



Olds Plaza Building, 10th Floor
Lansing, Michigan 48909
Phone: 517/373-6466

ADJUSTMENT PROGRAMS: CONSUMER REIMBURSEMENT

House Bill 4614

Sponsor: Rep. Bob Brown

Committee: Consumer Protection

Complete to 4-28-97

A SUMMARY OF HOUSE BILL 4614 AS INTRODUCED 4-10-97

House Bill 4614 would amend Public Act 118 of 1981, which regulates motor vehicle manufacturers, distributors, wholesalers and dealers, to prevent consumers from being charged for repair or replacement costs that are paid by a manufacturer or distributor. (Occasionally, manufacturers or distributors of motor vehicles establish programs whereby the manufacturer or distributor agrees to reimburse dealers for all or part of the costs of certain repairs or replacement parts that would not be covered by the vehicle's warranty. These programs are not usually known to the general public and even though the manufacturer or distributor may have agreed to pay for all or part of the cost of the repair or part, sometimes the charge to the vehicle owner for the repair may not be reduced by the amount paid by the manufacturer or distributor.) The bill would use the term "adjustment program" to describe these plans instituted by motor vehicle manufacturers or distributors. However, the term would not include services provided under a safety- or emission-related recall program, or adjustments made by a manufacturer or distributor on a case-by-case basis. The bill would define "consumer" to include a lessee or purchaser and any person to whom the vehicle was transferred; however, it would not include someone who purchased the vehicle for resale.

The bill would require a manufacturer or distributor take all of the following actions whenever it established an adjustment program:

- 1) Provide all of its new car dealers with written notice of the program including the program's specific terms and conditions within 30 days after establishing the program.
- 2) Provide each consumer with an affected vehicle with written notice of the reasons for the program and its terms and conditions by first class mail within 90 days after establishing the program.
- 3) Provide documents relating to the program and the reasons for its introduction issued by the manufacturer or distributor to a consumer at his or her request.
- 4) Create and follow procedures to ensure that consumers who incur expenses of repairs or replacements covered by the program receive reimbursement for those expenses that would be paid by the manufacturer or distributor under the program.

A consumer would have two years from the date that he or she had paid for a repair or replacement covered by an adjustment program to submit a written request for reimbursement to

House Bill 4614 (4-28-97)

the manufacturer or distributor. The manufacturer or distributor would then have 21 days after receiving the consumer's request to provide written notice of whether the request would be accepted or denied. If the claim were denied, the manufacturer would have to specify the reasons for the denial.

The bill would require new car dealers to provide consumers with a written notice at the time of sale stating the following in substantially similar form:

"Sometimes (insert manufacturer's name) offers a special adjustment program to pay all or part of the cost of certain repairs beyond the term of a warranty. Check with your dealer to determine whether any adjustment program is applicable to your motor vehicle."

New car dealers would also be required to notify consumers who requested a repair or replacement part covered by an adjustment program of the terms and conditions of the program, and would be barred from charging consumers for costs that would be paid by the manufacturer or distributor under the program unless the dealer had not received notice of the program. If a dealer failed to notify a consumer of the terms of a relevant adjustment program or charged a consumer for costs that were paid by the manufacturer or distributor under an adjustment program, the bill would allow the affected consumer to bring a civil action against the dealer for the greater of the actual damages or \$2,500, plus reasonable attorney fees.

MCL 445.1562, 445.1577a, and 445.1577b

Analyst: W. Flory
