COMBATTING FORCED ADD-ONS (TIED SELLING), & DECEPTIVE PRICING PRACTICES AT CAR DEALERS

What is Tied selling? A simple Google Search reveals: Tied selling is the illegal practice of a company providing a product or service on the condition that a customer purchases some other product or service. It is frequently used in reference to banks and is sometimes referred to as coercive tied selling.

A Google search for how a bank uses tied selling reveals this answer: Coercive Behaviour & Tied Selling: Your bank's mortgage specialist tells you that you qualify for a home mortgage. However, you are also told that the bank will approve your mortgage ONLY if you transfer your investments to the bank or its affiliates.

Car Buyers hear a very similar story in Dealer Finance. The Finance Office is famous for saying things like. "The bank will give you this attractive interest rate, but only if you buy this Extended Warranty plan." Or, an alternate statement, "The bank will finance your car deal, but only if you protect your investment with an extended warranty plan." There are a few problems with this kind of statement.

Some Tied Selling examples that would be totally bizarre if practiced:

THE HOT DOG ANALOGY:

Liz explains: The Hotdog story is a great illustration of how stupid Tied Selling is, and WHY it is illegal. Nobody but a car dealer does it and gets away with it. When faced with a forced add-on, I say to the dealer, If I was at the grocery store to buy hotdogs, nobody would ever get away with saying to me :"Ma'am, we can't sell you those hotdogs unless you also buy the Ketchup and Mustard we have on aisle 4, and a bag of hotdog buns from the bread aisle. It's utter nonsense!

THE SHAVER ANALOGY:

Liz says: No drug store checkout clerk will ever tell me "Ma'am, we can't sell you those razors unless you also get the shaving cream we are running a sale on. We sell them together, because that's the way most customers buy them."

Yet, Dealers think you MUST buy their overpriced mudflaps because "they are already on the car."

The FTC agrees with Liz:

The FTC challenged a drug maker that required patients to purchase its blood-monitoring services along with its medicine to treat schizophrenia. The drug maker was the only producer of the medicine, but there were many companies capable of providing blood-monitoring services to patients using the drug. The FTC claimed that tying the drug and the monitoring services together raised the price of that medical treatment and prevented independent providers from monitoring patients taking the drug. The drug maker settled the charges by agreeing not to prevent other companies from providing blood-monitoring services.