

Legal Assistance Resource Center ❖ of Connecticut, Inc. ❖

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S.B. 703 and H.B. 6212 -- Reduction of New and Used Car Dealer Bonds

Transportation Committee public hearing -- February 17, 2011

Testimony of Raphael L. Podolsky

Recommended Committee action: NO ACTION ON EITHER BILL

Connecticut law requires that each applicant for a new car dealer's or a used car dealer's license post a surety bond of \$50,000. The bond is to protect consumers from losses suffered as the result of the dealer going out of business or engaging in practices that constitute grounds for suspension or revocation of the dealer's license. Its availability is particularly important if a dealer closes his business or goes bankrupt.

S.B. 703 and H.B. 6212 would reduce the amount of the bond for used car dealers from \$50,000 to \$20,000. H.B. 6212 would also make a similar reduction in the bond for new car dealers. Both bills should be rejected.

There is no good reason to reduce either bond. The bond amount, which was raised from \$20,000 to \$50,000 just last year, had not been increased since 1993. The current required bond is especially important in regard to used car dealers, who have historically been frequent subjects of consumer complaints. A car is commonly a consumer's most expensive possession other than a house, and the danger of sales of defective cars and of dealers going out of business is very real. A used car dealer in particular may have minimal financial reserves if a consumer is defrauded or otherwise harmed by the dealer's conduct. In light of the cost of motor vehicles, these surety bond requirements should, if anything, be higher, not lower, than they currently are. Consumers need the limited protections that a dealer surety bond provides.

We urge you to take no further action on these two bills.