

HOW CAN A DEALER AVOID PROBLEMS WITH CONTRACT CANCELLATIONS?

Best practices to avoid disputes include:

- Explaining that sales are final (no “cooling off” period) prior to contract signing
- Explaining vehicle locating and timing
- Ensuring that contracts are complete, including any finance terms and conditions
- Writing all promises and conditions on contracts

BUT WHAT IF A CUSTOMER STILL WANTS TO BACK OUT OF A SIGNED CONTRACT?

Dealers have four options:

1. **Cancel the contract and refund the deposit:** Usually the quickest and simplest solution. It can also generate goodwill and boost the dealer’s reputation.
2. **Try to salvage the deal:** Provide the customer with options that address their concerns. For example, offer to find a more suitable or affordable vehicle.
3. **Seek compensation:** A dealer may choose to seek compensation from the customer for expenses suffered because of the cancellation of the contract. These are called liquidated damages, and must be reasonable and provable. If a consumer files a complaint about liquidated damages, OMVIC will likely ask the dealer for documentation proving the damages.
4. **Sue the customer:** A dealer could pursue civil action and ask the court to enforce the contract. While an option, this course of action is expensive and time consuming. Meanwhile the vehicle sits on the lot and can’t be sold.

WHEN CAN A CUSTOMER DEMAND A REFUND OR CANCEL A DEAL?

Customers DO have the legal right to a refund and/or contract cancellation if:

- There’s no signed contract
- Certain condition(s) are not met
- Rescission is owed due to non-disclosure
- Rescission is owed due to an unfair business practice (CPA)

WHAT IS RESCISSION?

A customer has the right to rescind (cancel) a contract up to 90 days after delivery if the dealer failed to make certain mandatory disclosures. OMVIC refers to these as the “Six Deadly Sins” because they effectively kill a deal. Rescission also cancels any other agreement (e.g. financing, extended warranties) under the contract.

THE SIX DEADLY SINS — WHEN A DEALER FAILS TO DISCLOSE:

1. The correct make, model and year
2. The true distance travelled (margin of error allowed is the lesser of 5% or 1,000 kms)
3. Previous use as a taxi or limo
4. Previous use as a police or emergency vehicle
5. Previous use as daily rental (unless subsequently owned by a non-dealer)
6. The vehicle was branded as irreparable, salvaged or rebuilt



Remember OMVIC is here to help.

Dealers who may have questions about contract cancellation should contact their local inspector or call OMVIC’s Complaints and Inquiries Department at **1-800-943-6002 X 3942**.

“Fairness and professionalism are good for the consumer, the industry and your business”