When Is a Sale Final? Not Always as Early as You'd Like It to Be

October 31st, 2024

Eric D. Mulligan

One of the first things I learned in my first-year contracts class in law school was the Uniform Commercial Code. Specifically, the class covered Article 2 of the UCC, which governs sales of goods, including motor vehicles. Though the UCC is (oddly enough) not entirely uniform among states, the differences among different states' versions of the UCC are usually small, and most of the basics are the same in every state.

Article 2 gives a buyer the right to reject goods that don't conform to the sale contract, and, in some cases, the buyer may even revoke an earlier acceptance. A buyer may revoke acceptance of an item whose nonconformity to the contract substantially impairs the item's value if the buyer has accepted the item on the reasonable assumption that the nonconformity would be cured but is not timely cured. In layman's terms, if something's wrong with the goods a buyer buys and the seller doesn't fix the problem, the buyer can go back on the purchase. Two recent cases illustrate how a buyer may revoke acceptance of a vehicle that doesn't work—and in one of them, the buyer revoked acceptance successfully even though the dealer hadn't provided a warranty.

In one case, Brent Mastrandrea bought a used car from Whaling City Auto Group, LLC. The retail installment sale contract that he signed to finance the purchase was assigned to Ally Financial, Inc. About a week after the vehicle purchase, Mastrandrea began experiencing mechanical problems with the vehicle. He brought the vehicle back to Whaling City to have it assessed and repaired, but Whaling City did not discover any problems with the vehicle. Mastrandrea then took the vehicle to another dealership, which identified the problem as a defective transmission. Mastrandrea took the vehicle back to Whaling City, but Whaling City refused to perform the repairs. Mastrandrea then attempted to revoke acceptance of the vehicle due to the defective transmission. Mastrandrea sued Whaling City and Ally Financial for breach of the implied warranty of merchantability, breach of express warranty, and revocation of acceptance under UCC Article 2. The Superior Court of Connecticut found in favor of Mastrandrea.

With respect to the breach of implied warranty of merchantability claim, the court found that Mastrandrea provided credible evidence that his vehicle was malfunctioning one week after the purchase. A technician with the dealership that found evidence of the defective transmission testified that the vehicle was in obvious need of repair and that transmission failure is characteristic of the particular model of vehicle that Mastrandrea bought. Because of the short period of time that passed between the time Mastrandrea bought the vehicle and the onset of the defect in the transmission, the court found that it was reasonable to infer that the defect existed at the time of

sale. The court concluded that a vehicle with a defective transmission is not fit for the ordinary purpose for which vehicles are used—e.g., safe, sound, and reliable transportation—and that a defective transmission substantially impairs the value of a vehicle, rendering it unmerchantable.

With respect to the breach of express warranty claim, the court found that the dealership's warranty covered 100% of the cost of parts and labor for certain covered systems, including the transmission. Because the request for repair was made within the warranty period, the court concluded that the failure of Whaling City to inspect the transmission thoroughly to detect and repair its defect was a breach of its warranty.

The court then concluded that Mastrandrea's revocation of acceptance of the vehicle was proper. Finally, the court concluded that Ally Financial, as the assignee of the RISC and a holder in due course, was subject to all the claims Mastrandrea had against Whaling City. Accordingly, the court found in favor of Mastrandrea and awarded him compensatory damages.

In the other case, Sharon Dennis saw a Jeep advertised for sale by Cash Your Car, Inc., for a reduced price of $7,498 on CarGurus.com. She drove to the dealership, and William Lockmeyer, a Cash Your Car salesperson, presented her with a CARFAX report that confirmed the reduced price of $7,498. Lockmeyer also presented her with a sales "worksheet" that indicated a sales price of $8,643, which Lockmeyer stated included a $150 sales assistance fee and a $995 "dealer preparation" fee that covered the dealership's costs for a variety of pre-sale services. Dennis paid a $100 deposit and left the dealership.

When Dennis returned to the dealership a few days later, she was presented with a retail order sheet indicating a sales price of $10,036. She signed the retail order, two power of attorney documents that authorized Cash Your Car to obtain a vehicle title and registration on her behalf, an application for certificate of ownership, a 90-day powertrain extended warranty through Continental Warranty Inc., documents reflecting that the Jeep was being sold "as is," and a separate $1,899 Continental policy that provided coverage for 36 months or 36,000 miles.

After Dennis provided Cash Your Car with a certified check, as requested, the Jeep's dashboard warning lights lit up. Cash Your Car attempted to fix the issue by switching out the battery, but the warning lights remained on. Cash Your Car promised that it would fix the Jeep by the next day. Dennis refused to accept the Jeep and requested a refund, but Cash Your Car refused to acknowledge Dennis's revocation of the sale and continued to call her to request that she pick up the Jeep and reconsider her decision to cancel the purchase. Despite this standoff, Cash Your Car signed a Reassignment of Certificate of Ownership by Licensed New Jersey Dealer and paid $5 for a temporary tag and $131.50 to register and title the Jeep in Dennis's name. Consequently, Dennis was required to insure the Jeep, even though the Jeep, the Jeep's title, the certificate of ownership, and the license plates were not in her possession.

Dennis sued Cash Your Car under the UCC and various other state and federal laws. The trial court awarded Dennis $10,285.77 in damages for the purchase price of the Jeep and a $250 filing fee against Cash Your Car under the UCC. Cash Your Car appealed, and, deferring to the trial court's credibility determinations and "substantially for the reasons outlined in Judge Jeffrey B. Beacham's November 8, 2021 oral opinion," the Superior Court of New Jersey, Appellate Division, affirmed.

The appellate court agreed with the trial court that Dennis was entitled to revoke acceptance of the

Jeep under UCC Article 2 and receive a refund where she reasonably notified Cash Your Car of her rejection because the dashboard's display of multiple warning signs rendered the Jeep nonconforming.

Why did these two buyers get to unwind their purchases after they'd already agreed to them? The short answer is that neither vehicle conformed to the contract for its sale. In other words, the buyers didn't get what they'd bargained for. Mastrandrea's car started malfunctioning a week after he bought it. The dealership at first couldn't even find the problem and later, after another dealer had identified the problem, refused to fix the car. The car's defective transmission made the car unfit for its ordinary purpose, which breached the warranty and caused the car not to conform to the contract, making revocation of acceptance proper. But Dennis's car didn't even come with a dealer warranty, so why did she get to revoke her acceptance as well? It's because Dennis never took possession of the Jeep, even though she'd paid for it. It wasn't working correctly when she came to pick it up, so she didn't take it home. In Article 2 parlance, Dennis rejected delivery of the Jeep. The court didn't elaborate on how the Jeep failed to conform to the contract, but we can guess that even an "as is" contract wouldn't call for delivery of a vehicle that had obvious problems at the time of delivery when the parties contracted for the sale of a functional vehicle. If Dennis had driven the Jeep off the lot, then the result might have been different.

The lesson from these two cases is that a sale may not be final as early as you'd like it to be, especially if the car has obvious problems.

Mastrandrea v. Whaling City Auto Group, LLC, 2023 Conn. Super. LEXIS 1801 (Conn. Super. July 5, 2023), and *Dennis v. Cash Your Car, Inc.*, 2023 N.J. Super. Unpub. LEXIS 1299 (N.J. Super. App. Div. July 27, 2023).