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DID YOU KNOW? NEW JERSEY LAW PROTECTS SECURED LIENHOLDERS OVER ANYONE ASSERTING A LIEN FOR THE STORAGE OF A MOTOR VEHICLE

By Anthony Bush, Esq., Eckert Seamans Cherin & Mellott, LLC

If you are a buy here pay here dealer, you probably have a security interest in your customers' vehicles. Despite protecting your risk with a GPS or starter interruption device on the vehicles, you may encounter a situation where a customer defaults on their loan and the vehicle is found in a parking garage or repair shop. The party in possession of the vehicle will likely demand payment in exchange for the release of the vehicle, also known as a garage keepers lien. A similar situation may occur where your dealership consigns vehicles to another dealer in which it has a perfected security interest in order to reduce excess inventory or increase sales volumes, and that consignee goes out of business while those vehicles were left at a garage for repairs. Again, the garage insists payment prior to releasing the vehicle to you.

Luckily, New Jersey law (and a handful of other states) protects dealers from these types of situations. As a secured lien holder, you don't have to pay either the parking garage facility or the repair facility to recover your vehicle. **The law in New Jersey is clear**—the garage keepers' lien is inferior or subordinate to your lien under both New Jersey statutes and well-settled case law. Thus, the secured lender wins and the garage or repair shop bears the brunt of the loss in the situations described above. 🚗

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