

Buy-and-rent car scheme is illegal: LTA

Fiat distributor dangling deal to boost sales of its cars

By JESSICA LIM

THE Land Transport Authority (LTA) has flagged as illegal a scheme used by Fiat's sole distributor here to drum up sales.

It is not only the company which has run afoul of the law, but also some 50-odd car owners who have been attracted to TTS Eurocars' buy-and-rent scheme.

The LTA was responding to queries from The Straits Times which had highlighted the unusual sales tactic.

The carrot to prospective buyers is that in return for making a new purchase, those burdened by existing car loans can rent out their existing cars through the firm's leasing arm to earn an income and thus pay off the loan.

This can attract those whose loans exceed the existing car's current value. Freed of one loan obligation, they take a fresh loan for a new car.

But for those who have bought into the scheme, what sounded like a good idea is now turning into a likely situation where they are being saddled with two monthly car instalments and two cars.

Buyers The Straits Times spoke to said EuroAuto Leasing, which lists itself as the rental division of TTS Eurocars on its website, assured them that the deal was above board. It said it would guarantee that the new buyer would be paid monthly amounts to cover existing loan instalments.

The old car would be rented out until TTS Eurocars could sell it at a price which would enable the customer to clear the existing loan. But the car would still be registered and insured under the buyer's name, making him liable for any traffic offences and insurance claims.

In a statement to The Straits Times last week, LTA said that the scheme ran afoul of its rules. "Private car owners are not allowed to rent out their cars through rental companies," said an LTA spokesman, adding that this was illegal for both the car owner and the company which allowed the use of private cars without proper insurance coverage.)

Penalties include a fine of up to \$1,000, imprisonment of not more than three months, or both.

A Straits Times visit to TTS Eurocars last week confirmed that such deals were being offered.

When contacted yesterday, TTS Eurocars did not respond to queries.

Mr Chris Lim, EuroAuto Leasing's director, said that they had about 300 cars available for rental, about 50 belonging to



TTS Eurocars' scheme is illegal and could land the company and the car owners who have joined in the scheme in trouble. ST PHOTO: TERENCE TAN

private owners. Cars are rented out at \$29.90 to \$120 per day depending on the model, he said.

"I try to help them (the customers)... because they have financial difficulty. Fewer people will get bankrupt," he said, adding that he would return all the consigned cars to their owners if LTA told him it was illegal.

"If we return the cars, they (the owners) have to deal with it... there is nothing wrong with what I am doing."

Although the TTS Eurocars scheme is the first to offer a buy-rent option, companies have been taken to task before for illegally renting out cars.

Two years ago, The Straits Times reported that a dozen or so firms had put up advertisements online offering to rent out cars of financially squeezed owners.

A check online yesterday showed that such advertisements still existed.

The LTA cracked down on six cases each in 2005 and 2006 and 11 in 2007.

Meanwhile, the 50-odd buyers under the TTS Eurocars scheme are considering their options.

One, who wanted to be known only as John, has already taken his car back.

The Singaporean in his late 30s agreed to the scheme last December when he

wanted to trade in his car for a cheaper one. He said: "I felt so uncomfortable. But they kept telling me it was legal and that they had checked with their lawyers." But trouble came soon after.

He said he was told that he would get only \$1,100 a month for his old car - \$300 less than what he was promised.

Then, he started getting numerous summonses from the traffic police and insurance claims for accidents.

Fed up, he took the car back in May, and is now saddled with loan instalments for two cars: a hefty \$2,100 a month.

"The intent was to save money and now I have even more debt," he said.

President of the Vehicle Rental Association Peter Cheong said that for a car to be rented out legally it has to be insured and registered with the LTA as such. The association, he said, has received feedback about TTS Eurocars' scheme.

He said that the scheme was very risky for renters and car owners. "If the insurance company finds out that the car is being rented out for money, they will not cover accidents and everything else," he explained. "And what if the car is used for illegal activities like smuggling cigarettes?"

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How to rent out your car legally

TO STAY on the right side of the law:

- First, decide on the rental rates you wish to charge.
- Then you may wish to take out an advertisement in the newspapers or other forms of media for an interested hirer.
- Next, call your insurer to provide appropriate insurance coverage for the person or persons who will be driving your car.

There are, however, some rules binding private car owners who rent out their wheels:

- They are allowed to rent out their cars only from 7pm on Friday to 7am the following Monday and from 7pm on the eve of public holidays to 7am on the first working day following the public holiday.
- The car must be registered in the name of a private individual. This means company-registered cars cannot be rented out.
- Chauffeur-driven rentals are not allowed.
- The car owner has to ensure adequate insurance coverage for the period of rental.
- The hirer must meet the age and experience criteria laid down in the insurance policy.

Penalties for flouting the rules:

- Car owners and rental companies face fines of up to \$1,000 and jail terms of up to three months, or both.
- Car owners also risk a driving ban of up to 12 months.