HUDSON COOK

DOJ Settles SCRA Violation Allegations with Towing Company

July 31, 2026 | Erica A.N. Kramer

On May 28, the U.S. Department of Justice announced a settlement with a San Antonio towing company over claims that the company illegally sold, auctioned, or otherwise disposed of approximately 93 vehicles belonging to servicemembers without court orders, in violation of the Servicemembers Civil Relief Act. The DOJ also alleged that the towing company had no SCRA policies, procedures, or training materials and the company did not take any steps to verify military status prior to selling or disposing of towed vehicles. The investigation reportedly began after one servicemember complained that his vehicle had been towed and auctioned while he was deployed overseas.

As you likely know, the SCRA gives military members important legal and financial protections while they are on active duty. One of those protections is that a towing company cannot sell a protected servicemember's vehicle unless it first gets a court order.

The settlement requires the towing company to refrain from foreclosing on or enforcing liens on the vehicles of SCRA-protected servicemembers and from auctioning, selling, or otherwise disposing of vehicles owned by SCRA-protected servicemembers without a court order, during any period of military service or within 90 days thereafter. The settlement also requires the towing company to develop and implement SCRA policies and procedures and provide annual SCRA compliance training to its employees. The settlement orders the towing company to provide notice to the DOJ every six months for four years of any SCRA or military-related complaint it receives and the actions undertaken to resolve the complaint. The towing company agreed to pay $220,000 to impacted servicemembers and $60,000 in civil penalties to settle the allegations.

So, what does this mean for vehicle-secured creditors? This settlement should serve as a reminder that, though federal regulators have their feet off the gas in many areas, that is not the case when it comes to the protection of those serving our country in the military. The SCRA continues to be strictly enforced, and, when violations occur, the penalties can be significant. Don't wait until the DOJ comes looking for you as part of its Servicemembers and Veterans Initiative. Make certain that you have robust SCRA policies and procedures in place and conduct annual SCRA compliance training. Monitor your complaints to help get ahead of any possible issues, and always check the Defense Manpower Data Center's SCRA database before authorizing repossessions.

HUDSON
COOK

Hudson Cook, LLP is a national law firm representing the financial services industry in compliance, privacy, litigation, regulatory and enforcement matters.

7037 Ridge Road, Suite 300, Hanover, Maryland 21076
410.684.3200

hudsoncook.com