

Lemon Law and Leases

Evidently some dealers and manufacturers have been telling consumers of leased vehicles that they do not have the same “lemon law” rights when they lease cars. This is not accurate. The fact of a lease does have some impact upon a consumer’s lemon law rights, but the consumer yet retains substantially the same lemon law rights as purchasers of vehicles. Here are the points you need to know:

1. In a lease, you really do not have any equity in the car so your damages are usually limited to your inception payment and your payments into the vehicle. If the manufacturer or dealer agrees to unwind the lease, you need to make sure that the lease is being paid off in the settlement so this does not remain an obligation which ultimately could affect your credit.
2. Many manufacturers argue for a larger “mileage offset” for leases, because, they claim, the mileage on the vehicle is a greater percentage of the more limited period of the lease as opposed to the longer period of “permanent ownership” in the event of a sale. This is a negotiation point to be worked out on a case-by-case basis, depending upon the total circumstance.
3. In general, if you wait until late into the lease to bring your lemon law claim, the manufacturers will more than likely ignore you on the basis that your lease is substantially used up. So, for instance, if you have a three-year lease and you bring your lemon law claim after 18 months, you stand a far greater chance of getting a good result than if you wait until 28 months into the lease. The longer you wait, the more likely the manufacturer will just sit back and say, “The lease is almost up—let’s ignore this lemon law claim.”
4. Many leases include a “residual value” (agreed-upon value upon lease expiration, most frequently used to calculate the cost of purchasing the vehicle) as a part of the lease. If the residual value is less than the total lease payoff, some manufacturers try to “sucker” consumers into believing that the manufacturer is only responsible for paying the residual value, not the lease pay-off, when the case settles. Ignore this crap. If you win your lemon law claim, you have a right to have your lease completely paid off. Settlements may vary and, depending on the circumstances, may or may not accomplish complete payoff of the lease, but this is no reason to buy into this poor argument from manufacturers that the residual value has anything to do with settling the case.
5. If you exceed your mileage allotment significantly, this will negatively affect the strength of your lemon law claim. As with all lemon law cases, if you can afford to limit your driving of the vehicle, or even park it, this will improve chances of winning and of getting full compensation.
6. Whether you buy the car at lease expiration is up to you, and you can continue with your lemon law claim on a leased vehicle even if the lease is expired and you have had to turn in your car. However, since you no longer have the car, the case is obviously worth less total money and it usually makes more sense to settle for some cash compensation once the vehicle’s lease has expired.
7. If you have a lease fraud or a finance fraud claim, this normally is not treated as a lemon law claim and involves a whole different set of rights about which you should consult us directly.

About the Author

Robert F. Brennan, Esq. is a principal with Brennan, Wiener & Associates, an AV-rated law firm in La Crescenta, CA. His firm specializes in consumer protection litigation, including car dealer fraud, [lemon law](#) and consumer class actions. He can be reached through his website:

<http://socallemonlaw.com>

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