

DOJ Settles with Auto Finance Company Accused of Illegally Repossessing Servicemembers' Vehicles

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We've written before about how the federal government in 2025 appears to be deprioritizing enforcement of consumer protection laws. However, just because the federal government deprioritizes some areas of enforcement doesn't mean that you can ignore your compliance obligations under federal law, especially where federal law establishes special protections for a class of consumers. A recent settlement illustrates the need for vehicle lienholders to know their obligations to customers who are members of the military.

On September 29, the U.S. Department of Justice and a New York-area auto financing company executed a settlement agreement to resolve claims that the finance company illegally repossessed servicemembers' vehicles without first obtaining court orders. The finance company, New City Funding Corp., agreed to pay at least \$120,000 in restitution and penalties and to change its repossession practices.

The settlement agreement resolves allegations that the DOJ made under the Servicemembers Civil Relief Act. According to the DOJ, New City repossessed at least five vehicles belonging to active-duty servicemembers without obtaining court orders and without attempting to determine whether the owners were servicemembers. In some cases, the DOJ claimed, New City repossessed vehicles even after learning that their owners were on active duty. As part of the settlement agreement, the DOJ has agreed not to pursue these allegations relating to repossessions by New City between June 16, 2018, and August 18, 2023.

The terms of the settlement require New City to implement safeguards against improper repossessions. New City must review customer-provided information regarding military service and search the Department of Defense's Manpower Data Center before referral for repossession, after repossession, and before sale or other disposition. If New City learns that a customer is on active duty, it must obtain a court order or a valid SCRA waiver before repossessing that customer's vehicle. If New City has already repossessed the vehicle but has not sold it, New City must return the vehicle, reverse all repossession charges, and correct any negative credit reporting related to the repossession.

Additionally, New City must submit its SCRA procedures to the DOJ for review and must train all employees who will be involved in SCRA compliance or repossession activity.

The settlement also requires New City to pay restitution and penalties. Specifically, New

City must pay \$60,000 in restitution to resolve the claims of improper repossessions between June 16, 2018, and August 18, 2023. New City must also submit an electronically searchable list of its repossessions between August 19, 2023, and September 29, 2025. For each of those repossessions that the DOJ deems to have been improper, New City must pay the customer \$15,000 plus any lost equity and interest on that lost equity. Finally, New City must pay a \$60,000 civil penalty.

What's the lesson here? For one thing, this case demonstrates that, despite the change in administration and different enforcement priorities, the federal government will still enforce federal consumer protection laws. The DOJ's press release announcing this settlement suggests that SCRA enforcement is still a priority. That means you need to have steps in place to determine the military status of any customer whose vehicle you're about to repossess. Any employee involved in repossessions or SCRA compliance needs to know the company's responsibilities under the SCRA. That way, you'll reduce the risk of costly enforcement actions. ❌

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