



State of California
Office of the Attorney General

XAVIER BECERRA
ATTORNEY GENERAL

May 19, 2020

David Detweiler
Executive Vice President and General Counsel
Volkswagen Group of America
2200 Ferdinand Porsche Drive
Herndon, VA 20171

RE: Vehicle Lease Returns

Dear Counsel:

We, the undersigned Attorneys General of California, Connecticut, Iowa, Minnesota, Nevada, New Mexico, New York, Oregon, Pennsylvania, Puerto Rico, Rhode Island, and Virginia, write to ensure that your company and its affiliated financing arms, as lessors of vehicles, timely accept the return of leased vehicles, as mandated by the terms of your lease agreements and applicable law.

We have received troubling reports that, amidst the COVID-19 crisis, dealerships are engaging in predatory and harmful practices in connection with the return of leased vehicles. These practices include refusing to accept lease returns and, instead, pressuring consumers to extend their leases or, in some instances, lease new vehicles.

If true, these practices would violate your contractual obligations as lessors to ensure that lessees can exercise their return rights without cost or delay. These practices would also violate a number of state and federal laws. For example, California's Vehicle Leasing Act guarantees lessees the right to terminate a lease contract at any time prior to the scheduled expiration date of the lease agreement. *See* Cal. Civ. Code § 2987. Likewise, the federal Servicemembers Civil Relief Act and California's Military and Veterans Code provide that lessees entering military service may terminate vehicle leases prior to their scheduled expiration dates. 50 U.S.C. § 3955; Cal. Mil. & Vet. Code § 409.

Dealerships apparently cite a lack of capacity, both in terms of physical lot space and personnel, to accept lease returns. Meanwhile, consumers not only have been left with vehicles that they do not need or wish to keep, but have been saddled with unexpected monthly lease payments and other costs, such as insurance premiums and registration fees, associated with lease extensions and new leases.

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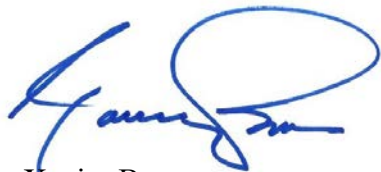
These reports are alarming. At a time when all Americans are weathering the economic effects of the COVID-19 crisis, these practices needlessly and unlawfully place additional financial burdens on consumers. There are approximately 13 million active car leases in the United States, comprising roughly one-third of all vehicles sold nationally. More than four million leases are expected to expire this year, averaging around 340,000 leases each month. These troubling practices therefore are poised to affect potentially hundreds of thousands of consumers.

We request that you look at your lease-return procedures, including those of your affiliated dealerships, to confirm that they comply with the terms of your lease agreements and applicable law. Even where a dealership is closed, we expect that consumers will still be able to promptly and conveniently return their leased vehicle through reasonable alternative arrangements, which may include, for example, home pickup or acceptance by a third party. Consumers should also be provided with a clear point of contact to escalate concerns when they are unable to return a leased vehicle or for other issues concerning their lease.

We are also concerned about the unknown number of consumers who may have already been subject to these troubling practices. At a minimum, these consumers should be immediately provided with a process to return their vehicle. In the event that they were forced into a lease extension or a new lease, they should be given the option to immediately terminate that agreement, without penalty, and return the vehicle. We would also hope that financially harmed consumers will be refunded any additional monthly payments incurred beyond the original lease term and reimbursed for incidental costs, such as insurance premiums and registration fees, resulting from refused lease returns.

We will continue to monitor reports of these and other potential abuses, and we request that you take prompt and appropriate action to ensure that consumers are able to effectuate the termination of their vehicle leases in accordance with the terms of their lease agreements and applicable law. The COVID-19 crisis is taking an unprecedented economic toll on individuals and their families. During these difficult times, consumers must be protected from being saddled with needless and unwanted financial burdens. We appreciate your immediate attention to these matters.

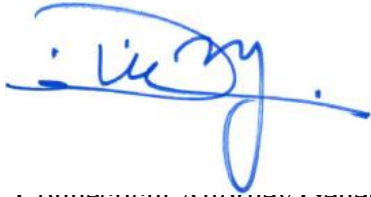
Sincerely,



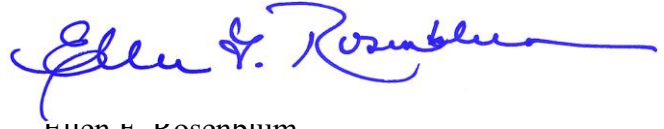
Xavier Becerra
California Attorney General



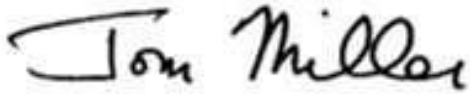
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