

UNITED STATES DISTRICT COURT  
DISTRICT OF CONNECTICUT

TYRELL RILEY and  
ALICIA ROBERTS  
Plaintiffs

CIVIL ACTION NO.:

vs.

MIDDLETOWN MOTORCARS, LLC,  
CAR NATION CT, LLC, GEORGE HAJATI,  
FLAGSHIP CREDIT ACCEPTANCE, LLC,  
WESTLAKE SERVICES, LLC d/b/a  
WESTLAKE FINANCIAL SERVICES and  
INNOVATE AUTO FINANCE, LLC  
Defendants

APRIL 17, 2019

**COMPLAINT**

**I. INTRODUCTION**

1. This is an action brought by two consumers against a used automobile dealership, its successor in interest dealership, and a principal of those entities for violations of the Truth in Lending Act, Federal Odometer Act, Connecticut Unfair Trade Practices Act, Connecticut Retail Installment Sales Financing Act, Uniform Commercial Code and Creditor Collections Practices Act. Plaintiffs assert causes of action against three finance companies as assignees of retail installment sales contracts in connection with the transaction.

**II. PARTIES**

2. Plaintiff, Tyrell Riley ("Riley"), is a natural person and a consumer residing in Middletown, Connecticut.

3. Plaintiff, Alicia Roberts (“Roberts”, collectively “Plaintiffs”), is a natural person and a consumer residing in Middletown, Connecticut.

4. Defendant, Middletown Motorcars, LLC (“Middletown Motorcars”), is a Connecticut limited liability company that operates a used automobile dealership in Middletown, Connecticut.

5. Defendant, Car Nation CT, LLC (“Car Nation”) is a Connecticut limited liability company that operated a used automobile dealership in Middletown, Connecticut.

6. Defendant, George Hajati (“Hajati”) is a natural person and principal of Car Nation and Middletown Motorcars, who resides in Cromwell, Connecticut.

7. Defendant Flagship Credit Acceptance, LLC (“Flagship”) is a Pennsylvania limited liability company that accepts assignment of retail installment sales contracts.

8. Defendant Westlake Services, LLC d/b/a Westlake Financial Services (“Westlake”) is a California limited liability company that accepts assignment of retail installment sales contracts.

9. Defendant Innovate Auto Financing, LLC (“Innovate”) is a Texas limited liability company that accepts assignment of retail installment sales contracts.

### **III. JURISDICTION**

10. Jurisdiction in this court is proper pursuant to 15 U.S.C. § 1640(e), 49 U.S.C. § 32710(b) and 28 U.S.C. § 1331. Supplemental jurisdiction exists for the state law claims pursuant to 28 U.S.C. § 1367.

11. This Court has jurisdiction over Car Nation because it is organized under the laws of the state of Connecticut and regularly conducts business in this state.

12. This Court has jurisdiction over Middletown Motorcars because it is organized under the laws of the state of Connecticut and regularly conducts business in this state.

13. This Court has jurisdiction of Hajati, because he resides in Connecticut.

14. This Court has jurisdiction over Flagship because it regularly conducts business in this state.

15. This Court has jurisdiction over Innovate because it regularly conducts business in this state.

16. This Court has jurisdiction over Westlake because it regularly conducts business in this state.

17. Venue in this Court is proper, because the Plaintiffs reside in Connecticut and the transaction occurred in this state.

#### **IV. FACTUAL ALLEGATIONS**

18. Prior to Spring 2018, Car Nation operated a used automobile dealership at 1075 Newfield Street, Middletown, Connecticut.

19. In Spring 2018, Car Nation ceased business operations and Middletown Motorcars began business operations selling used automobiles in the same location.

20. Middletown Motorcars has the same or substantially the same ownership as Car Nation, used the same equipment, assumed the contracts as Car Nation,

assumed the same revenue streams and debts, employed the same or substantially the same staff, and relied upon the good will generated by Car Nation.

21. Additionally, following the succession of Middletown Motorcars, it continued to operate using Car Nation forms.

22. Middletown Motorcars is a successor in interest to Car Nation.

23. In or around October 2016, Plaintiffs went to Car Nation interested in purchasing a used vehicle.

24. Plaintiffs agreed to purchase a 2012 Nissan Sentra (the "Vehicle").

25. Riley executed a purchase order ("Purchase Order 1") and financed the transaction pursuant to a retail installment sales contract ("Contract 1") that was subsequently assigned to Flagship.

26. Plaintiffs dealt with Hajati, a principal of Car Nation and later Middletown Motorcars.

27. In January 2018, Plaintiffs received a letter from Flagship stating that Contract 1 was assigned back to Car Nation. The letter did not provide a reason why the reassignment took place.

