



October 27, 2014

VIA EMAIL

John J. Sullivan
Executive Vice President and Chief Financial Officer
Bob's Discount Furniture
428 Tolland Tpke
Manchester, CT 06042
[REDACTED]

Re: Deceptive Advertising of "Interest Free" Financing

Dear Mr. Sullivan:

As you know, and as explained in our September 22, 2014 letter to Mr. Kaufman and Mr. English, we have received several consumer complaints regarding Bob's Discount Furniture's point-of-sale advertising of its "interest free" financing. While this attractive type of financing is heavily marketed by Bob's, the requirements for successfully obtaining this financing without incurring interest charges and the consequences of not completing these requirements is not adequately disclosed.

Specifically, consumers have told us that three critical pieces of information are not made clear prior to making purchases:

- **Back-Charged Interest.** Consumers do not understand that if the balance is not paid off in full by the selected time period (either 6 or 12 months), interest will be back-charged from the date of purchase.
- **High-Interest Rate.** Consumers do not know that if the balance is not paid off in full by the deadline, the interest rate imposed from the date of purchase will be 27.99%.
- **Monthly Bills Leave Consumers in the Red.** Consumers are not made aware that in order to pay the balance off in full in the required time period, consumers must pay in excess of the monthly bills they receive.

As explained in our September 22 letter, such a failure to clearly and conspicuously disclose these key terms is deceptive and in violation of federal and state law.

In response to our letter, you contacted me and explained your view that the financing terms are made clear to customers before they make a purchase, and provided me with documentation that you believe supports your position. The documents consist of (1) internal training materials, (2) a sample sales order form, and (3) the banking statement provided to customers. You also informed me that the first page of the training material you provided, which explains the conditions of the interest-free financing, is provided to customers as a flyer and reviewed with them at the point of sale.

Unfortunately, your impression of Bob's efforts to make the financing terms clear and conspicuous before a purchase is made is inconsistent with what consumers are experiencing at the stores. In fact, TINA.org staff visited three separate Bob's Discount Furniture stores and their experience corroborates what consumers have reported.¹

First, contrary to your assertion, not one of the Bob's sales representatives provided our staff with any flyer that explained the terms and conditions of the interest-free financing offer. And what was orally explained by the sales representatives varied from store to store.

Second, all three stores visited by TINA.org staff displayed signs that deceptively promote Bob's interest-free financing. One store displays signs that state "KEEP YOUR MONEY IN YOUR PIGGY BANK... TAKE ADVANTAGE OF BOB'S INTEREST FREE FINANCE" without providing any information whatsoever regarding the important conditions of the offer.



¹ TINA.org staff spoke with sales representatives from the Bridgeport, Orange, and Niantic, CT stores in October 2014.

Moreover, all three stores visited by TINA.org staff displayed signs that advertise “2 EASY WAYS TO GIMMICK-FREE FINANCING!” without clearly or conspicuously disclosing the terms of the financing. Tucked away in the fine print of this sign is the provision that interest will be charged from the purchase date if the balance is not paid in full within the promotional period, but given the placement and small size of this information, it is easily ignored by consumers. Further, the sign completely omits the need to pay more than the monthly statement amount in order to avoid accruing interest.



Third, though the Wells Fargo financial statement you provided states that interest will accrue if the customer pays only the minimum monthly statements, that complex document is provided only *after* the sale is being processed and thus does not obviate the deceptive point-of-sale marketing.

In short, Bob's needs to make changes to its marketing of interest-free financing in order to clearly and conspicuously convey the terms and conditions to its

customers.² As we stated in our September 22, 2014 letter to Bob's, we intend to notify state and/or federal regulators of these issues unless Bob's makes timely changes to its point-of-sale advertising of credit terms so that it fully complies with all applicable state and federal laws, and notifies us of those changes.

If you have any questions, please do not hesitate to contact me directly.

Sincerely,



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² It should be noted that Bob's advertising of its interest free financing appears to be inconsistent across its stores and across its sales representatives. Thus, any changes to its marketing should consider the various methods employed.