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Addressing Fluid Leaks and Wearable Items

As I've often been asked about two hot topics related to arbitration, I thought I'd include them in this edition of Arbitration Corner: "fluid leaks" and "wearable items."

FLUID LEAKS

The opinions vary on how severe a leak has to be to require disclosure when selling at auction. But there are a few things to consider when making a consistent and objective decision:

- How old is the vehicle?
- What is its mileage, and is it consistent with the vehicle's condition (normal wear and tear versus excessively worn)?
- Is this leak something that is inherent to the make and model?

Aside from those questions, here are some guidelines benchmarked from inside and outside the industry to better classify the severity:

- **Class 1 Leak**
 - Fluid leak (dried or wet leaks known as "seepage") that is not large enough to form drops.
- **Class 2 Leak**
 - Fluid leak that has formed drops, but not enough to cause a drip.
- **Class 3 Leak**
 - Fluid leak that is damp enough to form drops and cause a drip.

As a rule of thumb, vehicles with low mileage should not present any leaks unless they are inherent to the vehicle or contain excessively worn or defective parts when compared to their higher mileage counterparts.

Hopefully these issues will be covered under warranty. Of course, a voided warranty requires disclosure.

Typically, higher-mileage vehicles with Class 2 leaks fall under the "normal wear and tear" category.

A disclosure is required on green light vehicles with a Class 3 leak that was either repaired or had parts replaced of \$500 or more.

The National Auto Auction Association (NAAA) Arbitration Policy explains:

"Noise and Inherent Conditions: No arbitration can be based on noises or conditions that are inherent or typical to a particular model or manufacturer, unless deemed "excessive" by the arbitrator on non-warranty items. OEM dealer warranty guidelines will be used where applicable to determine whether the condition is excessive." (NAAA Arbitration Policy's Arbitration

Guidelines rule #4.c.)

WEARABLE ITEMS

The same guidelines go with "wearable" items. The NAAA Arbitration Policy has the following explanation for "Wearable Items:"
"Auction will not arbitrate vehicles for wearable items.

For purposes of this policy wearable items are defined as parts of the vehicle that the manufacturer recognizes the need for replacement/adjustment during the expected life of the vehicle. These items are normally identified in the Owner's Manual for routine check and replacement and would include, but are not limited to: tires, wipers, brake pads, shoes, rotors, belts, hoses, lubricants/fluids, timing belts, bulbs, filters, shocks and struts." (NAAA Arbitration Policy's Arbitration Guidelines rule #4.e.)

While a high-priced part that is worn and not eligible for arbitration is a pain point, inspectors should think critically about the component's issue and serviceability, or whether it is wearable or not, and if it qualifies.

An example is a vehicle's air ride system bags. The bags are wearable. Assuming the replacement cost is over \$500 for all scenarios, here is the eligibility breakdown for a vehicle sold green light at a NAAA auction:

- **Defective bags not inherent to the vehicle** (no OEM position statement, TSB, warranty, recall information)
 - Eligible for arbitration as per the NAAA Arbitration Policy's "Seller Responsibility" and "Appendix" rules
- **Defective bags inherent to the vehicle** (referenced OEM position statement, TSB, warranty, recall information)
 - Not eligible for arbitration as per NAAA Arbitration Policy's "Arbitration Guidelines/Wearable Items" rule quoted above
- **Excessively worn bags** (typically indicated by lower mileage)
 - Eligible for arbitration as per the NAAA Arbitration Policy's "Seller Responsibility" and "Appendix" rules
- **Normally worn bags** (typically indicated by higher mileage)
 - Not eligible for arbitration as per NAAA Arbitration Policy's "Arbitration Guidelines/Wearable Items" rule quoted above.

The eligibility is determined by the auction's inspection team and their subsequent arbitration decision is binding as per NAAA policy.

I hope you have found this information helpful. Please send feedback to naaa@naaa.com. ■