TEXAS DEPARTMENT OF MOTOR VEHICLES CASE NO. 18-0190552 CAF

DOUG and JANICE GERMANN,	§	BEFORE THE OFFICE
Complainants	§	
v.	§	
	§	OF
FORD MOTOR COMPANY,	§	
Respondent	§	
	8	ADMINISTRATIVE HEARINGS

DECISION AND ORDER

Doug and Janice Germann (Complainants) seek relief pursuant to Texas Occupations Code §§ 2301.601-2301.613 (Lemon Law) for alleged defects in their 2017 Ford F-150 pickup truck. Complainants assert that the vehicle's transmission intermittently makes a loud grinding noise in cold weather or after a cold start. Ford Motor Company (Respondent) argued that Complainant has not met the repurchase or replacement requirements set forth in the Occupations Code and that no relief is warranted. The hearings examiner concludes that although the vehicle does have a currently existing warrantable defect, Complainants are not eligible for repurchase or replacement relief since they did not meet the presumption that Respondent was provided a reasonable number of repair attempts to conform the vehicle to its warranty which is required for such relief under the Texas Lemon Law. The hearings examiner will order that Respondent repair the vehicle so that it conforms to their warranty.

I. PROCEDURAL HISTORY, NOTICE AND JURISDICTION

Matters of notice and jurisdiction were not contested and are discussed only in the Findings of Fact and Conclusions of Law. The hearing in this case convened and the record closed on March 5, 2019, in Austin, Texas before Hearings Examiner Edward Sandoval. Complainants, Doug and Janice Germann, were present and represented themselves at the hearing. In addition, John Teller, Service Manager for Leif Johnson Ford, testified for Complainants telephonically. Respondent was represented telephonically by Anthony Gregory, Consumer Affairs Legal Analyst. Sayyed Asad Bashir, Automotive Technical Consultant, testified for Respondent.

II. DISCUSSION

A. Applicable Law

The Texas Lemon Law provides that a manufacturer of a motor vehicle must repurchase or replace a vehicle complained of under the Texas Occupations Code with a comparable vehicle if

five conditions are met. First, the manufacturer has not conformed the vehicle to an applicable express warranty because the manufacturer cannot repair or correct a defect or condition in the vehicle. Second, the defect or condition in the vehicle creates a serious safety hazard or substantially impairs the use or market value of the vehicle. Third, the manufacturer has been given a reasonable number of attempts to repair or correct the defect or condition. Fourth, the owner must have mailed written notice of the alleged defect or nonconformity to the manufacturer. Lastly, the manufacturer must have been given an opportunity to cure the defect or nonconformity.

In addition to these conditions, for vehicles purchased before September 1, 2017, a rebuttable presumption exists that a reasonable number of attempts have been undertaken to conform a motor vehicle to an applicable express warranty if the same nonconformity continues to exist after being subject to repair four or more times and: (1) two of the repair attempts were made in the 12 months or 12,000 miles, whichever comes first, following the date of original delivery to the owner; and (2) the other two repair attempts were made in the 12 months or 12,000 miles, whichever comes first, immediately following the date of the second repair attempt.⁴

B. Complainant's Evidence and Arguments

1. Doug Germann's Testimony

Complainants purchased a new 2017 Ford F-150 pickup truck from Leif Johnson Ford (Johnson), in Austin, Texas on April 1, 2017, with mileage of 27 at the time of delivery.^{5,6} Respondent provided a bumper-to-bumper limited warranty for the vehicle which provides coverage for the vehicle for three (3) years or 36,000 miles, whichever comes first.⁷ In addition, Respondent provided a powertrain warranty for the vehicle providing coverage for five (5) years or 60,000 miles.⁸ On the date of hearing the vehicle's mileage was 42,770. At the time of hearing, Respondent's bumper-to-bumper warranty was expired.

¹ Tex. Occ. Code § 2301.604(a)(1) and (2).

² Tex. Occ. Code § 2301.606(c)(1).

³ Tex. Occ. Code § 2301.606(c)(2).

⁴ Tex. Occ. Code § 2301.605(a)(1)(A) and (B). During the 85th Legislative Session, HB 2070 was passed by the Texas Legislature which, in part, modified the requirements for the reasonable presumption for a reasonable number of attempts to repair a vehicle to four (4) repair attempts for the same issue during the first 24 months or 24,000 miles from the date of original delivery to the owner. Section 7 of HB 2070 specifies that the changes in the Occupation Code would apply only to new motor vehicles purchased after September 1, 2017, the date that the modifications went into effect.

