STANDARDS OF THE MINNESOTA LEMON LAW

The following is a brief explanation of most relevant provisions of the Minnesota lemon law. The complete text of the lemon law can be found at Minn. Stat. Ann Sec. 325F.665.

VEHICLES COVERED

The Minnesota lemon law covers any "motor vehicle", which it defines as any one of the following that is sold or leased to a consumer in Minnesota:

1. A passenger automobile designed and used for carrying not more than 15 persons including the driver, including a pickup truck or van;
2. The self-propelled chassis or van portion of a recreational vehicle; and
3. The self-propelled motor vehicle chassis or van portion of an ambulance.

The lemon law covers used vehicles.

CONSUMERS COVERED

The lemon law covers "consumers" who fall into either of the following categories:

1. The purchaser or lessee, other than for purposes of resale or sublease, of a new motor vehicle used for personal, family, or household purposes at least 40 per cent of the time;
2. A person to whom the new motor vehicle is transferred for the same purposes during the duration of the manufacturer's written warranty; and
3. A licensed ambulance service that purchased or leased a new ambulance or a person to whom the ambulance is transferred for the same purpose during the duration of the manufacturer's written warranty.

PROBLEMS COVERED

The lemon law applies to any defect or condition that does not conform to the manufacturer's written warranty and that substantially impairs the use or market value of the motor vehicle to the consumer. These are referred to as *nonconformities*.

The lemon law provides the manufacturer with an affirmative defense if it can be shown that the nonconformity (1) does not substantially impair the use or market value of the vehicle, or (2) is the result of abuse, neglect, or unauthorized modifications or alterations of the motor vehicle by anyone other than the manufacturer, its agent or authorized dealer.

MANUFACTURER'S DUTY TO REPAIR

If a new motor vehicle does not conform to the manufacturer's written warranty, and the consumer reports the nonconformity to the manufacturer, its agent or dealer during the

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term of the written warranty or during the period of two years following the date of the vehicle's original delivery to a consumer – whichever is the earlier date, the manufacturer must make the repairs necessary to conform the vehicle to the warranty. Repairs must be made even after the expiration of the warranty term or the two-year period.

MANUFACTURER'S DUTY TO REPURCHASE OR REPLACE VEHICLE

If the manufacturer, its agents or authorized dealers are unable to conform a *purchased* motor vehicle to any applicable express warranty by repairing or correcting any nonconformity after a reasonable number of repair attempts within three years following the date of original delivery of the vehicle to a consumer, then the manufacturer must either repurchase or replace the motor vehicle. The consumer has the option of requiring the manufacturer to provide a refund rather than a replacement motor vehicle.

If the manufacturer, its agents or authorized dealers are unable to conform a *leased* motor vehicle to any applicable express warranty by repairing or correcting any nonconformity after a reasonable number of repair attempts within three years following the date of original delivery of the vehicle to a consumer, then the manufacturer must repurchase the motor vehicle. The lemon law does not provide for the replacement of a leased vehicle.

REASONABLE NUMBER OF REPAIR ATTEMPTS

The lemon law creates a *presumption* that there have been a reasonable number of repair attempts if, within the manufacturer's written warranty term or during the period of two years following the date of original delivery of the vehicle to a consumer, whichever is the earlier date, any of the following occurs:

1. The same nonconformity has been subject to repair four or more times by the manufacturer, its agents or its authorized dealers, and the nonconformity continues to exist;

2. The vehicle is out of service by reason of repair for a cumulative total of 30 or more business days; or

3. A nonconformity that results in complete failure of the braking or steering system of the vehicle, and is likely to cause death or serious bodily injury if the vehicle is driven, has been subject to repair at least once by the manufacturer, its agents, or its authorized dealers, and the nonconformity continues to exist.

The term of the manufacturer's written warranty, the two-year period, and the 30-day period are extended by any period of time during which repair services are not available to the consumer because of a war, invasion, strike, or fire, flood, or other natural disaster.

Even if the presumption is not met, the consumer may still be entitled to recover under the lemon law if (1) the consumer first reported a nonconformity causing a substantial

impairment to the manufacturer, its agent or authorized dealer during the term of the manufacturer's written warranty, and (2) a reasonable number of attempts to correct the nonconformity occurs within three years following the date of original delivery of the vehicle to a consumer.

