

VW Rejects Cash Offer for European Car Owners

Buyers of VW products in Europe can't expect same terms as Americans in emissions-cheating affair, Müller tells European Commission



CEO Matthias Müller wants to avoid grave financial harm to VW. PHOTO: PAUL SANCYA/ASSOCIATED PRESS

By
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Updated July 4, 2016 10:36 p.m. ET

17 COMMENTS

BERLIN—The day [Volkswagen AG's lawyers were in court sealing a historic \\$15 billion settlement to resolve its emissions scandal in the U.S.](#), Chief Executive Matthias Müller went to Brussels to try to defuse a potential flare up with the European Commission over demands that the

<http://www.wsj.com/articles/volkswagen-ceo-stands-fast-on-european-compensation-after-scandal-1467570500>

German car maker also offer generous compensation for nearly nine million European customers.

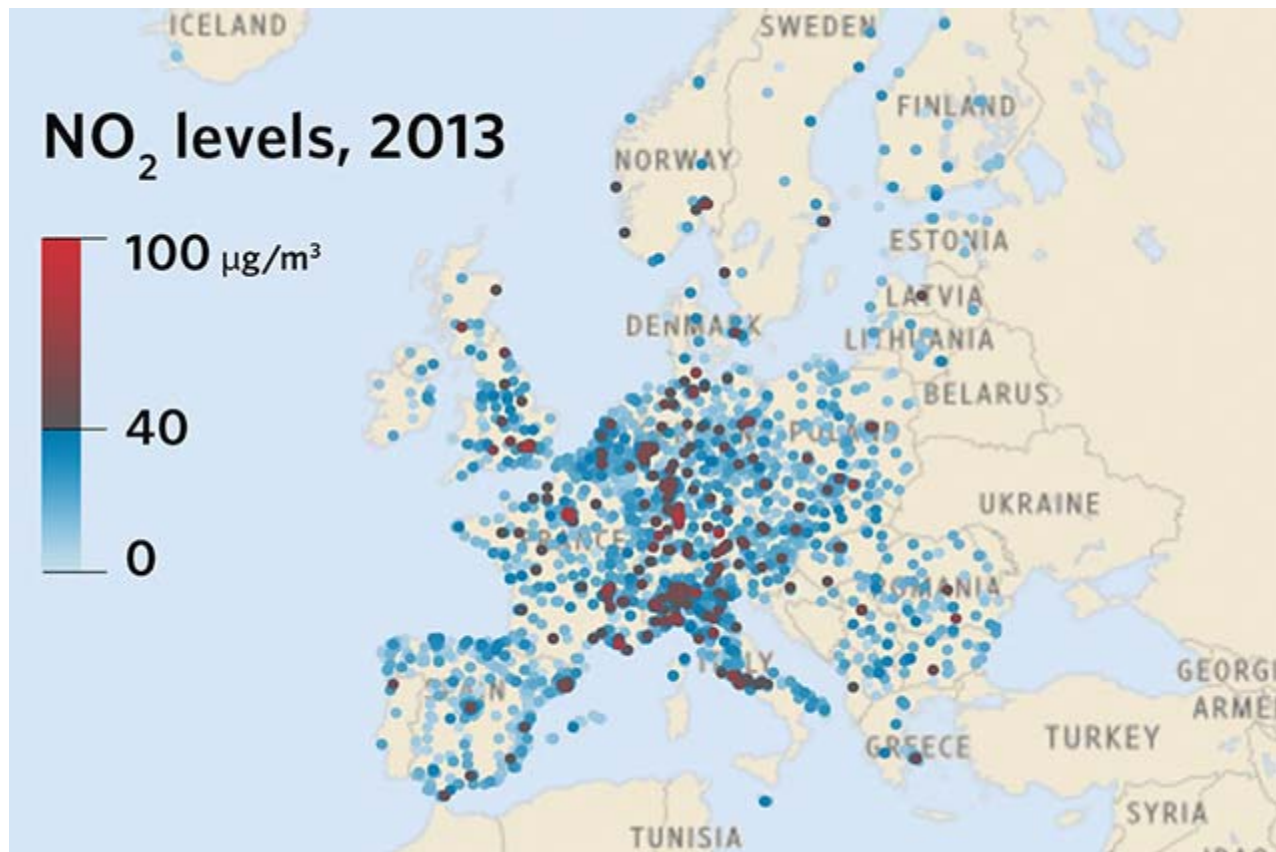
During the meeting on Thursday with Elzbieta Bienkowska, the European Union Industry Commissioner, Mr. Müller made clear that Volkswagen had no intention of offering equal compensation to Europeans who bought tainted diesel vehicles. He said tougher U.S. emissions standards made it more difficult to fix the cars to make them compliant than in Europe, requiring the hefty payments in the U.S., but not in Europe.

