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Car Dealer Scams To Avoid

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Buyer Beware: Here's what to watch out for the next time you're in the showroom.

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Of the top 10 industries that received the most consumer complaints last year, three were auto related.

[New-car](#) dealers, [used-car](#) dealers and auto service and repair shops registered almost 54,000 complaints in North America, according to the Better Business Bureau. They were the No. 4, 7 and 10th-most complaint-ridden industries of 2009. It's enough to make anyone blanch at the thought of buying a new car.

"Difficult times lead to creativity," says Bill Gerhard, AAA's director of financial services.

"People come up with sensational hooks to try and get you to the dealerships, and once they lure you in, the goal is to sell you something and generate as much profit for the dealership as they can."

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It helps to know what you may face before hitting the showroom. That way, you'll be prepared to avoid the stress of being ambushed by a team of salesmen or accosted by a [loan](#) shark. And you'll have more confidence in the face of undue pressure to seal the deal.

Top Car Dealer Scams To Avoid

1. The Ambush

Beware of being shuffled among a never-ending team of auto pros--you shouldn't have to talk to the sales guy out on the lot, the sales manager, the finance manager, the floor manager and the used-car manager just to buy a car. Pick one to deal with and stick with him.

2. The Confiscation

Whatever you do, don't give up the keys to your current vehicle--even if the "used-car manager" asks for them to assess the car for its trade-in value, even if the "sales manager" asks for them as collateral while you take a test drive. If negotiations should go amiss, it's impossible to walk out on the deal if you have no way to start your car.

3. The Bum Rush

Salesmen love to hurry you into a deal today. They'll try all kinds of things: On-the-spot delivery, haggling over details, one-time offers. Don't let them pressure and bully you into an impulse buy. Show up knowing what kind of car you need and what you can afford to pay--and if they can't provide that, leave.

4. The Buried Bill

Read over final invoices carefully before signing anything, in order to make sure you're not charged for something you didn't request. Alarms, extra cleaning, "prepping," rust-proofing, fabric protection and paint sealant are all common add-ons that sometimes appear on the invoice unknown to the buyer. Hint: Consider doing the VIN (Vehicle Information Number) etching yourself. Dealers charge hundreds of dollars to do it, but a home-etching kit costs as little as \$20.

5. The Bait and Switch

Dealers may advertise one model in the paper, loaded with extras for a reasonable price, but then have only a lesser model (with less overall value) on the lot when interested parties show up to buy the one they saw in the paper. Best way to avoid this trap: The minute you realize the con, walk away.

[Click here to see the full list of the Car Dealer Scams To Avoid](#)

Pay Attention to the Little Things

There are roughly 10,000 new- and used-car dealers in North America accredited by the Better Business Bureau, and an additional 15,000 that provide repair and service. While the total number of consumer complaints in North America was up 10% overall last year (cellular phone companies, television stations and banks topped the list) complaints at new-car dealerships declined 2.4%. More than 84% of those complaints were resolved, according to BBB data.

"Our stats show that complaints against car dealers are kind of a wash from the previous year," says Alison Southwick, a spokeswoman for the BBB. "It's when you see sudden sharp increases, like 42% for banks, that you know you've got a problem."

Still, complaints about used-car salesmen and repair shops were up 2.5% and 9.5% last year,

respectively. The used-car industry has been doing especially poorly as of late--complaints about used-car dealers increased 18% from 2007 to 2008. What's more, one in five shoppers who leave a dealership without buying something leave because they received poor treatment or had problems with "pricing games, sales pressure tactics or discourteous treatment," according to a 2009 report from J.D. Power.

And dealer traffic volumes are expected to decline by 20% by 2013, causing a 25% drop in revenue that will force car dealers to adapt to an "increasingly difficult environment and try new methods to keep customers coming back," J.D. Power says.

Women buyers are particularly important to dealers. According to data from Ward's Auto, an automotive industry news and analysis firm, 85% of all purchase decisions are made or heavily influenced by women. But CNW Marketing Research Inc. reports that just 8% of U.S. dealerships are female-owned.

Expert Advice

To determine which car-sales tactics can be the most harmful, we culled advice from the experts at Better Business Bureau, J.D. Power and Associates, and AAA to come up with the best strategy to avoid getting ripped off. One important note: These scams aren't huge conspiracies that trick prospective drivers out of thousands of dollars. Instead, they're small corners cut, intimidation applied or minor untruths told that add up to one toxic car-buying experience.

Hidden fees, for instance, could mean a difference of a couple hundred bucks, at most. But a couple hundred dollars is a lot for many consumers. The scam is easy to avoid: Just read carefully over any invoice or contract before you sign it (alarms, extra cleaning, "prepping," rust-proofing, fabric protection and paint sealant are all common but unnecessary add-ons that sometimes appear on the invoice unknown to the buyer). And consider doing the VIN (Vehicle Information Number) etching yourself. Dealers charge hundreds of dollars to do it, but a home-etching kit costs as little as \$20.

The same attention to detail goes for less-than-honest negotiation tactics. "Finance managers" will often start the process by talking about [monthly payments](#) rather than the total cost of a vehicle. But by stretching the payments over a long period of time, long-term loans coax people into buying cars they can't [afford](#)--and the car will have almost fully depreciated by the time it's paid for. Instead, choose the shortest-term car loan available.

"Consumers should do some [research](#) on the vehicle or vehicles they are interested in purchasing or leasing," J.D. Power's Tews says. "They should talk to the loan officer at their bank or credit union before going to the dealership so they know how much they can spend and understand their financing options and can compare them to the options provided by the captive provider."

A general rule of thumb is that a car payment should cost no more than 12% to 15% of your after-tax monthly income. Don't mention any price at all until you've selected a vehicle to buy, and then ask the salesperson for his or her very best offer. Don't discuss add-ons like warranties or trade-in prices until you've agreed on the price for the car itself--that will only muddle how much you're actually paying for it.

The good news is that these days, buyers have substantial negotiation power at their fingertips--which will help with fending off a bait-and-switch or a lemon sale. Online sources like Autotrader.com, Kelley Blue Book and the National Automobile Dealers Association can significantly narrow down the list of what type of car might work best and provide a reasonable price range. And the Better Business Bureau Web site lists accredited car dealers by region as well.

If all else fails, use common sense, Gerhard says. If something seems amiss, walk away. There will always be another car, another day.

"It still is buyer beware, especially in these times," he says. "If it sounds too good to be true, it probably is."