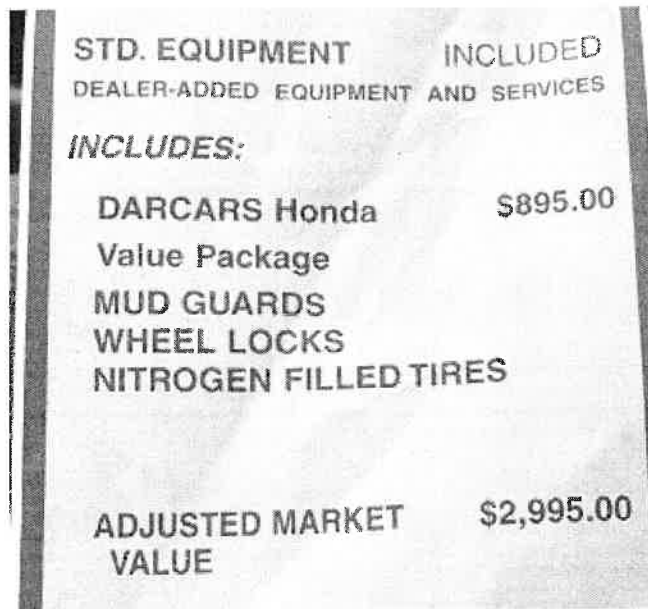
55. This means that while sometimes Respondents advertise Darcars Honda's vehicles for MSRP, or as a SELLING PRICE or DARCARS PRICE less than MSRP, they do not advertise a price for over MSRP, even when Respondents know at the time of the advertisement that they are charging more than MSRP for their vehicles, including for dealer added equipment and large

markups. When they advertise for a price under MSRP that price, too, excludes undisclosed charges.

56. To be clear, Respondents are required under the Transportation Article to know the total price, including all charges and markups, for each vehicle that they are advertising as offered for sale *before* they advertise and offer the vehicle for sale. As stated above, the Transportation Article requires dealers to put an all-in price in a “price statement” affixed to the window of each vehicle they offer for sale. TRANSP. § 15-311.1(f). Thus, when Respondents advertise for one price, they already know, and in fact are required by law to know, whether the actual price they are charging for the advertised vehicle is higher than the advertised price.

57. Compounding their deceptive advertising trade practice, Respondents at some point adopted a regular practice of preinstalling equipment onto their cars and charging consumers extra for this equipment. This practice includes the regular installation of something called the “DARCARS Honda Value Package,” which includes putting nitrogen in a car’s tires and installing mudguards and wheel locks, for which Respondents charge \$895.

58. The following image is of a “price statement” that Respondents affixed to a vehicle after preinstalling the “DARCARS Honda Value Package” onto the car:




59. Yet, despite regularly installing the DARCARS Honda Value Package onto Darcars Honda's vehicles, and charging consumers \$895 for it, and despite the Maryland dealer advertising law requiring that charges for installed equipment be included in advertised prices, Respondents did not include the charge for a DARCARS Honda Value Package in the advertised price of a vehicle advertisement on their website.

60. Similarly, the above screenshot shows a \$2,995 "ADJUSTED MARKET VALUE," charge, which is just a dealer price markup. Despite regularly including ADJUSTED MARKET VALUE charges in its vehicle pricing, Respondents did not include the amount of an ADJUSTED MARKET VALUE charge in the advertised price of a vehicle advertisement on its website.

61. Notably, on or about mid-to-late April of 2022, apparently in response to the Division's investigation into Darcars Honda's trade practices, Respondents changed Darcars Honda's website advertising practices by inserting into the advertisements for their vehicles a strangely worded statement that the MSRP, when displayed alone (the disclosure does not appear when MSRP is accompanied by a discounted price), "is for informational purposes only and is not

an offer for sale.” The appearance of that statement, which continues to date, is reflected in the following screenshot from April 2023.

