

SENATE BILL REPORT

SB 5628

As Reported By Senate Committee On:
Law & Justice, February 21, 1995

Title: An act relating to consumer leases of automobiles.

Brief Description: Regulating consumer leases of automobiles.

Sponsors: Senators Smith, McCaslin and Wojahn; by request of Attorney General.

Brief History:

Committee Activity: Law & Justice: 2/21/95 [DPS].

SENATE COMMITTEE ON LAW & JUSTICE

Majority Report: That Substitute Senate Bill No. 5628 be substituted therefor, and the substitute bill do pass.

Signed by Senators Smith, Chair; C. Anderson, Vice Chair; Hargrove, Haugen, Johnson, Long, Roach and Schow.

Staff: Martin Lovinger (786-7443)

Background: A very significant number of the complaints received by the Attorney General's Consumer and Business Fair Practices Division is directly attributable to consumer leases of motor vehicles. Many of the concerns stem from misunderstanding the cost of these leases. In many cases the confusion is caused by intentionally misleading information. Misleading lease information also interferes with fair competition among dealers. It is felt that clarifying and mandating the information that must be contained in motor vehicle lease agreements will result in healthier competition for dealers and a reduction in consumer complaints.

Among the items that cause confusion are: determining the actual "adjusted capitalized cost" upon which the lease payments are based; how the sales tax exemption on a trade in vehicle applies to the lease payments; the financial consequences of breaking a lease before it expires; whether the transaction is a lease or purchase agreement; and the amount of equity or value the vehicle will have at the end of the lease.

Summary of Substitute Bill: Leases of motor vehicles are exempt from the \$25,000 limit for application of state laws regulating consumer leases.

A definition and disclosure requirements for "capitalized cost," "capitalized cost reduction," and "adjusted capitalized cost" are provided. The lease agreement must warn about costs of early termination. The agreement must also disclose the effect on the lease payments of any sales tax exemption on a trade-in vehicle.

In connection with offering a consumer lease of a motor vehicle, it is unlawful to: (1) use false, deceptive, or misleading advertising; (2) misrepresent material terms, the lease as a purchase agreement, or the value the leased vehicle will have at the end of the lease; or (3) to fail to comply with the federal Consumer Leasing Act.

A violation of the state consumer lease laws is a per se violation of the Consumer Protection Act. Courts may award damages under either federal or state law, but not both.

The consumer lease law remedies are cumulative and not exclusive of other available remedies.

Substitute Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Requested on February 14, 1995.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill is supported by both consumer advocates and the leasing industry. Leases are attractive because of lower down payments and lower monthly payments. Leasing can be a good deal under some circumstances. However, in the absence of full disclosure, the consumer is not in a good position to bargain or comparison shop. In some cases, misleading information can make leasing a very expensive option. Disclosure allows consumers to compare the purchasing and leasing options. Currently, about 25 percent of all new vehicles are obtained by lease. The figure is expected to grow to 50 percent.

Testimony Against: None.

Testified: PRO: Christine Gregoire, Attorney General; David Walsh, Attorney General's Consumer Affairs Division.