

## **STANDARDS OF THE INDIANA LEMON LAW**

The following is a brief explanation of most relevant provisions of the Indiana lemon law. The complete text of the lemon law can be found at Indiana Code Sec. 24-5-13.

### **CONSUMERS COVERED**

The Indiana lemon law covers any person who, for purposes other than resale or sublease, enters into an agreement or contract in Indiana for the transfer, lease or purchase of a motor vehicle.

### **VEHICLES COVERED**

The lemon law covers any self-propelled vehicle that:

1. Has a declared gross vehicle weight of less than 10,000 pounds;
2. Is sold to a consumer in Indiana and is registered in Indiana, or to a consumer in Indiana who is not an Indiana resident;
3. Is intended primarily for use and operation on public highways; and
4. Is required to be registered or licensed before use or operation.

The lemon law appears to cover used vehicles, but does not cover conversion vans; motor homes; farm tractors and other machines used in the actual production, harvesting, and care of farm products; road building equipment; truck tractors; road tractors; motor cycles; mopeds; snowmobiles; or vehicles designed primarily for off-road use.

### **VEHICLE CONVERTERS**

The lemon law does not apply to vehicle converters.

### **PROBLEMS COVERED**

The lemon law covers any “nonconformity”, which is defined as any specific or generic defect or condition or any concurrent combination of defects or conditions that:

1. Substantially impairs the use, market value, or safety of a motor vehicle; or
2. Renders the motor vehicle nonconforming to the warranty.

It is an affirmative defense to any claim under the lemon law that:

1. The nonconformity, defect, or condition does not substantially impair the use, value, or safety of the motor vehicle; or
2. The nonconformity, defect, or condition is the result of abuse, neglect, or unauthorized modification or alteration of the motor vehicle by the buyer.

## **MANUFACTURER'S DUTY TO REPAIR**

If a motor vehicle has a nonconformity and the consumer reports the nonconformity to the manufacturer, its agent, or authorized dealer within the "term of protection" (defined as the earlier of 18 months or 18,000 miles after the vehicle's original delivery to a consumer), the nonconformity must be corrected, even if the repairs are made after the expiration of the term of protection.

## **MANUFACTURER'S DUTY TO REPURCHASE OR REPLACE A VEHICLE**

If the manufacturer, its agent, or authorized dealer is unable to correct a nonconformity after a *reasonable number of attempts*, the manufacturer must, at the consumer's option, either replace or repurchase the motor vehicle.

## **REASONABLE NUMBER OF REPAIR ATTEMPTS**

The Indiana lemon law provides that a manufacturer has had a *reasonable number of repair attempts* if:

1. The nonconformity has been subject to repair at least four times by the manufacturer, its agents or authorized dealers, but the nonconformity continues to exist; or
2. The vehicle is out of service by reason of repair of any nonconformity for a cumulative total of at least thirty business days and the nonconformity continues to exist.

The period of thirty business days is extended by any period of time during which repair services are not available as a direct result of a strike, although the burden is on the manufacturer to show that the strike was the direct cause for the failure to cure any nonconformity during that time. The manufacturer, its agent or authorized dealer must provide or make provisions for the free use of a vehicle to any consumer whose vehicle is out of service by reason of repair during a strike.

## **WRITTEN NOTICE TO MANUFACTURER**

The consumer must notify the manufacturer in writing of a lemon law claim if the manufacturer has clearly and conspicuously disclosed in the warranty or owner's manual that such notice is required. The manufacturer must also include in the warranty or owner's manual the name and address to which the consumer must send the written notice.

## **DISPUTE RESOLUTION**

The lemon law does not apply to any consumer who has not first resorted to an informal dispute settlement procedure established by the manufacturer or in which the manufacturer participates, if:

1. The procedure is certified by the Attorney General as complying with 16 C.F.R. Part 703 and any other rules concerning certification adopted by the Attorney General (including the requirement of oral hearings); and
2. The consumer has received adequate written notice from the manufacturer of the existence of the procedure, including incorporation of the procedure into the terms of the written warranty.

### **TIME PERIOD FOR FILING CLAIMS**

An action must be commenced within two years following the date that the consumer first reports the nonconformity to the manufacturer, its agent or authorized dealer. The two-year period does not run during the time the consumer resorts to a certified informal dispute settlement procedure.

## REMEDIES UNDER THE INDIANA LEMON LAW

### REPURCHASE OF OWNED VEHICLES

The Indiana lemon law provides that the manufacturer must pay the following amounts when it repurchases an owned vehicle under the lemon law:

1. Total contract price of the vehicle, including all credits and allowances for any trade-in vehicle;
2. All sales tax;
3. The unexpended portion of the registration fee and excise tax that has been prepaid for any calendar year;
4. All actually expended finance charges;
5. The cost of all options added by the authorized dealer; and
6. Necessary towing and rental car costs incurred as a direct result of the nonconformity;
7. Less a reasonable allowance for use.

The reasonable allowance for use is determined by the following formula:

$$\text{reasonable allowance} = \frac{\text{\# miles traveled prior to manufacturer's acceptance of vehicle return}}{100,000} \times \text{total contract price}$$

BBB AUTO LINE arbitrators may use the mileage at the time of the hearing instead of the mileage traveled prior to manufacturer's acceptance of vehicle's return.

### REPURCHASE OF LEASED VEHICLES

The Indiana lemon law provides that the manufacturer must pay the following amounts when it repurchases a leased vehicle:

*To the lessor:*

1. 105% of the lessor's purchase cost, including freight and accessories;
2. Any fee paid by the lessor to another to obtain the lease;
3. Any insurance premiums or other costs expended by the lessor for the benefit of the lessee;
4. Sales tax paid by the lessor;
5. *Minus* the total of all deposit and lease payments paid by the lessee to the lessor,

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including all credits and allowances for any trade-in vehicle.

*To the lessee:*

1. All deposit and lease payments paid by the lessee to the lessor, including all credits and allowances for any trade-in vehicles; and
2. Necessary towing and rental car costs incurred as a direct result of the nonconformity;
3. Less a reasonable allowance for use.

The Indiana lemon law states that a *reasonable allowance for the lessee's use* of a vehicle must be subtracted from the amounts a manufacturer pays to the lessee when it repurchases a vehicle. The reasonable allowance for use is determined by the following formula:

$$\text{reasonable allowance} = \frac{\text{\# miles traveled prior to manufacturer's acceptance of vehicle return}}{100,000} \times \text{total lease obligation of the lessee at the inception of the lease}$$

BBB AUTO LINE arbitrators may use the mileage at the time of the hearing instead of the mileage traveled prior to manufacturer's acceptance of vehicle's return.

## **REPLACEMENT**

When replacing a vehicle under the Indiana lemon law, the manufacturer must provide a replacement vehicle of comparable value. The reasonable allowance for use does not apply to a replacement.

The manufacturer must also reimburse the consumer for:

1. Any fees for the transfer of registration or any sales tax incurred by the consumer as a result of replacement; and
2. Necessary towing and rental costs actually incurred as a direct result of the nonconformity.

If the replaced vehicle was financed by the manufacturer, its subsidiary, or agent, the manufacturer, subsidiary or agent may not require the consumer to enter into any refinancing agreement concerning the replacement vehicle that would create any financial obligations upon the consumer that are less favorable than those of the original financing agreement.