Sort by: Years High to Low Show: 10



**2023 Honda Ridgeline RTL**  
VIEW DEALER LISTING

Body Style: 4D Crew Cab  
Engine: 6 Cyl - 3.5 L  
Drive Type: AWD  
Transmission: 9 Speed Automatic  
Ext. Color: Pacific Pearl Metallic  
Int. Color: Black  
MPG: 18 City / 24 Hwy  
VIN #: 5PYNK3FB1P9006035  
Stock #: 2P4506  
Dealership: DARCARS Honda

**MSRP: \$43,470**

CHECK AVAILABILITY

ESTIMATE YOUR TRADE

TEXT US

DARCARS ASSURANCE

Manufacturer's Suggested Retail Price (MSRP) is for informational purposes only and is not an offer for sale and does not indicate the availability of a vehicle. Please contact an authorized sales manager for pricing and availability.

SNEAK PEEK

VIEW OPTIONS

Send To Mobile

62. The following is a blow-up of the aforementioned language:

*Manufacturer's Suggested Retail Price (MSRP) is for informational purposes only and is not an offer for sale and does not indicate the availability of a vehicle. Please contact an authorized sales manager for pricing and availability.*

63. While Respondents presumably intend this statement to inoculate themselves from liability while they continue to refuse to publish their true, higher selling prices for the vehicles Darcars Honda offers for sale, the statement does have that inoculating effect. Respondents' acts of publishing and prominently displaying the MSRP of a vehicle offered for sale are more than capable of misleading consumers in those instances where Respondents know that their advertisements are omitting significant additional charges for dealer added equipment and

markups, charges that are material to consumers' decisions whether to purchase the vehicles and that are required to be disclosed under the Transportation Article.

64. Each time Respondents advertised a Darcars Honda vehicle for MSRP, a SELLING PRICE, or a DARCARS PRICE without including charges such as for dealer installed equipment like the DARCARS Value Package or for markups like the ADJUSTED MARKET VALUE charge, Respondents violated the CPA. Respondents also violated the CPA when they sold vehicles for more than the advertised price.

**C. Respondents' Unlawful Practices of "Packing" Equipment and Ancillary Products onto Transactions and Failing to Enumerate Charges for Added Equipment on Consumer Buyers Orders.**

65. Respondents are selling Darcars Honda's consumers added equipment and products ancillary to the purchase of their vehicles that the consumers do not know they are purchasing or do not want.

66. As discussed, Respondents sell Darcars Honda's consumers a "DARCARS Honda Value Package," which seemingly is nearly always preinstalled onto vehicles before being offered for sale, and which includes nitrogen in a vehicle's tires, wheel locks, and mudguards, for a charge of \$895.00.

67. While a charge for the DARCARS Honda Value Package has regularly been included in Darcars Honda's transactions, Respondents claim that purchasing the DARCARS Honda Value Package is optional for consumers. Much like with 2% Overhead Fee, however, the Respondents' process for charging for the equipment effectively removes any consumer choice about buying the products.

68. As with the 2% Overhead Fee, those consumers who do not notice the DARCARS Honda Value Package charge in their paperwork in the first instance have no opportunity to decline

it. Respondents do not affirmatively point the charge out to Darcars Honda's consumers, let alone tell them that it is optional. Thus, many consumers have paid for these products without asking for them or even knowing that they were charged for them.

69. Consumers who do notice the charge before purchasing their vehicles are led by Respondents' paperwork, and by Darcars Honda sales staff, to believe that purchasing the products is mandatory. Nothing in Respondents' paperwork says that the purchase is optional. Indeed, the "price sticker" Respondents place on their cars invariably says that the charge for the DARCARS Honda Value Package is "included" in the price of the vehicle.

70. In instances where Darcars Honda's consumers notice the charge and question it, Respondents often tell those consumers either that purchasing the DARCARS Honda Value Package is mandatory. Other times, they say that the charge will be removed but then, nevertheless, the price of the vehicle is not reduced by the amount of the charge for the products.

71. Helping to enable these deceptive and unfair practices is Respondents' separately unlawful practice of failing to list the dealer-added equipment that consumers purchase, and the amounts charged for that equipment, on Darcars Honda's consumers' Buyer's Order. Respondents do not separately list the DARCARS Honda Value Package, its price, or the price of any other added equipment on consumer Buyer Orders, as is required by TRANSP. § 15-311(b)(3).

