# Greenbaum, Rowe, Smith & Davis Litigation Team Scores Win in U.S. District Court

**January 21, 2013**

Litigation partner **Brian Kornbrek** and associate **Thomas K. Murphy** recently achieved a significant victory in *Stevenson v. American Honda Finance Corp.*, 12-3334 (D.N.J.). The Court's ruling in favor of the Defendant thwarted a potential class action law suit, and is significant in that it confirms the insulation of assignees from liability for Truth-in-Lending Act violations that may be created by the lender.

In 2011, the Plaintiff entered into a retail installment sales contract (RISC) with a New Jersey automobile dealership (not named in the action) in order to finance the lease of a 2009 Honda Civic. The RISC listed the dealer as the seller-creditor of the car, and the agreement was subsequently assigned to American Honda Finance Corp.(AHFC).

The Plaintiff claimed that a $19 "credit inquiry fee" was improperly disclosed on the RISC. The Plaintiff claimed that this fee should have been included as part of the finance charge, not as part of the total amount financed, and that this resulted in an understatement of the cost of borrowing money. The Plaintiff argued that this constituted a technical violation of the Truth-in-Lending Act (TILA), as well as two New Jersey consumer protection laws, and sought to pursue a class action on behalf of other "similarly situated" vehicle purchasers.

Our team argued successfully that AHFC, as an assignee of the contract, could only be held liable if the alleged TILA violation was apparent on the face of the contract. Relying on authority not previously adopted by a New Jersey Court, AHFC successfully argued that it could not be determined whether the alleged improper charge constituted a finance charge because it was not possible to determine, on the face of the contract, whether the $19 fee was assessed to all customers applying for credit, or only to those who actually received credit.

The Court's decision reaffirms and strengthens the limitation on liability imposed by the TILA on assignees of consumer credit contracts.

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