

NADA Memo: Recalls and ‘Stop Sales’

Each year, millions of vehicles become subject to safety recalls. A relatively small percentage of these recalls involve “stop operation” or “stop sale” notices. The following illustrates potential steps to take based on the safety recall at issue and the vehicles involved:

For new vehicles in inventory or in transit: Once any notice of an outstanding safety recall is received, federal law prohibits the delivery of impacted new vehicles until the recall is remedied.

For used vehicles in for service, in inventory, or coming into inventory that are of the same make as the dealer sells new: Federal law neither imposes an obligation on dealerships to know the safety recall status of used vehicles, nor prohibits the resale of used vehicles with outstanding safety recalls. However, it is recommended that used vehicles of the same make a dealer sells new be checked for outstanding, unremedied recalls (safety or emissions) since the dealership is authorized to do service or repair work involved. Important: if and when a dealership receives a recall notice indicating that certain used vehicles should not be operated and/or resold, they should not be operated or resold until the recall is remedied.

For used vehicles in for service, in inventory, or coming into inventory that are not of a make the dealer sells new: Again, Federal law neither imposes an obligation on dealerships to know the safety recall status of used vehicles, nor prohibits the resale of used vehicles with outstanding safety recalls. In addition, state law may impose additional obligations. For example, additional obligations are likely to be imposed if and when a dealership employee knows that a particular “off-brand” used vehicle is subject to an outstanding, unremedied safety recall involving a notice stating that it should not be operated and/or resold. For clarification regarding state law obligations, dealerships should contact their legal advisor.

Further information on safety recalls is available from OEM policy and procedure documents and from www.nhtsa.gov/Vehicle+Safety/Recalls+&+Defects.