28. Hajati contacted Plaintiffs and instructed them to come to Car Nation to sign new paperwork.

29. Rather than have Plaintiffs make payments directly to it, Car Nation had Riley enter into a second retail installment sales contract ("Contract 2") on different and, on information and belief, more financially disadvantageous terms.

30. At the time, Plaintiffs were unaware that they could continue to make payments directly to Car Nation, because they were told it was necessary to sign Contract 2.

31. Car Nation effectively repossessed the Vehicle and failed to provide Riley with any of the notices required by Conn. Gen. Stat. § 36a-785.

32. Contract 2 was subsequently assigned to Innovate.

33. Innovate was not registered to do business in Connecticut at the time and was not registered as a consumer finance company with the Connecticut Department of Banking.

34. In September 2018, Innovate reassigned Contract 2 back to either Car Nation or Middletown Motorcars.

35. At that time, the Vehicle had been repossessed and was at Middletown Motorcars.

36. Hajati again told Plaintiffs that they needed to come to the dealership to sign new paperwork.

37. Middletown Motorcars required that Riley sign a new retail installment contract ("Contract 3").

38. Instead of permitting Riley to reinstate under Contract 2 and Purchase Order 1, Middletown Motorcars had Riley sign a new purchase order ("Purchase Order 2") in order to mislead any finance company which would take assignment of Contract 3

into believe that this was a new transaction instead of the reinstatement of a repossession or a refinancing of the Vehicle.

39. Purchase Order 2 and Contract 3 list a false down payment of \$4,100, however, Plaintiffs only paid \$800.

40. Purchase Order 2 also lists that a Chevrolet Yukon XL Denali (the "Denali") was traded in, and lists a \$1,900 allowance paying off a \$1,900 balance. Plaintiffs owed more than \$1,900 on the Denali.

41. Contract 3 provided less favorable credit terms than Contract 3, in that monthly payments were now \$319.53 instead of \$265.85.

42. Contract 3 lists the creditor as Car Nation and the seller for Purchase Order 2 is Middletown Motor Cars.

43. Middletown Motorcars and/or Car Nation sought to assign Contract 3 to Westlake.

44. Middletown Motorcars falsely represented the down payment amount in order to misrepresent the creditworthiness of Riley.

45. On information and belief, Westlake required paying off the debt on the Denali as a condition of financing, so Middletown Motorcars falsely represented that the Denali was being paid off through the trade.

46. An advertisement for the Vehicle and Purchase Order 2 both stated that the vehicle's mileage was 68,594.

47. The advertisement for the Vehicle was a sham, because the Vehicle was never actually offered for sale to the general public.

48. At the time of the transaction under Purchase Order 2 and Contract 3, the Vehicle's odometer read approximately 103,000 miles.

49. Hajati contacted Westlake and impersonated Riley and verified the credit information to Westake concerning the transaction.

50. On information and belief, it is a business practice of Middletown Motorcars to impersonate consumers to verify false credit information to finance companies accepting assignment of retail installment sales contracts from it.

51. Hajati also falsely represented the Vehicle's mileage to Westlake.

52. By dint of Hajati's misrepresentations to Westlake, Westlake accepted assignment of Contract 3.

53. While the Vehicle was in Middletown Motorcars' possession, it installed a GPS tracking device in the Vehicle so that it could engage in electronic self-help to effectuate a repossession if it desired.

54. Riley did not consent to the installation of a GPS tracking device and was not provided with any disclosures about the installation about said device.

55. Plaintiffs inquired with Westlake about the installation of the GPS tracking device. Westlake told Plaintiffs that it did not request or require the installation of such a device and were unaware it had been installed in the Vehicle.

56. Before November 6, 2018, Westlake informed Riley that Contract 3 was reassigned back to Middletown Motorcars.

57. Westlake did not provide a reason to Riley for the reassignment.

58. On November 6, 2018, Plaintiffs, through counsel, sent written notice to Middletown Motorcars that it intended to continue making payments on Contract 3 directly to it.

59. The November 6, 2018 letter also stated that Plaintiffs were now represented by counsel and that all further communications were to be through their counsel and not directly to them.

60. On or about January 25, 2019, Hajati contacted Roberts directly and threatened to repossess the Vehicle.

61. Middletown Motorcars sent a letter, dated January 24, 2019, to Riley directly threatening to repossess the Vehicle. The letter failed to comply with the requirements of Conn. Gen. Stat. § 36a-785(b).

62. On January 30, 2019, Middletown Motorcars illegally engaged in electronic self-help and repossessed the Vehicle.

63. The letter also failed to comply with Conn. Gen. Stat. § 42a-9-609(d)(3), which requires that notice be given at least 15 days prior if a secured party wishes to engage in electronic self-help.



