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## OLR Bill Analysis

### sSB 693

#### ***AN ACT CONCERNING CHANGES TO STATUTES CONCERNING HEALTH CLUB CONTRACTS AND THE AUTOMOBILE LEMON LAW.***

#### **SUMMARY**

This bill makes various changes to the new motor vehicle lemon law (hereinafter “lemon law”). Among other things, it (1) requires additional manufacturers to stamp their vehicles indicating they are lemon law buybacks, (2) requires consumers in arbitration to provide notice about the arbitration before selling their motor vehicle, and (3) fines manufacturers that fail to stamp within the specified time period or fail to perform arbitration awards.

The bill also requires dealers to remit payments to the new automobile warranties account in an annual lump sum. (Generally, the lemon law gives a consumer the right to a refund or replacement vehicle if, after a reasonable number of repair attempts (see BACKGROUND), a manufacturer cannot make the consumer’s vehicle conform to its warranty, including through an arbitration process administered by the Department of Consumer Protection (DCP).)

Additionally, the bill requires health clubs to (1) allow members to cancel their memberships by email and, (2) for contracts subject to automatic renewal, provide written notice about the renewal at the beginning of the contract. Lastly, the bill makes technical and conforming changes.

EFFECTIVE DATE: October 1, 2021

#### **§§ 3-5 — NEW MOTOR VEHICLE LEMON LAW**

##### ***Incidental Damages (§ 3)***

The lemon law establishes a consumer’s right to a refund or replacement vehicle if, after a reasonable number of repair attempts, a

manufacturer cannot make the consumer's vehicle conform to applicable express warranties. Under the law's provisions, a "motor vehicle" means passenger motor vehicles, certain commercial motor vehicles, or a motorcycle, which is sold or leased in this state (CGS § 42-179).

By law, a refund must include, among other things, all incidental damages, less a reasonable amount for the consumer's use of the vehicle. The bill expands what is considered incidental damages to include any commercially reasonable charges or expenses for (1) covering, returning, or disposing of the vehicle; (2) making reasonable efforts to minimize or avoid the consequences of financial default related to the vehicle; and (3) effectuating other remedies after a defect or condition that substantially impaired the vehicle has been reported to a dealership or manufacturer. As under current law, incidental damages also include expenses for the vehicle's inspection, receipt, transportation, care, and custody.

**Stamp (§ 3)**

The bill requires manufacturers that buy back a vehicle under the lemon law to stamp the vehicle with "MANUFACTURER BUYBACK-LEMON" instead of "MANUFACTURER BUYBACK" as current law requires. It requires that this stamp be added to all lemon law returns, including (1) vehicles returned through arbitration and (2) returns accepted by the manufacturer due to a nonconformity or defect, in exchange for a refund or a replacement vehicle, whether by an administrative or judicial determination. Current law requires the stamp only for settlements.

The bill increases, from 10 to 30 days after receiving the title, the deadline by which a manufacturer must stamp the title and submit a copy to the Department of Motor Vehicles. As under current law, the manufacturer must make this stamp clearly and conspicuously on the face of the original title in letters at least ¼ inch high.

The bill allows DCP to fine manufacturers up to \$10,000 if they fail to stamp a title within 30 days after receiving the vehicle. The fine

must be deposited in the new automobile warranties account. A manufacturer aggrieved by a fine may, within 10 days after receiving written notice of the fine from DCP, make a written request for a hearing. Under the bill, DCP must, upon receiving all documentation needed to evaluate the request, determine whether circumstances beyond the manufacturer's control prevented performance. The department may also conduct a hearing under the Uniform Administrative Procedure Act, if appropriate.

The bill allows the DCP commissioner to adopt regulations to implement these provisions.

***Arbitration Notice (§ 4)***

The lemon law allows consumers to apply for arbitration through DCP by submitting applicable forms and a \$50 filing fee to the department. Under the bill, if a consumer files for arbitration but sells the vehicle before a decision or settlement, then he or she must notify the individual or entity buying the vehicle that an action is pending with DCP under the lemon law program. The consumer must give this notice before the buyer executes a bill of sale and must include any DCP-provided case number or reference number. The consumer must also (1) notify DCP about the sale within five days after the buyer executes the bill of sale, (2) provide DCP with the buyer's name and contact information, and (3) attest that notice of the pending action was given to the buyer before the sale.

***Failure to Perform (§ 4)***

The bill allows DCP to fine a manufacturer up to \$1,000 per day if it fails to perform all remedies awarded by the arbitrator by the applicable performance date the arbitrator specified. This authority applies if the award's enforcement has not been stayed by a court or otherwise modified by the arbitrator. DCP may impose the fine each day until the manufacturer fully performs as specified under the award. Any fine must be deposited in the new automobile warranties account. A manufacturer aggrieved by a fine may appeal in the same manner as under the failure to stamp fine (see above).

### ***New Automobile Warranties Account (§ 5)***

By law, DCP may use the new automobile warranties account to implement the lemon law. The account is funded by a \$3 surcharge on each sale or lease of a new vehicle in the state and is collected by licensees (i.e., dealers).

The bill requires dealers to pay the surcharges they collect in a calendar year in a lump sum to DCP by the following March 31. It allows DCP to assess a \$2 per-vehicle late fee.

### **§§ 1 & 2 – HEALTH CLUB CONTRACTS**

#### ***Cancellation by Email***

Current law requires consumers seeking to cancel a health club contract to do so by certified or registered mail. The bill (1) allows them to also cancel the contract by email by providing written notice to the health club's email address and (2) eliminates the requirement that a mailed cancellation be sent by certified or registered mail. It makes conforming changes to the contract's statement of the consumer's rights, which by law must include a conspicuous caption: "BUYER'S RIGHT TO CANCEL" and a statement regarding how to cancel the contract.

The bill additionally requires that each contract renewed on or after October 1, 2021, revise the BUYER'S RIGHT TO CANCEL language to provide for e-mail cancellations.

#### ***Notice of Automatic Renewal***

The bill requires health clubs, for contracts subject to automatic renewal, to provide written notice of the renewal to consumers when they enter into the contract. The notice must be conspicuously printed on the contract's first page and be in bold, 14-point print. By law, contracts may not automatically renew for more than one month at a time.

### **BACKGROUND**

#### ***Lemon Law Applicability***

The lemon law offers protections for a new vehicle when it has a

defect that substantially impairs its use, safety, or value, and the vehicle has been:

1. repaired four or more times during the first 24,000 miles or two years of service;
2. out of service for a total of 30 days during the same period and the defect remains; or
3. repaired at least twice during the first year or the warranty term, whichever is shorter, and the defect is likely to cause death or serious bodily injury if the vehicle is driven (CGS § 42-179).

**COMMITTEE ACTION**

General Law Committee

Joint Favorable Substitute

Yea 18 Nay 0 (03/23/2021)