“I said this to the Commissioner in a personal conversation on Thursday in Brussels,” Mr. Müller said in comments published on Sunday in Germany’s weekly Welt am Sonntag newspaper.

While Mr. Müller’s position is based on the differences between American and European law, his main concern is that the company would suffer potentially irreparable financial damage were it forced to provide the same level of compensation for its European customers. In the U.S., nearly 500,000 U.S. customers are affected, but in Europe there are nearly nine million.

“Volkswagen is solid financially, but you don’t have to be a mathematician to see that damage payments in some arbitrary amount would even be too much for Volkswagen to cope with,” he told Welt am Sonntag.

Where levels of diesel pollution are over the legal limit across Europe



The comments are the strongest yet to demonstrate that the German car maker has drawn a line in the sand and is preparing to fight demands for compensation from both the European Commission as well as attorneys who are readying class-action suits on behalf of European customers and investors.

In 2015, Volkswagen took charges of €16.2 billion (\$18.05 billion) to cover the costs of fixing vehicles in Europe and funding the settlement in the U.S. The company has said repeatedly that it doesn't foresee any further significant costs linked to the emissions scandal.

As it became clear last week that Volkswagen had agreed to a historic settlement, the highest ever paid by an auto maker in the U.S., Ms. Bienkowska lashed out at the company for what she sees as unfair

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treatment of its European customers in the wake of the diesel scandal and dismissed the legal justification that Mr. Müller invoked. “It is unfair if Volkswagen is hiding behind these legal considerations,” she said. “Volkswagen should voluntarily provide European car owners with compensation that is comparable to what it is paying U.S. customers.”

Disclosure of the emissions-cheating scandal by U.S. authorities in September led to a complete shake up of Volkswagen management, caused the company’s shares to plunge, and may have affected resale values of the cars. Some owners are worried that Volkswagen’s planned fix to make the vehicles compliant with environmental laws could affect the vehicles’ performance.

After a marathon stretch of meetings with plaintiffs’ attorneys and U.S. officials that began in February, Volkswagen last week agreed to pay up to \$15 billion to settle class-action suits affecting owners of its two-liter diesels in the U.S. The deal, detailed in court documents, includes up to \$10.03 billion for owners of 475,000 affected vehicles with two-liter diesel engines, including Jettas, Passats, Beetles, Golfs and Audi A3s. Volkswagen also will pay \$2.7 billion to an environmental remediation fund and \$2 billion to promote so-called zero-emission vehicle technology.

Comparable compensation for its European customers would add up to a minimum of around €40 billion, which is why [Volkswagen has made no comparable offer of compensation](#) to European authorities, who have yet to charge the company with any infraction of the law or allow a major class-action suit to go to trial.

Volkswagen is in the midst of a European recall of the tainted vehicles that will involve making a software update to some cars and retrofitting hardware in the emissions systems of others.

Because European authorities have failed to launch an aggressive legal response to Volkswagen's admission that it installed cheating software on as many as 11 million diesel engines, most of which were sold in Europe, analysts say Ms. Bienkowska isn't likely to force Volkswagen to compensate European owners.

"The legal basis in Europe is different from that in America. In Europe, consumer law and environmental law are irrelevant," said Ferdinand Dudenhöffer, head of the Center for Automotive Research in Duisburg.

There are several class-action suits being prepared in Germany, where the district court in Braunschweig has received more than 70 individual complaints. The complaints include one lawsuit on behalf of nearly 300 investors that include several large pension funds seeking more than €3 billion in damages. The court hasn't ruled on whether it will accept the case.

The Berlin office of U.S. law firm Hausfeld & Co. LLP has set up a website with €30 million in financing from [Burford Capital](#) to sign up European victims of Volkswagen's diesel fraud. The law firm welcomed the U.S. settlement, but said Volkswagen must now tend to Europe. "VW cannot cheat European consumers and escape accountability," said Michael Hausfeld, chairman of the law firm. "Europeans are no less worthy of justice than their American counterparts."