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1 UNITED STATES DISTRICT COURT  
2 FOR THE CENTRAL DISTRICT OF CALIFORNIA

3  
4 UNITED STATES OF AMERICA,  
5 Plaintiff,  
6 v.  
7 HYUNDAI CAPITAL AMERICA,  
8 Defendant.

Case No. 2:24-cv-03818

**COMPLAINT AND  
DEMAND FOR JURY TRIAL**

Hon.  
United States District Judge

10  
11  
12 **COMPLAINT**

13 Plaintiff, the United States of America (“United States”) alleges as follows:

14 **I. INTRODUCTION**

15 1. The United States brings this action to enforce the Servicemembers Civil  
16 Relief Act (“SCRA”), 50 U.S.C. § 3901, *et seq.*, against Hyundai Capital America  
17 (“Hyundai”) for unlawfully repossessing 26 motor vehicles leased or owned by SCRA-  
18 protected servicemembers without obtaining court orders.

19 2. The purpose of the SCRA is to provide servicemembers with protections  
20 against certain civil proceedings that could adversely affect their legal rights while they  
21 are in military service. One of those protections is the requirement that a court review  
22 and approve a lender’s repossession of any motor vehicle owned by a servicemember if  
23 the servicemember took out the loan and made a deposit or an installment payment  
24 before entering military service. The court may delay the repossession or condition the  
25 repossession on the refunding of all or part of the prior installments or deposits made by  
26 the servicemember.

27 3. By failing to obtain court orders before repossessing protected  
28 servicemembers’ motor vehicles, Hyundai violated the servicemembers’ federally

1 protected opportunity to have a court order repayment to the servicemember of all or part  
2 of the prior installments or deposits, stay the proceedings for a period of time as justice  
3 and equity require, or make other disposition as is equitable to preserve the interests of  
4 all parties.

## 5 **II. JURISDICTION AND VENUE**

6 4. This Court has subject-matter jurisdiction over this action under 28 U.S.C.  
7 § 1331, 28 U.S.C. § 1345, and 50 U.S.C. § 3952 because the action arises under the laws  
8 of the United States, and the United States brings this case as a plaintiff.

9 5. Venue is proper in this Court under 28 U.S.C. § 1391 because a substantial  
10 part of the events or omissions giving rise to the claims occurred in this District.

## 11 **III. DEFENDANT**

12 6. Defendant Hyundai Capital America is the American affiliate of Hyundai  
13 Capital Services, a South Korean provider of consumer financial services worldwide,  
14 including automobile financing and leasing. It is a wholly-owned subsidiary of Hyundai  
15 Motor America and Kia America, and is one of the top-10 captive<sup>1</sup> auto-finance  
16 companies in the United States, providing indirect vehicle financing for retail and lease  
17 customers of Hyundai, Genesis, and Kia dealerships nationwide. Hyundai has its  
18 headquarters in the Central District of California.

## 19 **IV. FACTUAL ALLEGATIONS**

### 20 **A. Navy Airman Jessica Johnson**

21 7. On June 25, 2014, Jessica Johnson, a Navy Airman, entered into a purchase  
22 and financing contract with auto dealer Chapman Bell Road Imports, LLC, in Phoenix,  
23 Arizona to purchase a 2014 Hyundai Elantra. The financing contract was immediately  
24 assigned to Hyundai.

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25  
26  
27 <sup>1</sup> A “captive finance” company is a wholly-owned subsidiary that finances retail purchases from  
28 the parent firm. In the case of the automobile sector, captive finance companies offer car loans to  
buyers who need financing.

1           8.     On March 23, 2015, Navy Airman Johnson enlisted in the United States  
2 Navy. Her enlistment orders indicated that she would be ordered to active duty  
3 beginning on August 25, 2015. In June 2015, Navy Airman Johnson faxed Hyundai her  
4 enlistment orders and requested SCRA benefits, specifically asserting that her vehicle  
5 could not be repossessed without a court order while she was on active duty service.

6           9.     While Navy Airman Johnson was on deployment, her account became  
7 delinquent. On July 27, 2017, Navy Airman Johnson spoke to a Hyundai customer  
8 service agent about her account. During this conversation, she stated that she was no  
9 longer deployed, but was still in the military.

10          10.    On July 27, 2017, a Hyundai employee recommended to Hyundai's  
11 Recovery Department that Navy Airman Johnson's vehicle be repossessed. The written  
12 recommendation noted that "customer confirmed she is not deployed today." Attached  
13 to the recommendation was a report from the Defense Manpower Data Center website  
14 dated July 27, 2017, which indicated that Navy Airman Johnson had been on active duty  
15 since August 25, 2015, and was still on active duty as of July 27, 2017.

16          11.    On July 28, 2017, Hyundai approved Navy Airman Johnson's account for  
17 repossession based on the fact that she was on "active [duty], but ... confirmed not  
18 deployed."

19          12.    On or about July 30, 2017, Hyundai repossessed Navy Airman Johnson's  
20 vehicle without a court order.

21          13.    On July 31, 2017, Navy Airman Johnson left a voice mail on Hyundai's  
22 automated customer service system stating that she had been in the military for over two  
23 years.

24          14.    Despite having been notified by Navy Airman Johnson as recently as July  
25 31, 2017, that she was on active duty when her vehicle was repossessed, Hyundai sold  
26 her vehicle in October 2017 for \$7,400. On or about the date of repossession, Navy  
27 Airman Johnson still owed \$13,796 on the finance contract.

