

Motor Vehicle Repossession

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Issue

This report summarizes the process for repossessing, redeeming, and reselling a motor vehicle in Connecticut. It updates information in OLR Report [2002-R-0270](#).

Summary

Connecticut law allows certain lenders to repossess goods, such as motor vehicles, upon a buyer's failure to make payment or fulfill another contractual obligation. It prescribes the procedures that lenders must follow to repossess, have a borrower redeem, and complete a resale of the vehicle.

Lenders may repossess vehicles with or without notice, though if there is no notice, buyers have the right to pay the owed amount, plus interest and any required costs, to get the vehicle back.

The law provides various timeframes for providing notice or holding the vehicle to allow the buyer time to cure the default. After that time, the vehicle is to be resold with the sale proceeds used to cover the costs of the sale, repossession, and balance due under the contract. If the amount of the sale fails to cover those items, the lender may seek the deficiency from the buyer.

Repossession

Under the law, if a retail buyer fails to make payment or to perform another obligation (defaults) and the contract expressly makes the obligation a ground for retaking the vehicle, the contract holder (lender) may repossess it. The law provides that filing for bankruptcy or being a debtor in bankruptcy do not constitute a default.

A lender may repossess a vehicle voluntarily on the part of the buyer, or with or without notice to the buyer through certain procedures set out in law ([CGS § 36a-785](#)).

By law, a retail buyer is someone who (1) buys or agrees to buy one or more goods from a retailer that is not for reselling or leasing to others in the course of business and (2) executes a retail installment contract or installment loan contract ([CGS § 36a-770\(c\)\(11\)](#)).

With Notice

The law allows a lender to notify the buyer of the intention to retake a vehicle due to the buyer's default, but it does not require him or her to do so (see "Without Notice," below).

If notice is provided, it must be given at least 10 days before repossession occurs and may be delivered personally or by registered or certified mail.

The notice must state the (1) default; (2) date after which the vehicle will be repossessed; (3) actions needed to cure the default, including the dollar amount of any required payment by a certain date; and (4) buyer's rights in a brief and clear way if repossession occurs. It must also inform the buyer of his or her responsibility to remove all personal property from the vehicle before repossession occurs.

If the buyer does not act to remedy the default before the stated deadline, the lender may repossess the vehicle and hold it for resale without providing the buyer a right of redemption (i.e., to regain possession) ([CGS § 36a-785\(b\)](#)).

Without Notice

If a motor vehicle is repossessed without the buyer's knowledge, the lender must notify the local police department within two hours after repossession occurs. If the local police cannot be reached or if there is no local department, notice must be promptly made to the state police ([CGS § 36a-785\(a\)](#)).

A lender that repossesses a vehicle without notice must give the buyer a right to redeem it.

Redemption

If a lender repossesses a vehicle without notice, the vehicle must be kept in the state for 15 days. During that period, the buyer may redeem the vehicle, take possession of it, and continue to perform the obligations under the contract if he or she (1) pays the unaccelerated amount due under the contract at the time of repossession plus interest or performs the contractual obligation

stated in the contract as grounds for repossession and (2) pays the actual and reasonable costs of repossession and storage.

The lender must, within three days after repossession, provide the buyer with a written statement of the amount due (1) under the contract and (2) for repossession and storage costs. If sent by mail, it must be sent by registered or certified mail. If the lender fails to provide this notice, it forfeits the right to payment for repossession and storage costs and is liable for actual damages caused by the failure ([CGS § 36a-785\(c\)](#)).

Personal Property in Repossessed Vehicle

The law requires a lender to notify the buyer, within three days after repossession, that he or she is responsible for retrieving any personal items that were left in the vehicle and about how to retrieve them. The lender must give the buyer at least 60 days after repossession to retrieve the items, but if the buyer fails to retrieve the property within 15 days after the vehicle was repossessed, he or she may be subject to storage fees of up to \$25 ([CGS § 36a-785\(c\)](#)).

Compulsory Resale

The law requires a lender that repossesses a vehicle to sell it if the buyer does not redeem it.

The sale must occur from 15 to 180 days after repossession and may be public or private. But if the lender repossessed the vehicle through legal process, and the buyer files an answer, the lender may hold the vehicle for up to 30 days after the court's entry of the final judgment.

The lender must give the buyer at least 10 days written notice of the time and place of a public sale or when a private sale or other disposition can occur, which may be given personally or by registered or certified mail, return receipt requested.

The resale's proceeds must be considered as either the amount paid for the vehicle or its fair cash retail market value at the time of repossession, whichever is greater ([CGS § 36a-785\(d\)](#)).

Resale Proceeds

By law, resale proceeds must be applied in the following priority order:

1. actual and reasonable costs of the resale,
2. actual and reasonable repossession and storage costs, and
3. balance due under the contract.

The lender must give the buyer a written itemization of how the proceeds are disposed within 30 days after the resale. Any money remaining after paying the claims must be given to the buyer ([CGS § 36a-785\(e\)](#)).

Deficiency after Resale

If the resale proceeds are insufficient to pay the costs and balance due, for certain vehicles, a lender may recover the difference (i.e., deficiency) from the buyer, or a surety or guarantor. The law prescribes the method for calculating the vehicle's fair market value, which is used to calculate the deficiency.

If the repossessed vehicle has a total cash price of greater than \$4,000, its fair market value, unless proven otherwise through direct in-court testimony, is the quotient derived from dividing the sum of the average trade-in and highest-stated retail values by two. The values must be obtained from the National Automobile Dealers Association Used Car Guide, Eastern Edition, and be as of the vehicle's repossession date. If the guide does not provide the vehicle's average trade-in value, the highest-stated trade-in value is used; if it has no value for the vehicle, the court must determine the vehicle's fair market retail value, less reasonable resale costs.

If the vehicle's fair market value is less than the balance due plus the repossession costs, the lender may recover the deficiency. If the actual resale price is greater than the vehicle's fair market value, the actual resale price must be used to calculate the deficiency ([CGS § 36a-785\(f\) & \(g\)](#)).

Additional Provisions

Choice of Remedies

If a lender repossesses a vehicle or obtains a prejudgment remedy (i.e., remedy that deprives a defendant in a civil court action of the vehicle), the buyer is not liable for the balance due under the contract, except as described above concerning a deficiency between the vehicle's fair market value and the balance due.

If a vehicle is not repossessed, the law allows the lender to seek a monetary judgment against the buyer, but goods purchased under contract cannot be used to satisfy it. When a judgment is final, the lender's security interest in the vehicle ends. If the contract concerns a vehicle that must be registered, the lender must comply with motor vehicle law on releasing a security interest ([CGS § 36a-785\(h\)](#)).

Recovering Part Payments

The law allows a buyer to recover the greater of his or her actual damages or 25% of the amount paid under the contract, if the lender repossesses the vehicle and fails to comply with the law's requirements for redemption, compulsory resale, resale proceeds, deficiency after resale, determining the fair market value, or the choice of remedies ([CGS § 36a-785\(i\)](#)).

Waiver of Statutory Protections

The law provides that acts, agreements, or statement by the buyer made before, or at the time of, entering a contract cannot waive the law's provisions on redemption, compulsory resale, resale proceeds, deficiency after resale, determining fair market value, choice of remedies, or recovering part payments ([CGS § 36a-785\(j\)](#)).

Risk of Loss

By law, the buyer has the risk of loss or injury (e.g., responsibility for damage) after the vehicle is delivered to the buyer and before a repossession occurs ([CGS § 36a-785\(k\)](#)).

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