

ENCUMBERED VEHICLES

25 April 2025

Dear Members

NADA understands that dealers operate in a high-pressure environment and are the target of criminal syndicates due to the products that are sold and the value thereof.

Our banking partners have raised a trend that is developing where financed vehicles are being presented to dealers as unencumbered, often with allegedly genuine NaTIS papers.

NADA wishes to remind dealers of the consequences of purchasing an Encumbered Motor Vehicle and the process that should be followed when trading-in or purchasing a pre-owned motor vehicle.

A motor vehicle becomes encumbered when it is purchased through an instalment sale agreement or lease agreement, where the lender (bank) holds legal ownership until the loan is fully repaid.

Consequences of an Encumbered Vehicle:

- Cannot be legally sold: Attempting to sell an encumbered vehicle without the lender's permission is illegal.
- Legal and reputational repercussions: If a buyer unknowingly purchases an encumbered vehicle, s/he can be at risk of the lender (bank) claiming ownership and the vehicle being repossessed at any time in its life cycle by the lender (bank) even if there have been multiple changes of ownership.

Process to mitigate potential expose to trading an Encumbered Vehicle:

- Irrespective of whether a NaTIS is presented with the vehicle, make use of the services of a recognised credible organisation that offers a comprehensive "Vehicle Information Check" / "Encumbered vehicle check" which will assist you to identify if a vehicle has outstanding finance.
- Although not a guaranteed solution in all cases, if the dealer makes this a standard operating procedure when acquiring pre-owned vehicles, most of the encumbered vehicle risk can be mitigated.
- Contact the lender: If you are unsure about the status of the finance, contact the lender directly to verify that the loan has been fully repaid.

Please be vigilant - protect your business and your loyal customers from the increasing threat of both petty and organised crime.

Yours sincerely

Gary McCraw

Director

NADA

The National Automobile Dealers' Association (NADA) represents South African business owners managing new vehicle dealerships and qualifying used vehicle outlets.