

AUTO EXTENDED WARRANTIES

Consumer Alert

Auto extended warranties—they are not really warranties

A “warranty” is a kind of promise that comes from a vehicle’s manufacturer, and it guarantees the product. You do not have to pay extra for a manufacturer’s warranty: it is included in the purchase price of a new (and sometimes used) vehicle.

Legally, “extended warranties” are not warranties, instead they’re service contracts that promise to pay for repairs—and they do cost extra.

They are usually offered by auto dealerships or third parties—and instead of warranting a product or extending the time on an original manufacturer’s warranty, they agree to pay for only designated repairs.

Some of the contracts simply duplicate coverage that is already available under an existing manufacturer’s warranty. Few service contracts cover all repairs. The Federal Trade Commission warns that “[c]ommon repairs for parts like brakes and clutches generally are not included in auto service contracts. The best advice: If an item isn’t listed, assume it’s not covered.”

Here’s an example to help distinguish a warranty from a “service contract” or extended warranty. Say you purchased a new vehicle in 2008. This vehicle came with a manufacturer’s warranty for five years, or 50,000 miles. You did not pay extra for this warranty—it was included in the overall purchase price of the vehicle. In 2010, your car broke down, and your dealer discovered a problem with your engine. This was covered by your manufacturer’s warranty, and the dealer repaired your vehicle for free.

You’ve now had your vehicle for several more years, and you’ve put 100,000 miles on it. Your vehicle breaks down again, but this time, the repairs to the engine are no longer covered by your manufacturer’s warranty—that expired years ago. However, in 2014, you purchased a service contract for your car for \$2,000 from someone selling extended warranties for your vehicle. Depending on the terms of that service contract, the repairs to the engine may or may not be covered.

Are they worth the extra cost—or the risk they are a scam?

Holding on to your vehicle beyond the life of its original manufacturer’s warranty makes you a target for companies selling extended warranties. They will find you and advertise these service contracts as a cost-effective way to repair older vehicles. But are they?

Unfortunately, some consumers have discovered that the “extended warranty” they purchased is not the same as the warranty that came with the car when it was new.

For example, the extended warranty did not cover the repair needed, or they had to pay a deductible for every repair, or an expensive tear down fee only to discover the repair is not covered.

Others have discovered that their failure to take their car to an authorized facility for routine service voided the repair contract; or worse, the company behind the extended warranty was no longer in business when they needed a covered repair.

Be skeptical of any contact warning that the warranty on your vehicle is about to expire. Scammers want to make the offer seem urgent to get you to respond. Take your time to investigate before you buy.

SPOT IT:



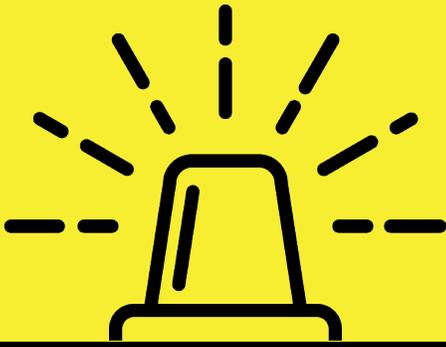
Someone trying to sell you an extended warranty is using high-pressure sales tactics to create a false sense of urgency using language like: “Warranty Expiration Notice,” or “This is your **FINAL** warranty notice.”



You get a “Warranty Expiration Notice” in the mail that is disguised to look like it is from your car manufacturer, a dealer, or the state motor vehicle department.



You are on the Do Not Call List and you get a call from someone claiming to be selling extended warranties so you can avoid an interruption of coverage.



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 You are buying a new car and the dealer tells you that you have to buy a service contract to qualify for financing.

Look at the manufacturer's warranty for your vehicle, so you don't pay for duplicate coverage.

STOP IT: How to avoid being scammed

1. **Shop around before you buy.** Don't make a quick decision. Shop around, ask questions, and compare benefits.

Specific factors to get in writing:

- The length of the contract;
- Who backs the contract service;
- How much does it cost, including deductibles;
- What is covered;
- How are claims handled;
- Any limited service hours, days, locations;
- If new or reconditioned parts are authorized for use in covered repairs;
- What are your responsibilities; and
- If the contract is transferable if you sell your car.

2. **Make sure you know who will be making the decisions on what is covered.**

Generally, the organization that sold you the service contract is not the same as the organization that will be deciding whether your claims are covered under your contract.

3. **Before you do business, check out the seller and the administrator.**

Call the Michigan Attorney General's Consumer Protection Division, at 877-765-8388, to see if there are any complaints on file against either the seller or the administrator of your service contract.

Also, contact your local Better Business Bureau or visit the [BBB website](#) and search for information on the seller and administrator.

4. **Never give out personal financial information to anyone that calls you.** This is good advice for any situation, but is certainly applicable if you receive a telemarketing call from someone offering to sell you a service contract because your "warranty is about to expire."

If you are on the Federal Do Not Call Registry, and have been registered for more than 30 days, report this call immediately. [Do-not-call violators may be reported on the Federal Trade Commission's website.](#)

Contact the Attorney General's Office:

For general consumer questions or to file a complaint, you may reach the Michigan Department of Attorney General's Consumer Protection Division at:

Consumer Protection Division
P.O. Box 30213
Lansing, MI 48909
517-335-7599
Fax: 517-241-3771
Toll free: 877-765-8388
[Online complaint form](#)



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