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Toyota Admits Misleading Customers; Agrees To \$1.2 Billion Criminal Fine

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In a stunning punch to one of the most admired carmakers in the world, the U.S. Justice Department today announced a criminal fraud charge against Toyota Motor for misleading customers about unintended acceleration complaints in its cars, and said it would defer prosecution in exchange for a \$1.2 billion fine, the largest in history against any automaker. The government also said it would appoint an independent monitor to review Toyota's safety processes and reporting procedures for the next three years.

The settlement ought to send chills through the halls of General Motors, which is facing its own criminal probe for failing to promptly notify customers of safety concerns in its vehicles.

The \$1.2 billion fine dwarfs the paltry \$66.15 million that Toyota has been assessed in civil penalties by the National Highway Traffic Safety Administration for untimely recalls.

U.S. officials were brutal in announcing Toyota's culpability in the case involving "sticky" accelerator pedals and floor mats that consumed headlines in 2009 and 2010, knocking the once-vaunted automaker off its pedestal and sending its CEO, [Akio Toyoda](#), to [Washington](#) to apologize.

"In its zeal to stanch bad publicity in 2009 and 2010, Toyota misled regulators, misled customers, and even misstated the facts to Congress" said U.S. Attorney Preet Bharara. "Even while giving unequivocal assurances that it had fully addressed a grave safety problem, Toyota knew full well that the problem of unwanted acceleration persisted."

In a statement, Toyota was contrite, but resolute that the problems that led to the safety crisis are now behind it. "At the time of these recalls, we took full responsibility for any concerns our actions may have caused customers, and we rededicated ourselves to earning their trust," said Christopher P.

Reynolds, chief legal officer, Toyota Motor North America. “In the more than four years since these recalls, we have gone back to basics at Toyota to put our customers first.”

Reynolds continued: “We have made fundamental changes across our global operations to become a more responsive company – listening better to our customers’ needs and proactively taking action to serve them. Specifically, we have taken a number of steps that have enabled us to enhance quality control, respond more quickly to customer concerns, strengthen regional autonomy and speed decision-making. And, we’re committed to continued improvement in everything we do to keep building trust in our company, our people and our products. Importantly, Toyota addressed the sticky pedal and floor mat entrapment issues with effective and durable solutions, and we stand behind the safety and quality of our vehicles.



“Entering this agreement, while difficult, is a major step toward putting this unfortunate chapter behind us. We remain extremely grateful to our customers who have continued to stand by Toyota. Moving forward, they can be confident that we continue to take our responsibilities to them seriously,” Reynolds concluded.

As part of Toyota’s response to the crisis, it created a \$50 million Collaborative Safety Research Center in Ann Arbor, Mich., to partner with universities and others on safety advances that it will share across the industry. It also enhanced the autonomy of executives in different regions of the world, including naming the first American CEO of Toyota’s North American Region as well as Chief Quality Officers for North America and other principal regions – all of whom have direct lines to President Akio Toyoda.

Toyota will record \$1.2 billion in after-tax charges against earnings in the fiscal year ending March 31, 2014 for costs relating to the above agreement.

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