

FRANCHISING LAW**USED VEHICLE LEMON LAW**

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Introduction

On July 3, 1996, New Jersey joined a growing number of states by implementing a used car "Lemon Law" which regulates disclosures that dealers must make in connection with the sale of used vehicles and requires warranties on some used vehicles. As required by the Lemon Law, a dealer must inform a consumer of the mechanical condition of the vehicle and of the terms of any written warranty, service contract or repair insurance available on the vehicle either from the dealer or by transfer of existing coverage on the vehicle to the consumer.

Warranties

For vehicles with less than 100,000 miles, in most instances, the Lemon Law requires dealers to provide a warranty. If the vehicle has:

Less than 24,000 miles: The warranty must be for no less than 90 days or 3,000 miles, whichever comes first.

24,000 - 60,000 miles: The warranty must be for no less than 60 days or 2,000 miles, whichever comes first.

60,000 - 100,000 miles: The warranty must be for no less than 30 days or 1,000 miles, whichever comes first.

Used Vehicle Lemon Law

Coverage: Every used vehicle less than seven years old, sold for more than \$3,000.00

Exclusions: Vehicle purchased from someone other than a dealer. Vehicles purchased from a dealer with over 100,000 miles on the odometer;

Length of warranty:

Less than 24,000 miles, 90 days or 3,000 miles.

24,000 - 60,000 miles, 60 days or 2,000 miles.

60,000 - 100,000 miles, 30 days or 1,000 miles.

Other requirements:

During the warranty period, if the vehicle malfunctions and the dealer has made three or more unsuccessful

attempts to repair, the dealer will be required to buy the vehicle back, giving the consumer a refund.

Dealers are required to provide the state with a bond in the amount of \$10,000.00 renewable annually.

No warranty is required for vehicles with over 100,000 miles or which are sold for less than \$3,000.00. Prior to sale, the purchaser of such a vehicle must be informed that no warranty is being provided.

For vehicles with between 60,000 and 100,000 miles, the consumer may decline the warranty coverage. This election must be in writing and the purchase agreement must state that the consumer negotiated the purchase price of the vehicle and is buying the vehicle "as is." A clear written statement explaining the meaning of "as is" must also be included.

The Lemon Law mandates that the warranty cover malfunctions or defects in a vehicle which occur during the term of the warranty. To trigger the warranty, the vehicle must be delivered to the dealer at his regular place of business. Each repair is subject to a \$50.00 deductible.

Excluded from the warranty are repairs covered by a manufacturer's warranty or recall program, repairs required because of improper maintenance by the consumer including improper lubrication or coolant use, and repairs resulting from collision, abuse, or commercial use of the vehicle.

Failure to Repair

If a dealer fails to repair a vehicle after a "reasonable opportunity", the dealer must repurchase the vehicle and refund the full purchase price less a) government fees such as sales tax, b) an allowance for excessive wear and tear, and/or c) a deduction for personal use.

A dealer is presumed to have had a "reasonable opportunity" to repair a vehicle if the same material defect has been the subject of repair by the dealer more than twice or if the vehicle is out of service due to repair for a total of 20 days during the warranty period.

A dealer does not have to repurchase a vehicle if the dealer can show that: a) the alleged defect does not substantially impair the use, value or safety of the vehicle; or b) the defect is the result of improper use, alteration, negligence or abuse by the consumer.

Annually, dealers must provide the State with a bond in the amount of \$10,000 to assure compliance with the provisions of the law.

* The warranty period is extended for the time period it takes the dealer to make repairs on the vehicle.

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