28

1           15. On January 15, 2020, Navy Airman Johnson contacted Hyundai by phone  
2 about the repossession of her vehicle. During the call, a Hyundai customer service agent  
3 told her that the repossession of her vehicle had been approved because she told a  
4 Hyundai customer service agent on July 27, 2017, that she was no longer deployed.  
5 Even though Section 3952 of the SCRA does not require that the servicemember be  
6 deployed or submit military orders, the Hyundai customer service agent instructed Navy  
7 Airman Johnson to resubmit her military orders.

8           16. On January 17, 2020, Navy Airman Johnson told a Hyundai customer  
9 service agent that a Judge Advocate General attorney advised her that Hyundai may have  
10 violated the SCRA when it repossessed her vehicle while she was on active duty.

11           17. After the January 17, 2020, phone call, Hyundai elevated Navy Airman  
12 Johnson's account for further review.

13           18. On February 3, 2020, a Hyundai Senior Manager determined that Navy  
14 Airman Johnson qualified for SCRA protection, and her account was elevated to  
15 Hyundai's SCRA Department for further review.

16           19. On February 5, 2020, the SCRA Department reversed the Senior Manager's  
17 decision, concluding that based on Navy Airman Johnson's statement in July 2017 that  
18 she was not deployed, the repossession was proper.

19           20. Hyundai did not inform Navy Airman Johnson about its February 5, 2020,  
20 determination until she called Hyundai on February 19, 2020. After a Hyundai customer  
21 service agent told Navy Airman Johnson the reason that she was denied SCRA  
22 protection, Navy Airman Johnson protested that her military orders were being read  
23 incorrectly.

24           21. On or about February 23, 2020, Hyundai finally determined that it had  
25 repossessed Navy Airman Johnson's vehicle in error.

26 **B. Defendant's Conduct with Regard to Other Servicemembers**

27           22. Based on its review of documents provided by Defendant related to its  
28 motor vehicle repossessions from April 15, 2015, through May 21, 2023, the United

1 States has determined that Defendant has repossessed, without court orders, 25  
2 additional motor vehicles owned or leased by SCRA-protected servicemembers.

3 **V. SERVICEMEMBERS CIVIL RELIEF ACT VIOLATIONS**

4 23. Section 3952 of the SCRA provides that “[a]fter a servicemember enters  
5 military service, a contract by [a] servicemember for ... the purchase [or lease] of real or  
6 personal property (including a motor vehicle)” and “for which a deposit or installment  
7 has been paid by the servicemember before the servicemember enters military service,”  
8 “may not be rescinded or terminated for a breach of terms of the contract ... *nor may the*  
9 *property be repossessed for such breach without a court order.*” 50 U.S.C. § 3952(a)(1)  
10 (emphasis added). In order to qualify for protection under Section 3952, a  
11 servicemember must have paid a deposit or installment on the contract before entering  
12 military service. 50 U.S.C. § 3952(a)(2).

13 24. Defendant’s conduct with regard to repossessing 26 motor vehicles owned  
14 or leased by SCRA-protected servicemembers constitutes a pattern or practice of  
15 violating Section 3952(a) of the SCRA, 50 U.S.C. § 3952(a).

16 25. Defendant’s repossessions, without a court order, of 26 motor vehicles  
17 owned or leased by SCRA-protected servicemembers raise issues of significant public  
18 importance, as servicemembers and their families rely heavily on the use of their  
19 vehicles, and loss of those vehicles can create major distractions that can impede military  
20 readiness.

21 26. Servicemembers whose motor vehicles Defendant repossessed without  
22 court orders in violation of the SCRA are “person[s] aggrieved” pursuant to 50 U.S.C. §  
23 4041(b)(2) and have suffered damages as a result of Defendant’s conduct.

24 **VI. RELIEF REQUESTED**

25 WHEREFORE, the United States requests that the Court enter an ORDER that:

- 26 1. Declares that Defendant’s conduct, policies and practices, as alleged herein,  
27 violate the SCRA;

- 1           2.     Declares that Defendant has engaged in a pattern or practice of violating the
- 2                 SCRA that raises an issue of significant public importance;
- 3           3.     Enjoins Defendant, its officers, employees, agents, successors, and all other
- 4                 persons and entities in active concert or participation with it, from:
- 5                 a.    repossessing the motor vehicles of SCRA-protected servicemembers
- 6                         without court orders, in violation of the SCRA, 50 U.S.C. § 3952;
- 7                 b.    failing or refusing to take such affirmative steps as may be necessary to
- 8                         restore, as nearly as practicable, each identifiable victim of Defendant's
- 9                         illegal conduct to the position he or she would have been in but for that
- 10                         illegal conduct; and
- 11                 c.    failing or refusing to take such affirmative steps as may be necessary to
- 12                         prevent the recurrence of any illegal conduct in the future and to
- 13                         eliminate, to the extent practicable, the effects of Defendant's illegal
- 14                         conduct.
- 15           4.     Awards appropriate monetary damages to each identifiable victim of
- 16                 Defendant's violations of the SCRA, pursuant to 50 U.S.C. § 4041(b)(2);
- 17                 and
- 18           5.     Assesses civil penalties against Defendant in order to vindicate the public
- 19                 interest, pursuant to 50 U.S.C. § 4041(b)(3).

20           The United States prays for such additional relief as the interests of justice may  
21 require.

**VII. DEMAND FOR JURY TRIAL**

The United States demands trial by jury in this action on all issues so triable pursuant to Rule 38 of the Federal Rules of Civil Procedure.

Dated: May 8, 2024

Respectfully submitted,

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