

DOJ Settles Lawsuit Alleging Violation of Motor Vehicle Lease Termination Protections under the SCRA

November 30, 2021 | [Frank Bishop, Jr.](#)

On September 30, the U.S. Department of Justice announced that it settled a lawsuit alleging that a sales finance company violated the early motor vehicle lease termination protections provided to servicemembers under the Servicemembers Civil Relief Act. The investigation of the sales finance company began in 2019 when U.S. Army Captain Eric McDowell submitted a complaint to the DOJ.

According to the DOJ, McDowell had entered into a lease with the sales finance company in 2017 with a three-year term. In August 2019, however, McDowell learned that he was going to be deployed to Afghanistan, and he returned the vehicle to the sales finance company with the intention of terminating the lease.

The sales finance company ultimately terminated the lease, voided the early termination charges, and refunded the lease amounts that McDowell had paid in advance, but not until February of 2020, after McDowell had been deployed to Afghanistan. The DOJ's subsequent investigation uncovered nine additional cases where the sales finance company had allegedly violated the SCRA's motor vehicle lease termination protections.

Under the SCRA, a lessee may terminate a motor vehicle lease at any time after: (1) the lessee's entry into military service, (2) the date the lessee receives military orders for a change of permanent station from a location in the continental U.S. to a location outside the continental U.S. (or from a location in a commonwealth, territory, or possession of the U.S. outside the continental U.S. to any location outside of that commonwealth, territory, or possession of the U.S.) or to deploy with a military unit (or in support of a military operation) for not less than 180 days, or (3) the date of the lessee's stop movement order by the Secretary of Defense in response to a local, national, or global emergency for a period of not less than 30 days, which prevents the servicemember (or the servicemember's dependents) from using the vehicle for personal or business transportation. In addition, within one year of when a servicemember incurs a catastrophic injury or illness during a period of military service or while performing covered service, the lessee (or in the case of a lessee who lacks the mental capacity to manage his or her own affairs, the spouse or dependent of the lessee) may terminate the lease.

The lessee/servicemember may terminate the lease by: (1) giving written notice of termination of the lease and a copy of the servicemember's orders to the lessor, and (2) delivering the motor vehicle to the lessor within 15 days of giving the notice of termination. The notice may be delivered by hand, by mail (via a private business carrier or the U.S. Postal Service), or by electronic means (email, a dedicated website portal, etc.). Rents or lease amounts paid in advance that apply to a period after the effective date of the lease termination must be refunded to the lessee within 30 days of the termination.

As part of the consent order, the sales finance company agreed to compensate the 10 impacted servicemembers \$94,282, pay a \$40,000 civil money penalty, and request that all credit bureaus to which it reports remove negative entries for the affected servicemembers (and any co-lessees) attributable to non-payment during the period when the sales finance company should have terminated the leases under the SCRA. The sales finance company was also required to provide the DOJ with revised policies and procedures for motor vehicle lease terminations in compliance with the SCRA for approval and must obtain approval from the DOJ for any material changes to those policies and procedures. Finally, the sales finance company must provide SCRA compliance training to any of its employees who interact with customers and have each employee sign a statement acknowledging that he or she has read and understands the consent order and the revised SCRA policies and procedures. The settlement must be approved by the U.S. District Court for the Northern District of Texas to become final.

This settlement demonstrates that SCRA compliance will continue to be a point of emphasis for the DOJ. The DOJ reports that, in the last 10 years, the Civil Rights Division's Housing and Civil Enforcement Section has obtained over \$476 million in monetary relief for over 121,000 servicemembers by way of its enforcement of the SCRA.

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