72. Instead, in consumer Buyer's Orders, Respondents include the charge for the DARCARS Honda Value Package, along with any price markups like the ADJUSTED MARKET VALUE charge, within the total price for the vehicle, making it impossible for consumers to discern from their Buyers Orders whether, or how much, they ultimately were charged for equipment like the DARCARS Honda Value Package. Including the cost of the DARCARS Honda Value Package in the price of the vehicle not only obfuscates whether the consumer is being

charged for the equipment and how much, but also indicates that the charge for the equipment is included in the price and not optional.

73. Respondents also have deceptively charged Darcars Honda's consumers for other ancillary products, including: (i) vehicle service contracts; (ii) a product called the Darcars Assurance, which costs up to \$2,500, and which, primarily, purports to provide "assistance" to consumers who have had their vehicles stolen, totaled, or damaged so as to require "body repair," in the form of a discount equal to the insurance deductible the consumer actually pays, up to \$2,5000, off a replacement vehicle from Darcars Honda; and (iii) a Darcars Protection Plan, ordinarily costing \$1,250, the primary benefit of which is oil changes from Darcars Honda for the vehicle's life.

74. Consumers who did not request these ancillary products are often not made aware by Respondents that they are being charged for them, are told they must purchase the ancillary product to purchase the car or are misled by Respondents about whether they are being charged for the ancillary product.

75. Often, Respondents simply place charges for these ancillary products on a consumer's Buyer's Order without pointing the charges out to the consumer or explaining the products to them, in which case, many times, the consumer buys the product without noticing.

76. Other times, Respondents mislead Darcars Honda's consumers concerning the cost of these ancillary products by falsely claiming that the products do not cost extra, or that the ancillary products "come with" the vehicle when purchased (the products cost extra), after which the misled consumers often do not notice the extra charges in their paperwork.

77. In other instances, consumers specifically decline to purchase these products, but the items are never removed from the consumers' Buyers Orders and the Respondents charge consumers for the products anyway.

78. On still other occasions, Respondents tell the consumer that the purchase of the ancillary product is required to purchase the vehicle.

79. Each time Respondents sold an ancillary product without a consumer's full knowledge and willing consent, they violated the CPA. Respondents also violated the CPA each time they failed to enumerate charges for added equipment on a consumer's Buyers Order, as required under the Transportation Article.

**D. Respondents Unlawfully Finance Charges for the 2% Overhead Fee and Certain Ancillary Products via CLEC Contracts.**

80. As part of Darcars Honda's vehicle sales transactions, Respondents often unlawfully finance consumer charges via closed end credit contracts that cannot lawfully be financed via that kind of contract.

81. As described above, the CLEC Provisions allow dealers to finance only specific enumerated charges via closed end credit contracts, including charges for the price of the item being purchased, taxes, interest, GAP contracts, service contracts, certain of the dealership's actual expenses in making the loan, and other amounts the consumer must pay third parties in connection with the transaction. CLEC Provisions § 12-1005(a) and (b).



82. Despite this, Respondents unlawfully financed via Darcars Honda's closed end credit contracts consumer charges for the following things: (i) the 2% Overhead Fee; (ii) the Darcars Assurance; and (iii) the Darcars Protection Plan.<sup>3</sup>

83. Darcars Honda's' closed end credit contracts further violate the CLEC Provisions because each consumer charge must be enumerated in the contract. CLEC Provisions § 12-1005(a)(2)(i). Despite this mandate, Respondents fail to enumerate the separate charges for the 2% Overhead Fee, Assurance, or Protection Plan in their closed end credit contracts. Instead, Respondents typically roll those charges into the stated vehicle "cash price" in the closed end credit contract, a line item which is not described in the contract as containing charges for those kinds of things (the cash price may only include amounts for taxes, accessories, or services already rendered by the credit grantor or its agents). In other instances, the 2% Overhead Fee appears in an inapplicable field such as line items for taxes and official fees, which misrepresents the charge.

84. Respondents violated the CPA each time they financed these charges via closed end credit contracts and failed to enumerate the charges in a closed end credit contract, in violation of the CLEC Provisions.

