

Fiat Chrysler accused of inflating sales

NEW YORK: Shares in Fiat Chrysler Automobiles tumbled in Milan and New York on Thursday after two US dealerships filed a lawsuit accusing the carmaker of inflating US car sales.



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The suit, filed by dealers under the Illinois-based Napleton Automotive Group, charges that the incentive programmes from Italian company's US unit, FCA US, rewarded dealerships that falsely reported higher car sales, inflating the auto giant's results.

A cloud over vehicle sales

The lawsuit cast a cloud over FCA US's announcement on 5 January that it had sold a record 2.2 million vehicles last year, a seven per cent gain from 2014 on the back of a sharp surge in December. The US unit is Fiat Chrysler's most profitable arm and has boasted of 69 straight months of year-over-year sales gains.

Fiat Chrysler strongly rejected the accusations and vowed to defend itself "vigorously" in the case. "This lawsuit is nothing more than the product of two disgruntled dealers who have failed to perform their obligations under the dealer agreements they signed with FCA US. They have consistently failed to perform since at least 2012," it said.

"FCA US carried out an investigation of the facts, and has determined that these allegations are baseless and plaintiffs

were notified of this fact before they filed suit."

The news nevertheless hit the company's shares, which fell 7.9 per cent in Milan and 4.2 per cent in New York.

Lawsuit charges

The suit, filed in US federal court in Illinois, charged FCA US with racketeering and fraud and said the company's practices unfairly harmed two Napleton dealerships based in Illinois and Florida. The suit accuses an FCA official of offering Napleton Automotive president Ed Napleton \$20,000 in exchange for falsely reporting the sales of 40 new vehicles.

Napleton declined the payment, but later learned that another Napleton employee had agreed to report 16 false car sales. The suit also cites a case where a rival Fiat Chrysler dealer reported 85 false new vehicle sales after "receiving tens of thousands of dollars as an illicit reward for their complicity in the scheme."

In some cases, false sales were reported at the end of the month, so that they could be "backed out" the next day so the warranty timetable on the vehicles would not be triggered. The fake sales "create the appearance that FCA's performance is better than, in reality, it actually is," said the suit.

"These results are reported to the public at large and the investment community. FCA has every reason to continue to be opaque about this issue as it would not be helpful for the truth to come to light at the same time as FCA may be pursuing mergers and other business opportunities."

The suit also alleges that FCA's conduct towards dealers "has been one of coercion and threats of termination" for reasons that have that have nothing to with performance.

Fiat Chrysler chief executive Sergio Marchionne, having already merged Italian company Fiat with US giant Chrysler, said last year he favours additional consolidation in the auto industry and urged General Motors to consider merging with his company.

Source: AFP

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