Lots of Pages, But a Single Document

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The process of selling and financing vehicles is, as we have noted before, highly regulated. With each step, there are potential land mines just waiting for a careless dealer.

One of those pesky land mines is something we lawyers call a “single document” rule. A single document rule requires that all documents, or certain documents, evidencing the sale and financing transaction between the dealer and the buyer be contained in one document.

Sometimes the state law containing the rule can be read to require that all the terms of the transaction be printed on one sheet of paper, which can make for some interesting-looking contracts. Usually, however, a state’s rule will permit multiple pages.

Not all states, thank goodness, have these rules, and the ones that do have varying versions of the rule. Some versions of the rule seem to require the nonsensical combining of all documents, even arguably service contracts, credit and GAP coverage, and the like, into a single document. Other states’ rules limit themselves to the sale and credit documents only.

The rules have been used by plaintiffs’ lawyers against dealers, with the lawyers seeking to have some or all of the contractual language (like an arbitration clause) used in a deal tossed out by the court. Sometimes the rules are used to argue that because the dealer broke the law, the documents used in the deal are unenforceable.

Depending on the wording of the rule, dealers have fought these attacks in various ways. One defense offered by dealers is that when multiple documents are used in a transaction and signed more or less at the same time, those documents will be read together in a way that satisfies the single document rule. A recent Maryland case offers an example of this argument.

In 2010, Willie Ford and Rashad Beale bought and financed a car from Antwerpen Motorcars, Ltd. In 2013, Ford and Beale sued Antwerpen when they discovered the car had been involved in a collision and had also been used as a short-term rental prior to their purchase.

Antwerpen moved to compel arbitration under the agreement to arbitrate included in the Buyer’s Order signed by Ford and Beale. The trial court ordered the parties to arbitrate the claims, and Ford and Beale appealed.

In order to complete the sale and financing of the car, Ford and Beale signed both a Buyer’s Order and a retail installment sale contract. The Buyer’s Order included an agreement by the parties to arbitrate any claims arising from the transaction, while the RISC did not.

However, the Buyer's Order and the RISC each included an "integration provision," contractual language "incorporating by reference" all other documents signed by Ford and Beale in connection with the purchase. Ford and Beale argued that Maryland regulations governing auto financing require that all of the terms of the vehicle sale and financing be contained in a single document. In this case, Ford and Beale argued that the controlling document was the RISC, which did not include an agreement to arbitrate.

The Maryland Court of Appeals disagreed, holding that nothing in the Maryland regulations supplants the common law principle permitting the reading of multiple documents together as part of a single transaction, particularly where the documents contain integration provisions. Therefore, the appellate court affirmed the trial court's decision to compel arbitration.

Maryland's courts tend to be pro-consumer, so a practical, dealer-friendly decision like this one comes as a pleasant surprise. The courts in other states are not bound by this decision. In those states, dealers who face single document challenges should find this opinion helpful in persuading their courts that sometimes the practical answer is the right answer.

Ford v. Antwerpen Motorcars Ltd., 2015 Md. LEXIS 480 (Md. April 1, 2015).