

***New Jersey  
State Commission of Investigation***



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**SCI FOLLOW-UP REPORT  
ABUSES CONTINUE AT USED-  
CAR DEALER COMPLEXES**

TRENTON – A loosely regulated niche within New Jersey’s used-car industry remains a refuge for dealers who engage in deceitful, and in some cases, unlawful activity including schemes that harm consumers, the State Commission of Investigation said in a report released today.

The Commission’s follow-up inquiry into the operation and regulation of hundreds of used-car entities housed in group settings known as “multi-dealer locations,” or MDLs, revealed that not only has this problem-plagued business model grown since the SCI’s initial report in 2015, but that dealerships based at these entities continue to participate in illicit conduct,

including tax evasion, insurance fraud and an improper black market in dealer credentials. Once again, the Commission found dozens of instances in which consumers spent thousands of dollars for vehicles that in some instances turned out to be thinly disguised piles of junk. In most cases, consumers were unable to recover costs or obtain refunds because the transactions were “as is” sales that, under New Jersey law, require the customer to cover all repair costs.

Further, the Commission identified a new pattern of abuse by some MDL-based dealers to circumvent inspection requirements for certain salvage vehicles—potentially putting cars too damaged to repair back on the road. This practice is so rampant it recently prompted regulators in New York State to stop accepting salvage titles from New Jersey in an effort to protect unsuspecting consumers.

To its credit, the state Motor Vehicle Commission (MVC) took steps during and soon after completion of the first SCI investigation to address some of the most blatant regulatory weaknesses and resultant abuses identified in the 2015 report. But it was concerned about the likely impact of pending legislation that would essentially undo those reforms – along with credible allegations that many of the dealer abuses persisted at these complexes—that prompted the Commission to revisit the continuing proliferation of MDLs.

“The pending legislation would effectively legitimize nearly all of what the Commission found to be wrong in this corner of the used-car industry,” the report states.

In response to these findings, the SCI recommends that the Legislature enact stronger protections for consumers to assist buyers of used vehicles with undisclosed damage or defects in obtaining some form of recourse. Under current law, warranty protections only cover vehicles

purchased from a New Jersey-licensed dealer for a minimum of \$3,000, are less than seven years old and have fewer than 100,000 on the odometer.

It also recommends that the MVC require all vehicles seeking rebuilt/salvage titles to undergo inspection in New Jersey, even if the vehicle already bears that title designation from another state. In addition, the Commission recommends that the MVC conduct more extensive vetting and background check of applicants for used-car dealer licenses and to develop clear disciplinary standards to address dealer license abuses.



*The State Commission of Investigation is an independent New Jersey watchdog agency established in 1968 to investigate organized crime and corruption, waste of tax money and other abuses of the public trust. Copies of public reports are available at the Commission's offices or via its Web site at [www.state.nj.us/sci.index.shtm](http://www.state.nj.us/sci.index.shtm)*