NOTICE AND FINAL REPAIR ATTEMPT

The presumption set out above applies against a manufacturer only if the manufacturer, its agent or its authorized dealer has received prior written notification from or on behalf of the consumer at least once, and has had an opportunity to cure the alleged defect. If the notification is received by the manufacturer's agent or authorized dealer, the agent or dealer must forward it to the manufacturer by certified mail.

DISPUTE RESOLUTION

The lemon law requires all manufacturers selling vehicles in Minnesota to participate in an informal dispute settlement mechanism located in Minnesota. Consumers must first use this mechanism before suing in court under the lemon law.

TIME PERIOD FOR FILING CLAIMS

An action must be commenced within three years of the date of the vehicle's original delivery to a consumer. If a consumer applies to an informal dispute settlement mechanism within three years of the date of the vehicle's original delivery to a consumer, and the consumer is dissatisfied with the mechanism's decision, then any action brought by the consumer must commence within six months after the date of the mechanism's final decision.

This information is not intended as legal advice. Please direct specific questions to your legal counsel.
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REMEDIES UNDER THE MINNESOTA LEMON LAW

REPURCHASE OF OWNED VEHICLES

A manufacturer repurchasing an owned vehicle under the Minnesota lemon law must pay the following amounts:

1. The full vehicle purchase price, including the cost of any options or other modifications arranged, installed or made by the manufacturer, its agent or its authorized dealer within 30 days after the date of original delivery. This includes the amount stated by the dealer as the trade-in value of a consumer's used vehicle, plus an additional amount paid by the consumer for the vehicle;
2. Sales or excise tax;
3. License fees and registration fees; and
4. Reimbursement for towing and rental vehicle expenses incurred by the consumer as a result of the vehicle being out of service for warranty repair;
5. Less a reasonable allowance for the consumer's use of the vehicle.

Refunds must be made to the consumer and lienholder, if any, as their interests appear on the records of the registrar of motor vehicles.

The amount of sales tax to be refunded to the consumer is calculated as follows:

$$\text{Tax paid by consumer at time of purchase} - \left[\text{Tax paid by consumer at time of purchase} \times \frac{\text{Reasonable allowance for use}}{\text{Vehicle's purchase price}}\right]$$

The reasonable allowance for use will be deducted for use of the vehicle by the consumer and any previous consumer during any period in which the use and market value of the vehicle are not substantially impaired. This amount may not exceed ten cents per mile driven or ten percent of the purchase price, whichever is less.

REPURCHASE OF LEASED VEHICLES

A manufacturer repurchasing a leased vehicle under the Minnesota lemon law must pay the following amounts:

To the lessor:

1. A full refund of the vehicle's original purchase price; and
2. Any early termination costs, not to exceed 15 percent of the vehicle's original purchase price;
3. Less any amounts actually paid by the consumer on the written lease.

To the lessee:

1. The amount actually paid by the consumer on the written lease;
2. Sales or excise tax;

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3. License fees and registration fees; and
4. Reimbursement for towing and rental vehicle expenses incurred by the consumer as a result of the vehicle being out of service for warranty repair;
5. Less a reasonable allowance for the consumer's use of the vehicle.

The reasonable allowance for use will be deducted for use of the vehicle by the consumer and any previous consumer during any period in which the use and market value of the vehicle are not substantially impaired. This amount may not exceed ten cents per mile driven or ten percent of the purchase price, whichever is less.

The consumer's leased vehicle must be returned to the manufacturer and the consumer's written lease with the lessor must be terminated.

REPLACEMENT OF OWNED VEHICLES

When replacing an owned vehicle under the Minnesota lemon law, the manufacturer must provide a comparable motor vehicle. The reasonable allowance for use does not apply to a replacement.

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Minnesota's Lemon Law

Published by the Minnesota Attorney General's Office

Popularly known as the "lemon law," Minnesota's motor vehicle warranty statute was created to help protect you when you buy or lease a car, pickup truck, or van, that is still under the original manufacturer's warranty. The law is not intended to eliminate all problems you will ever encounter with your vehicle. What it does do is require manufacturers to honor the time and mileage provisions of their written warranties. And, it provides special arbitration, refund and replacement provisions for vehicles which are considered to be real "lemons."

Which Motor Vehicles Are Covered?