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<sup>3</sup> The Darcars Assurance and the Darcars Protection Plan are not "debt cancelation agreements" or "mechanical repair contracts," which can be financed via CLECs. They are not mechanical repair contracts because the statutory definition excludes contracts covering regular maintenance, like the Darcars Assurance and Darcars Protection Plan do. COM. LAW § 12-1001(k); TRANSP. § 15-311.2(a)(3)(iii). Nor are the products "debt cancelation agreements," which are defined as agreements that provide "for cancellation of the remaining loan balance" in the event of a vehicle's "theft" or "total destruction." COM. LAW § 12-1001. The Darcars Protection Pan has nothing to do with debt cancelation, while the Darcars Assurance only gives consumers a discount off the purchase of a new vehicle from Darcars Honda equal to the consumer's insurance deductible up to \$2,500 if a car gets totaled or stolen. Indeed, Respondents at times sell consumers vehicle service contracts and GAP protection products, along with charging consumers for the Darcars Assurance and the Darcars Protection Plan, making the products virtually worthless.

**E. Respondents' Unlawful Failure to Provide Required Disclosures Relating to Their Dealer Processing Charge in Their Website Advertising.**

85. While Respondents charge consumers a \$500 processing charge in every transaction, Respondents have not lawfully disclosed this charge in Darcars Honda's website advertising.

86. As described above, the Transportation Article requires that, to the extent a dealer intends to charge a dealer processing charge, that charge must be included in the advertised price or disclosed in bold and 10-point font within a “reasonable proximity” of any advertised vehicle price to ensure that consumers are readily informed of the potential charge. TRANSP. § 15-311.1. Despite this, Respondents have never included a disclosure about their dealer processing charge in their website advertising that complies with the Transportation Article.

87. To see Respondents' disclosure about the dealer processing charge on Darcars Honda's website, consumers must scroll through many pages of vehicle price advertisements before reaching a "disclaimer" at the very bottom of the webpage. There is no statement or other indication in the price advertising itself informing consumers that the disclaimer can be found at the bottom of the webpage; to read the disclosure, consumers must chance upon it.

88. Moreover, as shown in the following screenshot, the disclaimer is not, as required, in “10 point and bold font”, but instead it is in writing that is lighter and smaller than any other text on the webpage.

◎ 144 (17) 99

89. Respondents violated the CPA each day they failed to provide the required disclosure about their dealer processing charge on Darcars Honda's website.

**F. Respondents' Unlawful Failure to Put Prices on the Vehicles they Offer for Sale.**

90. As discussed above, Maryland vehicle dealerships are required to place offering prices in "price statements" affixed to the windows of vehicles offered for sale on their lots. TRANSP. § 15-311.1(f).

91. However, Respondents' policy is to place offering prices on the vehicles on their lot only when Darcars Honda has preinstalled equipment like the DARCARS Honda Value Package onto a car.

92. In those circumstances where there is not a price sticker on the car, for a consumer to find out the price of a Darcars Honda vehicle, one of Respondents' sales representatives will bring that consumer into the sales office, where the consumer waits while the representative, allegedly, generates a bespoke offering price on the spot.

93. Respondents violated the CPA each time Darcars Honda failed to put a price sticker on a vehicle they offered for sale.

**IV. VIOLATIONS OF THE CONSUMER PROTECTION ACT**

94. The Division incorporates paragraphs 1 through 93 as if they were fully alleged herein.

95. Respondents' practices, as set forth above, constitute unfair and deceptive trade practices in the sale and offer for sale of consumer goods and services that violate the Consumer Protection Act.

96. The goods and services Respondents offer and sell to consumers are consumer goods and services pursuant to §13-101(d)(2) of the CPA because they are used for personal, family, or household purposes.

97. Respondents are merchants as defined by §13-101(g)(1) of the CPA.

98. Respondents have engaged in unfair and deceptive trade practices in connection with the offer or sale of consumer goods and services that are generally prohibited by §13-303(1), (2) and (4) of the CPA.

### **Deceptive Trade Practices**

99. Respondents made false and misleading statements to consumers, both express and implied, that had the capacity, tendency, or effect of deceiving or misleading consumers, and are deceptive trade practices prohibited by § 13-303 of the CPA, as further defined in § 13-301(1) of the CPA when they did the following things:

- (i) misrepresented the price of Darcars Honda's new vehicles, including when they advertised vehicles for sale at prices, including MSRP and prices listed as discounts from MSRP, that failed to include charges for dealer added equipment and price markups;
- (ii) misrepresented the nature, optionality, legality, and purpose of the 2% Overhead Fee;
- (iii) misrepresented that products and fees could be financed via CLECs when those products and fees could not lawfully be financed via CLECs;
- (iv) deceptively charged consumers for unwanted equipment and products;
- (v) on their website, deceptively placed the disclosure relating to their dealer processing charge unreasonably far from the advertised prices for vehicles; and,
- (vi) in their Buyers Orders, deceptively including only the base price for a vehicle and a total vehicle price including various fees and charges, rather than separately listing all the fees and charges that comprised the difference between the base price and the total vehicle price.