⁵ Complainant Ex. 1, Purchase Order dated April 1, 2017.

⁶ Complainant Ex. 2, Odometer Disclosure Statement dated April 1, 2017.

⁷ Complainant Ex. 10, 2017 Model Year Ford Warranty Guide, p. 8.

 $^{^{8}}$ Id

Mr. Germann testified that he is the primary driver of the vehicle. He stated that he first heard a loud grinding noise from the front of the vehicle prior to Christmas 2017. The noise was more noticeable when the outside temperature was 40 degrees or less. Mr. Germann stated that he did not take the vehicle to the dealer for repair immediately. However, when the noise seemed to start occurring more often in February of 2018, he decided to take the vehicle to a dealer for repair.

Mr. Germann took the vehicle to Johnson for repair due to the grinding noise on February 13, 2018. Johnson's service technicians inspected the vehicle. Mr. Germann does not know what work was performed on the vehicle for the noise issue during the repair visit. The vehicle's mileage was 22,088 on this occasion. The vehicle was in Johnson's possession for eight (8) days. Complainants were provided with a rental vehicle while their vehicle was being repaired.

Mr. Germann testified that he continued to hear the grinding noise from the vehicle when driving it in cooler temperatures. As a result, he decided to take the vehicle back to Johnson for repair on March 6, 2018. Mr. Germann informed Johnson's service advisor that the noise seemed to occur more often when the temperature was under 40 degrees and/or when he was towing something with the vehicle. The service technicians could not recreate the noise. However, the technicians did reset the vehicle's keep alive memory (KAM) and adaptive tables for the vehicle's transmission at the time. The vehicle's mileage on this occasion was 23,198. The vehicle was in Johnson's possession for eleven (11) days during this repair visit. Complainants were provided with a rental vehicle during this period of time.

Mr. Germann stated that the vehicle continued to make the grinding noise. So, he took it back to Johnson for repair for the issue on July 9, 2018. Johnson's service technicians inspected and test drove the vehicle and were unable to recreate the noise. The vehicle's mileage was 30,999 on this occasion. The vehicle was in Johnson's possession for five (5) days. Complainants were provided with a rental vehicle while their vehicle was being repaired.

Complainants mailed a letter to Respondent on August 20, 2018, in which Complainants indicated that they were dissatisfied with the vehicle. Complainants filed a Lemon Law complainant with the Texas Department of Motor Vehicles (Department) on August 28, 2018. 17

⁹ Complainant Ex. 3, Repair Order dated February 13, 2018. The repair order did not indicate what repair, if any, was performed on the vehicle for the noise issue.

¹⁰ Complainant Ex. 4, Repair Order dated March 6, 2018.

¹¹ Id.

¹² *Id*.

¹³ *Id*.

¹⁴ *Id*.

¹⁵ *Id*.

¹⁶ Complainant Ex. 11, Letter to Ford Motor Company dated August 20, 2018.

¹⁷ Complainant Ex. 12, Lemon Law complaint dated August 28, 2018. Although the complaint was signed on August

Mr. Germann took the vehicle to Johnson for repair for the grinding noise issue on September 25, 2018. The vehicle's mileage on this occasion was 37,446.¹⁸ The vehicle was in Johnson's possession for four (4) days. Complainants were provided with a loaner vehicle while their vehicle was in Johnson's possession.

Mr. Germann took the vehicle back to Johnson for repair for the grinding noise issue on October 15, 2018. While the vehicle was in Johnson's possession, Respondent asked that they be allowed to inspect the vehicle. Respondent dispatched one of their technicians to inspect the vehicle while it was at the Johnson location. The technician verified the grinding noise concern. The technician replaced the vehicle's variable camshaft timing (VCT) phasers, the timing chain tensioners, and timing chains in order to address the concern. The vehicle's mileage at the time was 38,163. The vehicle was in Johnson's possession for 36 days during this repair visit. Complainants were provided with a loaner vehicle while their vehicle was being repaired.

