



No Paper Necessary: Vehicle Titles in the Age of the Internet

January 31st, 2025 | and [Eric D. Mulligan](#)

Unlike most items of personal property, a motor vehicle usually has a certificate of title. We all know that the point of a vehicle title is to show who owns the vehicle and who (if anyone) has a lien on it. Sometimes, though, what matters is more than that piece of paper, especially in an age when many states have laws recognizing electronic liens, registrations, and titles. In a recent Kansas bankruptcy case, the court found that the holder of the debtor's retail installment sale contract had a perfected security interest in the debtor's vehicle, under Kansas law, even though no Kansas title existed for that vehicle.


On June 13, 2022, Andrew Alexander, a Kansas resident, bought a car with an Illinois title from Orr Nissan of Wichita, a Kansas dealership. Alexander signed a RISC. Orr assigned the contract to Santander Consumer USA, Inc., and executed the "Dealer's Assignment" on the back of the Illinois title listing Alexander as the purchaser and Santander as the lienholder. On June 30, 2022, Santander delivered a Notice of Security Interest to the Kansas Department of Revenue through the KDOR's E-lien site indicating that Alexander was the car's owner and that Santander was the car's lienholder. The KDOR confirmed Santander's NOSI and payment of the required fee the same day.

On July 7, 2022, Alexander and his wife filed a Chapter 13 bankruptcy petition that was later converted to Chapter 7. On November 8, 2022, Alexander submitted an application for title and the applicable fee to the KDOR. The car's certificate of title listed Alexander as the owner and Santander as the lienholder. On August 16, 2023, Santander moved for relief from the automatic stay with respect to the car. The Chapter 7 trustee objected to Santander's motion, claiming that she had priority over Santander's lien because that lien was unperfected as of the bankruptcy petition filing date.

The parties agreed that Kansas choice-of-law rules applied but disagreed as to whether those rules required Santander to perfect its security interest under Kansas or Illinois law. The Kansas Uniform Commercial Code provides that the law of the jurisdiction under whose certificate of title the goods are covered governs perfection until the goods cease to be covered by that certificate of title. The Official Comment provides that goods may become covered by a certificate of title even though no certificate of title has been issued.

The trustee argued that the car was covered by the Illinois title when the bankruptcy petition was filed. The U.S. Bankruptcy Court for the District of Kansas disagreed, based on the definition of "certificate of title" as including "another record maintained as an alternative to a certificate of title by the governmental unit that issues certificates of title if a statute permits the security interest in question to be indicated on the record as a condition or result of the security interest's obtaining priority over the rights of a lien creditor with respect to the collateral." The court found that

Santander's NOSI submitted on June 30, 2022, was such a record because the KDOR maintains the NOSI electronically until an application for a Kansas certificate of title is submitted. Therefore, the court concluded that the Illinois certificate of title ceased to cover the vehicle on the date of submission of the NOSI to the Kansas authorities, which predated the bankruptcy petition filing, and Santander's security interest was perfected, under Kansas law, by its submission of the NOSI and its tender of the required fee. Therefore, the court overruled the trustee's objection and granted Santander's motion for relief from the automatic stay.

In other words, Santander's NOSI was just as good as a Kansas title with Santander's lien noted on it. This result may not be what you expect if you're used to a paper title meaning everything, but it makes sense. If a paper title had been necessary for perfection of Santander's security interest, then Alexander could have prevented Santander from perfecting its security interest simply by not applying for the title. As it was, he waited to apply for the title until after he filed for bankruptcy. The bankruptcy trustee argued that the fact that Alexander applied for the title after his bankruptcy filing was determinative, but the court found that the UCC said otherwise. 

In re Alexander, 2024 Bankr. LEXIS 1093 (Bankr. D. Kan. May 6, 2024).