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Oliveira v. Lomabardi

794 A.2d 453 (R.I. Sup. Ct. 2002)

In this case, the Rhode Island Supreme Court consolidated two cases analyzing whether a long-term- lessor of motor vehicles could be held vicariously liable for the negligence of the drivers operating those vehicles. Section 31-33-6 of the Rhode Island code states that “whenever any motor vehicle is used . . . by a person who is not the owner, lessee or bailee but who has their express or implied consent, in the case of an accident the driver is deemed to be the agent of the owner, or lessee or bailee [unless] the driver has furnished, prior to the accident, proof of financial responsibility.”

In the cases at bar, leasing companies purchased automobiles, and held title to the vehicles, for the sole purpose of leasing them to individuals. When the vehicles caused accidents, the injured parties sued the leasing company under the vicarious liability statute. The Superior Court judge who originally heard the case found for the leasing companies, noting that “the Legislature did not intend to hold an owner and lessor liable for the negligence of motor-vehicle operators in the same manner as, for example, the owners of short-term rental vehicles, because the latter would possess the vehicle and assert control over it.” However, the Supreme Court reversed. According to the Supreme Court, it was constrained to interpret the statute literally because the language contained in the statute was clear and unambiguous. Since the statute clearly held “owners” vicariously liable unless the driver furnished proof of financial responsibility,



the key issues were whether a long-term-lessor constituted an "owner" and whether the drivers furnished proof of financial responsibility prior to the accident.

In analyzing the first issue, the Court applied an earlier version of the vicarious liability statute because the law revisers rewrote the statute without first obtaining the specific approval of the Legislature and the Governor to do so. That version of the statute stated: "the term "owner" shall include [any person] having the lawful possession or control of a motor vehicle under a written sale agreement." The Court held that the use of the word "include" did not limit the traditional definition of owner to be only those who were in possession or control of the vehicle. Rather, the definition was meant as an expansion of the traditional understanding of the term "owner" which already included "[a] person who holds legal title to a vehicle." The Court noted that this broad interpretation served "the manifest purpose" of the statute, which the Court described as: (1) making sure "that a victim of a car injury has an avenue of recovery;" and (2) protecting "an innocent victim from having to shoulder the expense of an injury."

The Court did not provide significant analysis with respect to the second issue of whether the drivers furnished sufficient proof of financial responsibility prior to the accident in order to absolve the leasing companies of liability. Rather, the Court based its holding on the fact that "the record provides no indication that the drivers in these consolidated cases did so." Nonetheless, the Court did emphasize that: (1) the leasing company in one of the cases was notified prior to the accident that the lessee's insurance had lapsed; and (2) that the accident in the other case was caused by an individual who the lessee let drive the automobile.

Regardless, this case serves as a strong warning to leasing companies engaged in the business of leasing motor vehicles in or around Rhode Island. Connecticut, Maine, Maryland and New York also take aggressive stances with respect to lessor liability. If you are a leasing company and are entering into any vehicle leases that contain a



mandatory or one dollar purchase option, or is otherwise not a true lease, you may want to consider: (a) using a promissory note and security agreement or other straight loan documentation; and (b) listing yourself as lien holder on the certificate of title.

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