Mr. Germann testified that he heard a grinding noise from the front of the vehicle when he picked it up from Johnson after the October repair. Complainants then took the vehicle to Kansas in November of 2018. They heard the grinding noise several times during their trip and continued to hear the noise after they returned to Texas.

Mr. Germann took the vehicle to Johnson for repair for the grinding noise issue on January 4, 2019. Johnson's service technicians verified the concern and replaced the VCT phasers again.²² They continued to hear the noise, so they tried to isolate where the noise was coming from using chassis ears.²³ The technicians determined that the noise was coming from the vehicle's transmission.²⁴ The dealer technicians requested that Respondent allow them to replace the vehicle's transmission.²⁵ However, Respondent's representative required that the technicians take the transmission apart to determine what part was actually causing the noise.²⁶ Before the technicians could perform any further repair to the vehicle, Complainant picked it up in order to have it present at the hearing location on the date of hearing. The vehicle's mileage at the time that the repairs were initially performed was 42,122.²⁷ The vehicle was in Johnson's possession

^{19, 2018,} the effective date of the complaint is the date that it was received by the Department of Motor Vehicles which was August 28, 2018.

¹⁸ Complainant Ex. 6, Repair Order dated September 25, 2018. The repair order does not indicate what repair, if any was performed for the grinding noise issue.

¹⁹ Complainant Ex. 7, Repair Order dated October 15, 2018.

²⁰ Id.

²¹ *Id.*

²² Complainant Ex. 8, Repair Order dated January 4, 2019.

 $^{^{23}}$ Id

²⁴ *Id*.

²⁵ *Id*.

²⁶ Id.

²⁷ Id.

for 60 days during this repair visit. Complainants were provided with a loaner vehicle while their vehicle was being repaired.

Mr. Germann testified that he last heard the grinding noise from the front of the vehicle on the morning of the hearing, March 5, 2019. He feels that the vehicle has not been repaired. He also stated that the vehicle was been down for repair for 124 days during the eleven (11) months prior to the hearing.

During cross-examination, Mr. Germann testified that he occasionally uses the vehicle to tow a boat and/or a utility trailer. He stated that at no time had the dealer technicians test driven the vehicle while towing anything. Mr. Germann also stated that he had been told by Johnson's representatives that they wanted to replace the vehicle's transmission, but that Respondent had denied the request. Mr. Germann has not seen a transmission warning light illuminate on the vehicle.

2. John Teller's Testimony

John Teller, Service Manager at Leif Johnson Ford, testified in the hearing for Complainant. Mr. Teller has worked in the automotive industry since 1973. He is a fully certified Ford technician. He has had Automotive Service Excellence (ASE) Master Technician certifications, but has allowed the certifications to lapse.

Mr. Teller testified that he has inspected and driven the subject vehicle several times. He verified hearing a grinding noise when driving the vehicle. Mr. Teller stated that he was able to isolate the noise to the vehicle's transmission. He contacted Mr. Gregory regarding the issue with the vehicle and was informed that he had to go through the dealer's normal procedures in order to get warranty approval for any repairs. Normal procedure would require a tear down of the vehicle's transmission in an attempt to determine the cause of the noise.

Mr. Teller stated that he feels that the vehicle's transmission needs to be replaced. He stated that it would take about a day and a half to actually replace the transmission. However, to isolate the actual cause of the noise could take eight (8) to ten (10) hours.

During cross-examination, Mr. Teller stated that normal procedure for a repair is to isolate the issue and confirm a problem before attempting to repair it. This would require a technician to disassemble a part to get to the cause of the problem and then do an evaluation, including cost analysis (cost cap), to determine what action would be in the best interest of the parties. In the present case, no cost cap was done. Mr. Teller indicated that he contacted Mr. Gregory to ascertain what action should be taken with the vehicle due to the fact that a Lemon Law complaint had been filed by Complainants. Mr. Teller also stated that the technicians could have

taken the vehicle's transmission apart during the two month long January 2019 repair visit, but he was afraid that they would not be able to put it together in time to present the vehicle at the hearing on March 5, 2019.

3. Janice Germann's Testimony

Janice Germann, co-Complainant, testified in the hearing. She stated that she does not drive the vehicle when she's by herself. She's afraid that the vehicle will malfunction while she's driving it.

