

SECTION 2 — COMMERCIAL LIENS ACT



Module 6 — Sale of the Vehicle (Disposition of Goods)

How to Legally Sell a Vehicle Under the Commercial Liens Act

Opening Narration

Narrator:

When a debtor fails to pay for towing, storage, or repairs, the Commercial Liens Act (CLA) allows you to sell the vehicle to recover your charges — but only if you follow the sale procedures exactly as written in the Act.

Incorrect or incomplete sale procedures are the most common reason towers and repairers lose lien disputes.

This module explains, step-by-step:

- When a sale is allowed
- What notices must be sent
- How to advertise the sale
- How to conduct a “commercially reasonable” sale
- How to handle surplus and deficiency
- Practical examples from the industry

Let’s begin.

Lesson 1 — When Are You Allowed to Sell a Vehicle?

A sale is only permitted when **all** of the following conditions are met:

✓ 1. You have a valid lien

(As covered in previous lessons)

✓ 2. You have maintained possession

Release = loss of lien = no sale.

✓ 3. Proper notice has been sent

To debtor, registered owner, and secured lenders.

Lesson 2 — Mandatory Notice of Intended Sale

Before disposing of a vehicle, you must send notice:

This notice must include:

- Identification of the vehicle (VIN, make, model, plate)
- Statement that the lien remains unpaid
- Total amount owed
- Ongoing daily storage charges
- Method of sale (auction, private sale, sealed bids)
- Date and/or time window of sale
- Statement of debtor rights
- Location of the sale

Who must receive this notice?

- The debtor
- The registered owner
- All secured lenders identified by PPSA search

Even if the notices are returned undeliverable, the requirement is satisfied as long as they were sent to the last known address.

Is a second notice of intent to sell required? If the first notice does not provide sufficient information or if new information has come to light (e.g. sale will be by some other means) then a second notice of Intent to Sell may be required.

Lesson 3 — Advertising the Sale

The CLA requires that the sale be advertised in a manner that is:

“Commercially reasonable in the circumstances.”

This is a flexible standard but typically includes:

✓ **Public auction advertisements**

- Local newspaper
- Online auction websites
- Industry auction platforms
- Your company website
- Public notice boards

✓ **Reasonable lead time**

Ads should run early enough to allow public participation.

✓ **Clear, accurate descriptions**

Do not misrepresent the vehicle's condition or value.

✓ **No insider or sham sales**

You cannot artificially suppress bidding or sell to yourself secretly.

Lesson 4 — How the Sale Must Be Conducted

The CLA requires the sale to be:

Commercially reasonable at every stage, including:

- Method of sale
- Manner of sale
- Time and place of sale
- Advertising
- Bidding or negotiation process
- Final sale price

Types of acceptable sales:

1. **Public Auction**
2. **Private Sale**
3. **Sealed Bids**

Commercially reasonable standard means:

- You must act like a prudent, fair seller
- You must attempt to get the best price possible
- You cannot artificially depress the sale price
- You must avoid conflicts of interest

Unreasonable sale examples:

- Selling a \$20,000 car privately to a friend for \$500
- Listing a vehicle for sale with no advertising
- Auctions conducted with no public notice

These may invalidate the sale.

Lesson 5 — Sale Proceeds: How Money Is Distributed

After the sale, the money must be applied in this order:

1. Reasonable expenses of enforcing the lien

- Advertising
- Auction fees
- PPSA search fees

- Administrative processing

2. Amount of the lien

- Towing charges
- Storage charges
- Repair charges
- Taxes
- Other authorized services

3. Payment to secured lenders (if applicable)

If their interest ranks ahead of the debtor.

4. Surplus paid to the debtor

The owner gets any remaining balance.

If the debtor cannot be located, you must hold surplus funds in trust as per the CLA.

Lesson 6 — What Happens If There Is a Shortfall?

If the sale proceeds are not enough to pay your entire lien:

✓ You may claim the deficiency against the debtor

But only for:

- Authorized repairs
- Reasonable towing and storage charges
- Documented charges

✗ You cannot collect deficiency from secured lenders

The lender's obligation is limited to the value of the collateral.

✗ You cannot charge unreasonable storage and expect recovery

Courts often reduce excessive storage charges.

Lesson 7 — Practical Examples: Real-World Scenarios

Scenario 1 — Tow & Storage Lien Sale at Auction

- Vehicle towed from accident scene
- Lien created, possession maintained
- Notice sent to owner and lender
- Auction or sale
- Vehicle sells for \$4,000

Distribution:

1. \$200 advertising and auction costs
2. \$3,200 towing + storage
3. \$600 surplus to debtor

- ✓ Sale valid
- ✓ Lien satisfied
- ✓ Debtor receives surplus

Scenario 2 — Repair Shop Private Sale

- Customer abandons vehicle after repairs
- Authorized \$2,500 repair bill unpaid
- Notice sent to owner and lender
- Private sale conducted
- Sale price is “fair market value” per appraisals

- ✓ Sale is valid
- ✓ Repairer recovers charges
- ✓ Surplus (if any) returned to debtor

Scenario 3 — Improper Sale

Tower sells a financed vehicle:

- Without sending notice to the lender
- For a fraction of its value

- ✗ Sale invalid
 - ✗ Bank may sue
 - ✗ Tower may be forced to pay damages
 - ✗ Tower's licence or contract may be jeopardized
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Lesson 8 — Best Practices for Conducting a Valid Sale

✓ Always send notices

Initial notice + Second Notice of sale.

✓ Conduct a PPSA search

Identify secured lenders.

✓ Advertise the sale publicly

Use multiple platforms.

✓ Document everything

Notices, ad postings, auction listing, bids, etc.

✓ Avoid conflicts of interest

No secret sales.

✓ Maintain possession to the moment of sale

Never release the vehicle before payment.

✓ Keep detailed accounting

For proceeds, expenses, and distributions.

✓ Return surplus promptly

Or hold in trust according to law.

Lesson 9 — Summary

Narrator:

To recap:

- You may only sell a vehicle after following all statutory steps.
- Notice is mandatory.
- Sale must be commercially reasonable in method, time, and manner.
- Proceeds must be distributed in the correct order.
- Surplus must be returned to the debtor.
- Improper sales of vehicle expose towers and repairers to significant legal and financial risk.

The better you understand these rules, the more confidently and safely you can enforce your lien.