**V. CAUSES OF ACTION**

**A. TRUTH IN LENDING ACT (Middletown Motorcars and Car Nation Only)**

64. Middletown Motorcars and Car Nation violated the Truth in Lending Act (“TILA”) by falsely stating in Contract 3 that Riley made a \$4,100 down payment.

65. Although, Contract 3 lists a cash price of \$8,990, the effective cash price of the Vehicle was \$5,690.

66. The increased sales tax of \$209.55 that is attributable to the false down payment would not have been charged in a comparable cash transaction, and it should have been disclosed as a finance charge instead of included as part of the amount financed.

67. Middletown Motorcars and Car Nation are liable to Riley for statutory damages of \$2,000 plus attorney’s fees and costs.

**B. FEDERAL ODOMETER ACT**

68. Hajati and Middletown Motorcars stated in an advertisement posted on or around September 2018 and in Purchase Order 2 that the Vehicle’s mileage was 68,594 miles.

69. The mileage on the Vehicle was approximately 103,000 in September 2018.

70. Hajati and Middletown Motorcars intentionally misrepresented the mileage on the purchase order and advertisement with the intent to defraud in order to inflate the

value of the Vehicle in order to increase its perceived value in representations regarding said collateral to Westlake.

71. It is a violation of the Federal Odometer Act, 15 U.S.C. § 32701 *et seq.* (the "Odometer Act") to make a false statement regarding the odometer reading with intent to defraud.

72. Hajati and Middletown Motorcars violated the Odometer Act by a making a false statement regarding the odometer reading with intent to defraud Plaintiff and any other consumer who saw the advertisement and Westlake.

73. Hajati and Middletown Motorcars are liable to Plaintiff for triple their actual damages for its violation or \$10,000, whichever is greater, plus a reasonable attorney's fee.

74. Westlake is liable as assignee of Contract 3 pursuant to Conn. Gen. Stat. § 52-572g and the terms of the contract.

### **C. RETAIL INSTALLMENT SALES FINANCING ACT**

75. Under the threat of losing possession of the Vehicle, Car Nation caused Riley to enter into a second, less favorable contract with respect to financing the Vehicle.

76. Car Nation had no legitimate reason to cancel Contract 1 and told Riley that entering into the Contract 2 was a condition of keeping the Vehicle.

77. This conduct constituted a constructive repossession, as Car Nation acted to indicate dominion and control over a chattel.

78. Car Nation failed to provide Riley with either the pre-repossession notice under Conn. Gen. Stat. § 36a-785(b) or the post-repossession notice of the right of reinstatement required under Conn. Gen. Stat. § 36a-785(c) when no pre-repossession notice has been provided.

79. Under the threat of losing possession of the Vehicle, Middletown Motorcars caused Riley to enter into a third, less favorable contract with respect to financing the Vehicle.

80. Middletown Motorcars had no legitimate reason to cancel Contract 2 and told Riley that entering into the Contract 3 was a condition of keeping the Vehicle.

81. This conduct constituted a constructive repossession, as Middletown Motorcars acted to indicate dominion and control over a chattel.

82. Middletown Motorcars failed to provide Riley with either the pre-repossession notice under Conn. Gen. Stat. § 36a-785(b) or the post-repossession notice of the right of reinstatement required under Conn. Gen. Stat. § 36a-785(c) when no pre-repossession notice has been provided.

83. Riley is entitled to the greater of his actual damages or 25% of the amount paid under Contract 1 and 2 pursuant to Conn. Gen. Stat. § 36a-785.

84. Flagship is liable as assignee of Contract 1 pursuant to Conn. Gen. Stat. § 52-572g and the terms of the contract.

85. Innovate is liable as assignee of Contract 3 pursuant to Conn. Gen. Stat. § 52-572g and the terms of the contract.

**D. UNIFORM COMMERCIAL CODE ARTICLE 9 (Middletown Motorcars and Westlake)**

86. Middletown Motorcars violated Conn. Gen. Stat. § 42a-9-609(d)(2) by engaging in electronic self-help without obtaining Riley's consent to install the GPS tracking device, providing him with the proper disclosures regarding its installation or providing him with proper notice that it was going to engage in electronic self-help with repossessing the Vehicle under Contract 3.

87. Additionally, on information and belief, Middletown Motorcars disposed of the Vehicle and failed to provide Riley with written notice of the date and time of the public disposition of the Vehicle or, if the disposition was by private sale, with notice that disposition would be by private sale and the date after which a private disposition would take place, as required by Conn. Gen. Stat. § 42a-9-613 and § 42a-9-614. Riley is entitled to statutory damages of 10% of the amount financed plus the finance charge pursuant to Conn. Gen. Stat. § 42a-9-625(c)(2). This amount is calculated as \$3,222.27. Ten percent of the amount financed, \$8,135.80, equals \$813.58, plus the finance charge of \$2,408.69.

