

## **New Jersey Files Lawsuit Against Two Buy-Here Pay-Here Used Car Dealers**

Article By:

Pavitra Bacon

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On March 7, New Jersey Attorney General Gurbir S. Grewal and the Division of Consumer Affairs [announced](#) the filing of a lawsuit against two “Buy Here-Pay Here” auto dealerships and their owner for allegedly unconscionable and deceptive lending practices.

The [complaint](#) alleges that defendants sold high-mileage, used autos at grossly inflated prices with excessive down payments; financed the sales through in-house loans with high interest rates and “draconian” terms that created a high risk of default; and then repossessed and resold the vehicles over and over again to different consumers in a practice they refer to as “churning.” The defendants also allegedly engaged in deceptive advertising, failed to disclose the damage and/or required substantial repair and bodywork required for used motor vehicles, and failed to provide consumers with complete copies of signed sales documents, including financing agreements. The complaint alleges that these practices violated the New Jersey Consumer Fraud Act, the New Jersey Motor Vehicle Advertising Regulations, the Automotive Sales Regulations, and the state Used Car Lemon law and regulations.

At the crux of this complaint is the State’s belief that defendants expected that their customers would not be able to make their payments – allegedly evidenced by the fact that the dealerships required buyers to sign documents agreeing to not keep any personal possessions in their vehicles and to rekey the vehicles and provide the dealer with a copy of the keys within seven days of purchase. In one of its examples, the State highlights the fact that a used vehicle was sold to “a twenty-two year old consumer making \$10 an hour” at an APR of 23.99% with a total payment of \$9,848.

In addition to significant civil money penalties, the State is seeking to permanently close the two subject car dealerships and ban the owner from ever operating a car dealership again. We view the case as [more evidence](#) that states appear to be stepping up their scrutiny of high-cost financing offered to used car buyers.

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