



U.S. ARMY OKINAWA

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LEGAL ASSISTANCE

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SELLING A CAR TO A FRIEND

Does your friend want to buy your car? Most of us will be selling a car at some time; for many of us that will be before we change duty stations. This article is about a problem I have seen over my entire legal career: selling a car to a friend. It doesn't have to be a friend; it can be a neighbor, an acquaintance, or someone you just met. Most of us are trusting people and still believe in a handshake to close a deal. We may all remember the famous scene in "Jerry McGuire" when Jerry, a sports agent, made a "handshake" deal to sign a professional quarterback. When the father of the prospect signs with another agent, Jerry is incredulous.

Well, we are not in Hollywood, but we face some of the same problems. It is not that handshake deals are not enforceable (sometimes they are), but handshake deals are hard to prove. A famous line from one of Robert Frost's poems is that "good fences make good neighbors." I sometimes say, good contracts make good relationships. We all trust our friends, right? But, why not have a contract, if you are going to sell a car? What frequently happens is a friend agrees to buy someone's car and then backs out at the last minute. This can be really frustrating and sometimes leads to selling a car below market value to get rid of it before a PCS. Or, it may force you to impose on someone to sell it after a PCS.

We have all heard the old adage "never do business with friends or relatives," but if you do, you should do it right. Friends sometimes tend to pay their other creditors first and are more apt to expect you to understand if they miss a payment. One missed payment sometimes becomes two, and so forth.

Whether you are selling your car to a friend or to a stranger, if you are going to extend credit to the person, stop by the Torii legal office and have the buyer sign a Promissory Note. This will only take 10 or 15 minutes. This does not mean that you will get your money if the buyer fails to pay; it only means it will be easier to prove, and that may be all you need. Be sure to receive a non-refundable deposit if you are going to hold a car for someone to come up with the sales price by an agreed date.