The Minnesota lemon law covers new motor vehicles purchased or leased in Minnesota. The law covers passenger automobiles, as well as pickup trucks and vans. The self-propelled motor vehicle chassis or van portion of a recreational vehicle is also covered. That means that as long as the "lemon" problem covers warranted portions of the chassis and van portion of a recreational vehicle, the entire recreational vehicle may be subject to replacement or refund. It does not cover areas other than the chassis, such as living areas or other amenities that may have been added to the chassis by the R.V. manufacturer. It also covers used vehicles that are still under the original manufacturer's warranty. The vehicles must be used at least 40 percent of the time for personal, family or household purposes (Leased vehicles are covered by the law if the lease term is longer than four months).

The first report of a defect must occur within the warranty period, or two years, whichever comes first. If you have continuing problems with the same defect, however, you still can make a claim until the end of the third year.

The Manufacturer's Duty to Repair

The manufacturer or its authorized dealer must repair a motor vehicle in accordance with the terms of the warranty, even after the manufacturer's warranty has expired, if:

- The motor vehicle has a defect or problem which is covered by the warranty; and,
- The problem has been reported by the vehicle's owner within the warranty period, or within two years after delivery of the vehicle, whichever comes first.

The Manufacturer's Duty to Refund or Replace

The law has special refund and replacement provisions for cars that have substantial defects or problems, commonly called "lemons." Under the law, if the manufacturer or its authorized dealer has been unable to repair a car's problem after a "reasonable number of attempts," the buyer or lessee may go through a manufacturer's arbitration program, or to court, to seek a full refund of the car's purchase price (minus a deduction for use of the vehicle). The law considers a "reasonable number of attempts" to be any one of the following:

- Four or more unsuccessful attempts to repair the same defect; or,
- One unsuccessful attempt to repair a defect which has caused the complete failure of the steering or braking system and which is likely to cause death or serious bodily injury; or,
- A car which has been out of service due to warranty repairs for 30 or more cumulative business days.

In each case the initial defect must occur within the warranty period, or two years, whichever comes first, but the manufacturer's repair attempts may extend to the end of the third year. Even if you do not meet one of the above categories, you may still have a lemon law claim, but it will be harder to prove.

Situations When Refunds or Replacements Are Not Given

Be aware that the manufacturer does not have to make a refund or replace the vehicle if:

- The problem does not substantially impair the use or market value of the vehicle; or,
- The problem is the result of abuse, neglect or unauthorized modifications or alterations of the vehicle.

Refund and Replacement Eligibility Requirements

Just because a repair shop has made a number of unsuccessful attempts to fix your car you are not automatically eligible for a refund or replacement vehicle. You must first:

- Write to the manufacturer, zone representative or authorized dealer notifying them of the problem. Specifically state that your car is a lemon and that you want a buy-back under the lemon law. This does two things:
    1. It gives the company an opportunity to fix the defect (the manufacturer gets one more chance to fix the defect after notification); and,
    2. It lets the company know you plan to use Minnesota's lemon law if the defect is not properly repaired.
- Try to resolve the problem through the manufacturer's automobile dispute arbitration program.

The manufacturer may require you to first go through the arbitration program before filing a lawsuit under the lemon law. Check with the manufacturer or the Minnesota Attorney General's Consumer Division if you have questions about a manufacturer's arbitration program.

If You Are Awarded a Refund

If you are awarded a refund under the terms of the lemon law, the manufacturer must refund:

1. The full purchase price of the vehicle, or the amount you actually paid on your lease. However, for either a purchased or leased vehicle, the manufacturer may deduct a reasonable allowance for the time that you were able to use the vehicle. This deduction cannot exceed 10 cents per mile or 10 percent of the purchase price, whichever is less;
2. The cost of certain options installed by the manufacturer or dealer;
3. Sales tax;
4. License fees;
5. Registration fees;
6. Reimbursement for towing; and,
7. Rental expenses.

Note: If you are awarded a replacement vehicle, you have the option of receiving a refund instead.

Arbitration

Automobile manufacturers doing business in Minnesota must offer consumers an arbitration program which considers consumers' warranty related disputes.

A manufacturer's arbitration program provides consumers a fast and simple way to resolve disputes. Arbitrators can consider arguments based on the lemon law. But, an

arbitrator is not a judge and is not required to apply the law the way a court would.

If the manufacturer requires it, consumers must first go through the manufacturer's arbitration program before filing a lawsuit under the lemon law. You may not have to wait until all the lemon law criteria are met before going through arbitration, but you might have a stronger case if all the criteria are met.

