

## \$14.7 Billion Settlement in Volkswagen Dieseldgate Scandal

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Last Tuesday, October 25, 2016, marked a major step forward in a prolonged ordeal for the hundreds of thousands of Volkswagen diesel owners who have been waiting for over a year to see the scandal resolved.

In September 2015, Volkswagen admitted to secretly designing and installing software in its diesel cars to [cheat exhaust emissions tests](#). This deceitful tactic made the diesel cars seem cleaner, when, in reality, they were emitting up to 40 times the legally allowable pollution level.

On October 25, U.S. District Court Judge Charles Breyer in San Francisco approved the [\\$14.7 billion settlement](#) between U.S. regulators and Volkswagen. The settlement covers an estimated 475,000 2.0-liter polluting Volkswagen and Audi diesel vehicles and represents the [largest civil settlement](#) reached in a case where an automaker was accused of misconduct. It is also one of the biggest corporate settlements to date.

Breyer ultimately rejected car owners' objections that not enough money had been offered. He defended his approval of the settlement, saying it "adequately and fairly compensates" the affected consumers. Diesel owners now have the [option](#) to sell their cars back to Volkswagen or to receive a free, government-approved repair. In addition to receiving the trade-in value of the vehicle from September 2015 (before the scandal came to light), consumers will collect cash payments between \$5,100 and \$10,000 based on mileage, age, and other features.

Volkswagen CEO Matthias Mueller told reporters the settlement approval marks "an important milestone" in seeking to clear up the problem that has engulfed the company for over a year, and CEO and President of Volkswagen Group of America, Hinrich Woebcken, announced his pledge to carry out the agreement "as seamlessly as possible." Volkswagen has hired 900 individuals to handle the buyback process, and will have a representative at every dealership. It is expected that the company will begin buying back the affected vehicles in November.

While 340,000 owners have registered to take part in the settlement, this is not the end of the story for Volkswagen. Volkswagen must fix or buy back 85% of the 475,000 2.0-liter vehicles by June 2017 or accept greater penalties. The company also faces costs in association with 85,000 polluting 3.0-liter vehicles, Justice Department fines, lawsuits from various U.S. states, and suits from at least 3,500 consumers who have opted out of the settlement. Volkswagen will also spend \$2 billion over 10 years to fund programs to promote electric vehicles and zero-emission ride-sharing.

The scandal has been detrimental to Volkswagen's global reputation and sales. The settlement and buyback program is an important step in repairing the damage. [Analysts](#) claim they will be carefully monitoring how many owners keep the vehicles and have them modified, and how many sell their cars back to Volkswagen only to buy another model. For some, brand loyalty

may be enough for consumers to give the company another chance, but for others trust is unlikely to ever be restored.