

Disclosure Vital For Our Customers And Reputation

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New-car dealers covered by many laws

Little protection in private vehicle sales

The issue of disclosure is an area that dealers pay very close attention to — especially when it comes to used-vehicle sales.

When you buy a used car from a new-car dealer, you will have some reasonable expectations: The vehicle is in good working condition, there are no liens against it, the odometer hasn't been tampered with, it's not stolen property, and it has passed government safety requirements.

If there are important facts about the vehicle that would influence your decision to buy it or not, then you have the legal right to know what they are. Conveying all of the known relevant facts about a vehicle to a prospective buyer falls under the legal term of "disclosure." Disclosure affects all types of vehicle transactions.

Let's consider a recent scenario. Alan purchased a car from a private vendor rather than from a newcar dealer. Alan got a great deal (paid lower than market price) on a three-year-old sedan with low kilometres. At least he thought it was a great deal.

Although the sale was legal and the transaction was recorded accurately, the vendor withheld key information about the car, which would have affected Alan's buying decision. Since he bought the car privately, however, he has limited recourse.

Soon after taking possession of the car, Alan noticed that it vibrated at high speeds. He assumed that the wheels needed balancing — a relatively minor repair. When he brought the car to a dealer, he received some bad news. It seems Alan's car had suffered serious structural damage as a result of an accident and that the vehicle was never repaired to pre-accident condition. This was not disclosed. The damage would cost thousands of dollars to repair.

Unfortunately for Alan, he assumed this risk when he decided to buy privately. When buying a car privately, consumers are afforded some protections by law, but there is still a certain element of risk involved, which leaves buyers with little recourse if the vendor is dishonest or unethical.

If you buy a car privately and discover something wrong with it, you can always take the vendor to court. But this is an uphill battle that takes time and money, with no guarantee that a judgment will be made in your favour. If you do win the case, it could take months or years before you receive compensation. For reasons beyond your control, you may receive nothing at all.

If Alan had bought the car from a dealer, the vehicle's accident history would have been reported to or researched by the dealer. The dealership would have discovered the problem and made the necessary repairs before offering the car for sale. At the very least, the structural damage would have been revealed to Alan before he agreed to purchase the vehicle.

Dealers are bound by ethical standards and by the Business Practices Act to disclose material facts about a vehicle. To withhold facts, which would influence someone's decision to buy a particular vehicle, is a federal offence.

Whether they're selling it to another dealership or to a customer, we are obligated to disclose all the facts. On rare occasions, an important fact might slip through the system undetected, but when an honest mistake occurs, new-car dealerships are quick to take appropriate action to correct the situation.

While dealers are obliged to disclose all facts about vehicles, so, too, is the public obligated to disclose any relevant

information about their trade-ins. Disclosure works both ways. If a customer fails to disclose information that affects the value of the trade-in, then he/she is in the wrong, and the dealership has the right to seek compensation and recourse from that customer.

Determining a car's history requires more than a quick glance under the hood and a casual conversation with the previous owner. A used car often passes through a few dealerships via dealer trades and auto auctions before it is sold to an end user. Each dealer that owns the vehicle must disclose any problems or issues that could influence a buying decision.

When you are viewing used cars at a dealership, you should know that the dealership has performed due diligence on its entire inventory.

The dealership conducts thorough background checks to determine whether there are any issues that would impact proper representation and the value of the vehicles.

In addition to used vehicles, disclosure applies to other areas within a new-car dealership, namely, new vehicle sales, fleet and leasing, service, and parts.

In future columns, I will discuss how the new Consumer Protection Act affects all areas of a dealership.

Alan learned an expensive lesson in purchasing his used car. Protecting the dealership's reputation and our customers is foremost in our minds.

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