88. Westlake is liable as assignee pursuant to Conn. Gen. Stat. § 52-572g and the terms of the contract.

**E. CREDITOR COLLECTION PRACTICES ACT (Middletown Motorcars Only)**

89. Middletown Motorcars violated the Creditor Collection Practices Act (“CCPA”) by communicating directly with Plaintiffs after it had been notified that they were represented by legal counsel and had been notified of his counsel’s name and address, a violation of Conn. Agencies Reg. § 36a-647-4(a)(2).

90. For Middletown Motorcars’ violations of the CCPA, Plaintiffs are entitled to damages, statutory damages of up to \$1,000, attorney’s fees and costs pursuant to Conn. Gen. Stat. § 36a-648.

**F. CONNECTICUT UNFAIR TRADE PRACTICES ACT**

91. Middletown Motorcars’ conduct violated the Connecticut Unfair Trade Practices Act, Conn. Gen. Stat. § 42-110a *et seq.*, as described above, and specifically in the following ways:

- a. It violated the RISFA as described above;
- b. It violated UCC Article 9 as described above;
- c. It violated the TILA as described above;
- d. It violated the Odometer Act as described below;
- e. It violated the CCPA as described above;
- f. It engaged in credit application fraud with respect to Plaintiffs;
- g. It engages in credit application fraud as a business practice;
- h. It required Riley to repurchase the Vehicle he already owned;

- i. It required Plaintiffs to enter into increasingly disadvantageous transactions under the threat of being dispossessed of their Vehicle;
- j. It installed a GPS tracking device on the Vehicle without authorization or proper disclosures in violation of Conn. Gen. Stat. § 42a-9-609(d)(2); and
- k. It utilized electronic self-help to repossess the Vehicle without proper notice in violation of Conn. Gen. Stat. § 42a-9-609(d)(3).

92. Plaintiffs have suffered an ascertainable loss of money or property *inter alia* in that they have been dispossessed of the Vehicle and they were forced into increasingly disadvantageous transactions.

93. Middletown Motorcars is liable to Plaintiffs for their actual damages, punitive damages and reasonable attorney's fees and costs.

94. Plaintiffs also request equitable relief in the form of a cancellation of Contract 1, Contract 2 and Contract 3 and return of the sums paid thereunder.

95. Middletown Motorcars is liable for Car Nation's conduct with respect to Plaintiffs' transactions as its successor in interest.

96. Flagship is liable to Plaintiffs as assignee of Contract 1 pursuant to Conn. Gen. Stat. § 52-572g and the terms of the contract.

97. Innovate is liable to Plaintiffs as assignee of Contract 2 pursuant to Conn. Gen. Stat. § 52-572g and the terms of the contract.

98. Westlake is liable to Plaintiffs as assignee of Contract 3 pursuant to Conn. Gen. Stat. § 52-572g and the terms of the contract.

**G. CONNECTICUT UNFAIR TRADE PRACTICES ACT (Innovate Only)**

99. Innovate violated Conn. Gen. Stat. § 36a-536 by engaging in the business of a sales finance company without obtaining the requisite license from the Connecticut Department of Banking.

100. By violating § 36a-536, Innovate engaged in an unfair and deceptive trade practice, because its activities as a finance company with Plaintiffs was unregulated and its practices were not approved by the Connecticut Department of Banking.

101. Plaintiffs suffered an ascertainable loss of money or property in that their finance company was unfamiliar with the laws and regulations of the State of Connecticut and Innovate had been operating in Connecticut without regulation by the Department of Banking.

102. Innovate is liable to Plaintiffs for actual damages, punitive damages, and reasonable attorney's fees and costs.

WHEREFORE, Plaintiffs claim the following relief: Actual damages; statutory damages under RISFA, UCC, TILA, the Odometer Act, and CCPA; punitive damages; an order stating that Contracts 1, 2, and 3 are cancelled; attorney's fees and costs; and any other relief deemed just and equitable by this court.

PLAINTIFFS, TYRELL RILEY AND ALICIA  
ROBERTS

By: 

Daniel S. Blinn  
dblinn@consumerlawgroup.com  
Brendan L. Mahoney  
bmahoney@consumerlawgroup.com  
Consumer Law Group, LLC  
35 Cold Spring Rd. Suite 512  
Rocky Hill, CT 06067  
Tel. (860) 571-0408  
Fax (860) 571-7457  
Juris No. 414047