Ruling in Volkswagen Dieselgate Scandal

Why in news?

Germany's Federal Court of Justice (BGH) ruled against car manufacturer Volkswagen, the first judgment in the dieselgate scandal.

What was the "dieselgate scandal"?

- In 2015, the US Environmental Protection Agency (EPA) found that in over 590,000 diesel motor vehicles, Volkswagen had violated the Clean Air Act.
- The vehicles were equipped with "defeat devices" in the form of a computer software.
- This was designed to cheat on federal emissions tests.
- A defeat device is one that bypasses or renders inoperative a vehicle's emission control system.
- Essentially, software of this kind is designed to detect when the vehicle is undergoing an emissions test.
- It then turns on full emissions controls during the testing period.
- In the course of normal driving, the effectiveness of such devices is reduced.

What did the EPA bring to light?

- EPA's notice in September 2015 alleged that Volkswagen installed these devices in its 2009-2015 two-litre diesel vehicles.
- It thereby was violating EPA's emissions standards since these vehicles emit 40 times more pollution than the level permitted.
- Some of the affected vehicles included Jetta (2009-2015), Beetle (2013-2015) and Passat (2012-2015) among others.
- The major excess pollutant, in this case, was nitrogen oxides.
- In November 2015, the EPA issued a separate notice of violation of the Clean Air Act to car manufacturers Audi, Porsche and Volkswagen.
- This was for producing and selling certain 2014-2016 model 3-litre diesel cars and SUVs that included a software device for circumventing emissions standards.
- These vehicles emitted nine times more pollution than the standards allowed.
- Subsequently, Volkswagen informed the EPA that the defeat devices existed in all of its US three-litre diesel models since 2009.

- On filing of a complaint, in 2017, Volkswagen pleaded guilty to three criminal offence and agreed to pay $2.8 billion as a criminal penalty.
- Further, as separate civil resolutions of civil, environmental, customs and financial claims the company agreed to pay $1.5 billion.

What is the latest court ruling about?

- Following the EPA allegation in 2015 in the U.S., regulatory investigations were carried out against Volkswagen in several countries.
- These included South Korea, France, Italy, Germany, UK and Canada.
- In September 2015, Volkswagen revealed that over 1.2 million vehicles in the UK were involved in the diesel emissions scandal.
- Out of the 11 million affected vehicles worldwide, over 2.8 million were in Germany.
- So, in 2019, the Federation of German Consumer Organisations (VZBV) brought forward a case against Volkswagen on behalf of consumers in the country.
- Following this, the recent ruling by Germany's Federal Court of Justice concerned a case involving petitioner Herbert Gilbert.
- He bought a used Volkswagen Sharan in early 2014 for approximately €31,000.
- In his case, Gilbert asked that the company pay him the full purchase price plus interest.
- Whereas, the Volkswagen group maintained that consumers did not suffer any damage from the manipulated diesel cars.
- The court however ruled that Gilbert be paid compensation to the tune of over €26,000, minus depreciation resulting from the kilometers he drove.
- The judgment also requires that petitioners return their cars to the company.

Why is the ruling significant?

- The ruling has set a crucial benchmark for over 60,000 such pending cases brought forward by German consumers.
- The company, on the other hand, has maintained that they would offer these consumers a payment.
- This would be less than what consumers can get through a court judgment.
- However, if consumers settle with the company directly they get to keep their vehicles.
- Several thousand consumers chose to settle with the company, due to which the recent ruling's impact will be limited.
- However, significantly, in the reasoning of their judgment, the judges maintained that it should be assumed that the Board of Directors knew about the manipulation because of the scale of the fraud.

Source: Indian Express