Ms. Germann stated that does hear the grinding noise intermittently. She can hear the noise sometimes even when the radio is playing and the windows are raised. Ms. Germann stated that it is difficult to determine where the noise is coming from. She last heard the noise on March 5, 2019, the date of hearing.

C. Respondent's Evidence and Arguments

1. Anthony Gregory's Testimony

Anthony Gregory, Consumer Affairs Legal Analyst, testified for Respondent. He stated that the issue raised by Complainants had to do with a grinding noise heard from the vehicle's engine when the vehicle is first driven. Mr. Gregory stated that the vehicle was inspected by Respondent's field service engineer (FSE), Darren Patillo, on November 1, 2018, at Johnson's location.²⁸ Mr. Patillo was able to recreate the problem and it was later determined that the noise was coming from the front of the engine where the units were located.²⁹ As a result, Mr. Patillo had the technician replace the VCT units.³⁰ The vehicle was released back to Complainant before Mr. Patillo had an opportunity to test drive the vehicle again.³¹

2. Sayyed Asad Bashir's Testimony

Sayyed Asad Bashir, Automotive Technical Consultant, testified for Respondent. Mr. Bashir has been in the automotive industry since 1999. He worked for a while for an independent auto repair business, prior to being hired by Respondent. Mr. Bashir has worked for Respondent since 2007. He's been employed in his present position since 2009. He is an Automotive Service Excellence (ASE) Master Certified Technician.

²⁸ Respondent Ex. 1, FSE Vehicle Inspection Report dated November 1, 2018.

²⁹ Id.

³⁰ *Id*.

³¹ *Id*.

Mr. Bashir stated that he has never inspected or seen the vehicle. He did explain the normal procedures that a dealer service technician will take when trying to determine a problem with a vehicle. First, the technician will attempt to find out under what conditions the issue normally occurs. Then, he will try to reproduce the conditions and the issue. If the problem doesn't occur during the inspection of the vehicle, then the technician should not attempt any repair to the vehicle.

Mr. Bashir testified that the repair records for the vehicle indicate that the service technicians were unable to duplicate the grinding noise issue on the February 13, 2018; March 6, 2018; July 9, 2018; or September 25, 2018 repair visits. It wasn't until the inspection conducted by Mr. Patillo on November 1, 2018, that it was determined that the VCT units needed to be replaced. Mr. Bashir stated that there is nothing in the repair records to indicate that the vehicle's transmission is causing the noise. He believes that the Integrated Wheel Ends (the automatic locking hub for transition to four wheel drive) could be creating the noise. They could make a metal on metal grinding noise and could be affected by the ambient temperature, causing the noise to occur more often when the outside temperature is cool.

During cross-examination, Mr. Bashir stated that the sounds that are heard on the recordings submitted by Complainant as evidence aren't normal transmission noises.³²

D. Analysis

Under Texas' Lemon Law, Complainants bear the burden of proof to establish by a preponderance of evidence that a defect or condition creates a serious safety hazard or substantially impairs the use or market value of the vehicle. In addition, Complainants must meet the presumption that a reasonable number of attempts have been undertaken to conform the vehicle to an applicable express warranty. Finally, Complainants are required to serve written notice of the nonconformity on Respondent, who must be allowed an opportunity to cure the defect. If each of these requirements is met and Respondent is still unable to conform the vehicle to an express warranty by repairing the defect, Complainants are entitled to have the vehicle repurchased or replaced.

The evidence indicates that there is an issue with the vehicle which intermittently creates a loud grinding noise when the vehicle is driven in colder weather. The noise is concerning and substantially impairs the use or market value of the vehicle. A vehicle making such noise is less desirable to drive than comparable vehicles. In addition, there would be no doubt that the resale value of the vehicle would be decreased by any potential buyer's knowledge of the fact that something in the vehicle creates a metal on metal grinding noise intermittently. As such, the hearings examiner must hold that Complainants have met their burden of proof to establish that

³² Complainant Ex. 14, Thirty-three Videos (with sound) of Grinding Noise, various dates.

there is a defect or condition in the vehicle that has not been repaired by Respondent or its authorized dealers.