In fact, you may not even want to discuss the lemon law in arbitration if your car does not meet the lemon law criteria.

The consumer has certain rights during the arbitration process:

- Lemon law information. You and the arbitrator(s) must receive a copy of this brochure from the manufacturer's arbitration program.
- Lemon law arguments. You may make any arguments to the arbitrator(s) you think necessary to support your complaint, including those based on the lemon law. The arbitrator(s) cannot be discouraged or prohibited from considering your arguments.
- Documents. You are entitled to copies of all documents.
- Oral presentation. You must be given reasonable written notice of the arbitration and an opportunity to make an oral presentation to the arbitrator(s), unless you agree to a telephone conference or to submit the case on the basis of documents alone. If the case is based on documents alone, the manufacturer or dealer representative cannot participate in discussion or resolution of the dispute. You may get better results if you make a personal oral presentation to the arbitrator(s).
- Independent appraisal. You must be given an adequate opportunity to get an independent appraisal, at your own cost, of any manufacturer claim that your vehicle does not have a problem or that your vehicle is operating within normal specifications.
- Repair attempts. You must be given a chance to inform the arbitrator(s) about the results of any recent repair attempts by the manufacturer.
- Service bulletins. You must be provided with, at reasonable cost, any technical service bulletin which the manufacturer knows directly applies to the specific mechanical problem being disputed.
- Attorney. You have the right to be represented by an attorney in the arbitration process. However, most arbitration participants appear before the arbitrator(s) without an attorney. Attorney's fees for representation in arbitration are not recoverable under the lemon law.
- Arbitration decision. You are not bound by the decision of the arbitrator(s), unless you agree to be bound. However, many manufacturers have agreed to be bound by the arbitration decision. If you are unhappy with an arbitration decision, you may wish to consult an attorney if you wish to file a lawsuit under the lemon law. The arbitration decision is admissible as nonbinding evidence in any subsequent legal action. If you wish to file an appeal of the arbitrator's ruling in court, you must file in court within 6 months of the decision.
- Refund amount. If the arbitrator(s) decides you should receive a refund or replacement vehicle under the terms of the lemon law, then you are entitled to the same refunds and reimbursements you would have received had you won in court.
- Bad faith appeal. If a court determines that you or the manufacturer acted in bad faith when you appealed an arbitration decision, the party that wins in court may be entitled to receive three times the actual damages, plus attorney's fees and court costs.

How to Use the Lemon Law in Arbitration or Court

To prepare for a dispute you should:

1. Keep copies of all purchase orders, sales receipts, lease agreements, warranties, repair invoices, letters and other documents

concerning your vehicle and any of its problems or potential defects.

2. If your vehicle is in the shop for repairs for more than one day at a time, make sure that the repair invoice shows the date it was brought in and the date you were notified that it was ready to be returned.

3. If you think you are eligible for a refund or replacement vehicle, remember the law requires written notice be given to the manufacturer, zone representative or authorized dealer. You should send a letter by certified mail, with a return receipt requested. If you send the letter to the dealer, send a copy to the manufacturer and keep a copy for your records. You should include the following information in your letter:

    - Your name, address and telephone number.
    - The date you purchased or began leasing the automobile.
    - A list of defects and systems affected.
    - The number of times the vehicle has been subject to repairs for the same problem, and the dates of the repairs.
    - A statement that the defect still exists as of the date of the letter.
    - A reference to the lemon law (Minnesota Statutes, section 325F.665) and a statement that you will pursue a replacement or refund claim under this law if the vehicle is not made to conform to the warranty.
    - A request for information about the company's arbitration program.

Remember, the refund and replacement provisions of the lemon law are intended to provide a replacement or a refund only in the cases of the most serious defects ¾ faults which seriously impair the use or market value of the vehicle, or faults which involve life-threatening failures of the braking and steering systems.

If You Sue

If you feel you must bring a lawsuit under the lemon law for a refund or replacement vehicle, you should consult an attorney (you may be eligible to recover the attorney's fees if you win). The law allows you to file suit any time within three years of the date of the original delivery of the vehicle, if you first reported the defect within the warranty period, or two years, whichever comes first. As of April 1995, if you go through a manufacturer's arbitration program, you have six months to appeal in court. The company has only 30 days to appeal in court.

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For more information about Minnesota's Lemon Law, contact the Minnesota Attorney General's Office at:

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