100. Respondents failed to state material facts to consumers about Darcars Honda's vehicle sales transactions, the omission of which deceived or would tend to deceive consumers and are deceptive trade practices prohibited by § 13-303 of the CPA, as further defined in § 13-301(3) of the CPA, including when they did the following things:

- (i) failed to point out the 2% Overhead Fee, failed to advise consumers that the 2% Overhead fee is unlawful, and failed to inform consumers about the fee's nature, purpose, and optionality;
- (ii) failed to disclose to consumers that the prices that Respondents had advertised for their vehicles in Darcars Honda's website, including MSRP, did not include charges for dealer added equipment or markups;
- (iii) failed to adequately disclose to consumers that they were purchasing equipment and ancillary products that the consumers were unaware of, did not understand the price of, or did not want;
- (iv) failed to inform consumers that financing the 2% Overhead Fee and certain ancillary products via CLECs was unlawful;
- (v) failed to enumerate all charges in consumer Buyers Orders, as required by law; and,
- (vi) failed to lawfully disclose Respondent's dealer processing fee in their website advertising.

101. Respondents offered and sold consumer goods and services without the intent to sell them as advertised or offered, which is a deceptive trade practice prohibited by § 13-303 of the CPA, as further defined in § 13-301(5) of the CPA, when they advertised their vehicles for a selling or purchase price for which the vehicles could not be purchased.

### **Unfair Trade Practices**

102. In their offer and sale of goods to consumers, Respondents engaged in unfair trade practices that violated § 13-303 of CPA.

103. Respondents' practices, set forth above have and are likely to cause substantial injury to consumers. Consumers were and are substantially harmed each time they paid fees that were or are not adequately disclosed or explained and/or that were illegal. Consumers were substantially harmed each time they were or are misled into purchasing goods or services they did not know of, did not want, did not understand the cost of, or were or are misleadingly told are

mandatory to purchase. Respondents substantially injured consumers by entering into closed end credit contracts with consumers that were unlawful under the CLEC Provisions. And, Respondents substantially injured consumers when they unlawfully advertised Darcars Honda's vehicles for prices without including charges for dealer added equipment or markups, yet demanded that consumers attempting to purchase the cars pay more than the advertised price.

104. Consumers who purchased the Respondents' goods and services could not reasonably have avoided their injuries because of Respondents' deception and omissions.

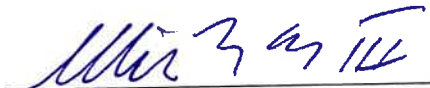
105. The injuries that consumers have suffered from Respondents' actions are not offset by any benefit to consumers or to competition.

WHEREFORE, the Proponent respectfully requests that the Consumer Protection Division issue an Order:

- A. Requiring Respondents to cease and desist from engaging in unfair or deceptive trade practices in violation of the Maryland Consumer Protection Act, pursuant to MD. CODE ANN., COM. LAW § 13-403(b)(1)(i);
- B. Requiring Respondents to take affirmative action, including the disgorgement and restitution to Maryland consumers of all moneys that Respondents received in connection with Respondents' unfair or deceptive trade practices and payment of all other economic damages incurred by these consumers in connection with Respondents' unfair or deceptive trade practices, pursuant to MD. CODE ANN., COM. LAW § 13-403(b)(1)(i);
- D. Requiring Respondents to pay the costs of this action, including all costs of investigation, pursuant to MD. CODE ANN., COM. LAW § 13-409;

- E. Requiring Respondents to pay a suitable civil penalty pursuant to MD. CODE ANN., COM. LAW § 13-410(a);
- F. Holding that all Respondents are jointly and severally liable for the restitution, penalties, costs, and any other sanctions or required payments arising from or related to this action; and
- G. Granting such other and further relief as is appropriate and necessary.

Respectfully submitted,



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Dated: July 15, 2024