Occupations Code § 2301.604(a) requires a showing that Respondent was unable to conform the vehicle to an applicable express warranty "after a reasonable number of attempts" in order to grant repurchase or replacement of a vehicle under the Lemon Law. Section 2301.605(a)(1) goes on to specify that a rebuttable presumption that the manufacturer has made a reasonable number of attempts to repair a vehicle if " the same nonconformity continues to exist after being subject to repair four or more times . . . and two of the repair attempts were made in the 12 months or 12,000 miles, whichever occurs first, following the date of original delivery to the owner and the other two attempts were made in the 12 months or 12,000 miles, whichever occurs first, immediately following the date of the second repair attempt." Complainants have not met the requirements of this test, as only two (2) repair attempt were performed for those issues before the vehicle's mileage exceeded 24,000: on February 13, 2018 at 22,088 miles and March 6, 2018, at 23,198 miles. All other repair attempts (4) were performed after the vehicle had been driven in excess of 30,000 miles. As such, Complainants were unable to establish that a reasonable number of attempts to repair the vehicle were made by Respondent. Since Respondent was not provided an adequate opportunity to repair the vehicle, the hearings examiner cannot award repurchase or replacement relief for the grinding noise issue.

Respondent's express warranty applicable to Complainant's vehicle provides bumper-to-bumper coverage for three (3) years or 36,000 miles whichever comes first. In addition, the powertrain warranty provides coverage for five (5) years or 60,000 miles. On the date of hearing, the vehicle's mileage was 40,472 and the bumper-to-bumper warranty was expired.

Complainant's request for repurchase or replacement relief is denied. However, Respondent will be ordered to repair the defect causing the complained of noise. The repairs must be completed within the time frame specified below.

III. FINDINGS OF FACT

- 1. Doug and Janice Germann (Complainants) purchased a new 2017 Ford F-150 pickup truck on April 1, 2017, from Leif Johnson Ford (Johnson), in Austin, Texas, with mileage of 27 at the time of delivery.
- 2. The manufacturer of the vehicle, Ford Motor Company (Respondent), issued a bumper-to-bumper warranty which provides coverage for the vehicle for three (3) years or 36,000 miles, whichever occurs first and a separate powertrain warranty which provides coverage for the vehicle's powertrain for five (5) years or 60,000 miles.

- 3. The vehicle's mileage on the date of hearing was 42,770.
- 4. At the time of hearing the vehicle's bumper-to-bumper warranty had expired, but the powertrain warranty was still in effect.
- 5. Complainants are concerned that the vehicle has a manufacturing defect due to the grinding noise that intermittently occurs when they are driving the vehicle.
- 6. Complainants feel that the noise is indicative of a problem with the vehicle's transmission.
- 7. Complainants took the vehicle to Respondent's authorized dealer, Johnson, in order to address their concerns with the grinding noise, on the following dates:
 - a. February 13, 2018, at 22,088 miles;
 - b. March 6, 2018, at 23,198 miles; and
 - c. July 9, 2018, at 30,999 miles;
- 8. Johnson's service technicians were unable to duplicate the concern on any of the repair visits referred to in Findings of Fact #7.
- 9. On August 20, 2018, Complainants mailed a letter notifying Respondent of their dissatisfaction with the vehicle.
- 10. On August 28, 2018, Complainants filed a Lemon Law complaint with the Texas Department of Motor Vehicles (Department).
- 11. On September 25, 2018, Complainants took the vehicle to Johnson for repair. However, the service technician could not recreate the grinding noise raised as a concern by Complainants.
- 12. On October 15, 2018, Complainants took the vehicle to Johnson for repair due to their concern regarding a grinding noise coming from the vehicle's transmission or engine.
- While the vehicle was at Johnson's location, Respondent's field service engineer (FSE), Darren Patillo, inspected the vehicle on November 1, 2018, pursuant to a final inspection request by Respondent.
- 14. Mr. Patillo and Johnson's technicians were able to recreate the problem and replaced the vehicle's variable camshaft timing (VCT) units in order to resolve the issue.
- 15. The grinding noise continued to occur intermittently after the November 1, 2018 repairs.

- 16. On January 4, 2019, Complainants took the vehicle to Johnson for repair due to their concern regarding a grinding noise coming from the vehicle's transmission or engine.
- 17. During the January 4, 2019 repair visit, Johnson's service technicians verified the grinding noise and replaced the vehicle's phasers, but the noise continued to occur.
- 18. During the January 4, 2019 repair visit, Johnson's technicians determined that the grinding noise was coming from the vehicle's transmission and requested that Respondent allow them to replace the transmission under warranty. However, Respondent required that the transmission be taken out of the vehicle and taken apart in order to determine the cause of the noise prior to approving replacement of the transmission.
- 19. The vehicle was picked up by Complainant to present it at the hearing for inspection prior to Johnson's technicians working on the transmission.
- 20. On November 16, 2018, the Department's Office of Administrative Hearings issued a notice of hearing directed to Complainants and Respondent, giving all parties not less than 10 days' notice of hearing and their rights under the applicable rules and statutes. The notice stated the time, place and nature of the hearing; the legal authority and jurisdiction under which the hearing was to be held; particular sections of the statutes and rules involved; and the matters asserted.
- 21. The hearing in this case convened and the record closed on March 5, 2019, in Austin, Texas before Hearings Examiner Edward Sandoval. Complainants, Doug and Janice Germann, were present and represented themselves at the hearing. In addition, John Teller, Service Manager for Leif Johnson Ford, testified for Complainants telephonically. Respondent was represented telephonically by Anthony Gregory, Consumer Affairs Legal Analyst. Sayyed Asad Bashir, Automotive Technical Consultant, testified for Respondent.

IV. CONCLUSIONS OF LAW

- 1. The Texas Department of Motor Vehicles (Department) has jurisdiction over this matter. Tex. Occ. Code §§ 2301.601-.613 (Lemon Law).
- 2. A hearings examiner of the Department's Office of Administrative Hearings has jurisdiction over all matters related to conducting a hearing in this proceeding, including the preparation of a decision with findings of fact and conclusions of law, and the issuance of a final order. Tex. Occ. Code § 2301.704.

- 3. Complainants timely filed a complaint with the Department. Tex. Occ. Code § 2301.204; 43 Tex. Admin. Code § 215.202.
- 4. The parties received proper notice of the hearing. Tex. Gov't Code §§ 2001.051, 2001.052; 43 Tex. Admin. Code § 215.206(2).
- 5. Complainants bear the burden of proof in this matter.
- 6. Complainants proved by a preponderance of the evidence that the vehicle has a verifiable defect or condition that substantially impairs the use or market value of the vehicle. Tex. Occ. Code § 2301.604.
- 7. Complainants did not meet the presumption that a reasonable number of repair attempts were undertaken by Respondent prior to the filing of the Lemon Law complaint. Tex. Occ. Code § 2301.605(a)(1).
- 8. Respondent remains responsible to address and repair or correct any defects that are covered by Respondent's warranties. Tex. Occ. Code § 2301.204.
- 9. Complainants' vehicle does not qualify for replacement or repurchase. Tex. Occ. Code § 2301.604.
- 10. Complainants are entitled to repair relief under the terms of Respondent's warranty. Tex. Occ. Code § 2301.204.

ORDER

Based on the foregoing Findings of Fact and Conclusions of Law, it is **ORDERED** that Complainants' petition for repurchase relief pursuant to Texas Occupations Code §§ 2301.601-.613 is hereby **DISMISSED**. It is **FURTHER ORDERED** that Respondent shall make any repairs needed to conform the vehicle to the applicable warranty. Complainant shall deliver the subject vehicle to Respondent within 20 days after the date this Order becomes final under Texas Government Code § 2001.144.³³ Within 40 days after receiving the vehicle from Complainant, Respondent shall complete repair of the subject vehicle. However, if the Department determines Complainant's refusal or inability to deliver the vehicle caused the failure to complete the required

³³ (1) This Order becomes final if a party does not file a motion for rehearing within 20 days after receiving a copy of this Order, or (2) if a party files a motion for rehearing within 20 days after receiving a copy of this Order, this Order becomes final when: (A) the Department renders an order overruling the motion for rehearing, or (B) the Department has not acted on the motion within 45 days after the party receives a copy of this Order.

repair as prescribed, the Department may consider Complainant to have rejected the granted relief and deem this proceeding concluded and the complaint file closed under 43 Texas Administrative Code § 215.210(2).

SIGNED April 8, 2019

EDWARD SANDOVAL

CHIEF HEARINGS EXAMINER

OFFICE OF ADMINISTRATIVE HEARINGS

TEXAS DEPARTMENT OF MOTOR VEHICLES