

FTC Consumer Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Division of Consumer & Business Education

How to Steer Clear of Auto Warranty Scams

The Federal Trade Commission (FTC), the nation's consumer protection agency, urges you to be skeptical of mail and phone calls warning that the warranty on your car is about to expire. The companies behind the mail and calls may give the impression they represent your car dealer or manufacturer. With phrases like *Motor Vehicle Notification*, *Final Warranty Notice* or *Notice of Interruption*, they are trying to make the offer seem urgent — and to get you to call a toll-free number for more information.

More than likely, these pitches are from unrelated businesses that want to sell you extended warranties — more accurately known as service contracts — that often sell for hundreds or thousands of dollars. If you respond to a call from a business pitching so-called extended warranties, you're likely to hear high-pressure sales tactics, as well as demands for personal financial information and a down payment, before you get any details about the service contract. And if you buy a service contract, you may find that the company behind it won't be in business long enough to fulfill its commitments.

Protect Yourself

So how can you steer clear of scam auto warranty offers? The FTC says:

- If you get mail or phone calls about renewing your vehicle warranty, don't take the information at face value. Your vehicle's warranty may be far from expiring — or it may have expired already. If you have a question about your warranty, check your owner's manual, call the dealer who sold you the car or contact the vehicle manufacturer.
- Be alert to fast talkers. Telemarketers pitching auto warranties often use high-pressure tactics to hide their true motive. Take your time. Most legitimate businesses will give you time and written information about an offer before asking you to commit to a purchase.
- Never give out personal financial or other sensitive information like your bank account, credit card or Social Security numbers — even your driver's license number or Vehicle Identification Number (VIN) — unless you know who you're dealing with. Scam artists often ask for this information during an unsolicited sales pitch, and then use it to commit other frauds against you.
- Be skeptical of any unsolicited sales calls if the call is a recorded message or if your phone number is on the National Do Not Call Registry. You shouldn't get recorded sales pitches unless you have specifically agreed to accept such calls, with few exceptions — read *New Rules for Robocalls* at ftc.gov to learn more. And if your number is on the National Do Not Call Registry, a salesperson may call you only if you have agreed to accept calls from the company the salesperson works for, if you have bought something from the company within the last 18 months or if you have asked the company for information within the last three months. To report violations of the National Do Not Call Registry or to register a phone number, visit DoNotCall.gov or call 1-888-382-1222.

Service Contracts

A service contract is a promise to perform (or pay for) certain repairs or services. Although a service contract is sometimes called an extended warranty, it is not a warranty as defined by federal law. A service contract may be arranged any time and always costs extra; a warranty comes with a new car and is included in the original price. Used cars also may come with some type of coverage. The separate and additional cost distinguishes a service contract from a warranty.

Auto service contracts may be sold by vehicle manufacturers, auto dealerships or independent providers. If you want to buy a service contract, shop around so you understand just what you're buying. Coverage varies widely. Other tips:

- Research the company responsible for paying your claims (usually called the contract administrator or the service contract provider). Service contract sellers (also called brokers) do not decide what repairs are covered under the service contracts they sell, and they may assert that they have no further responsibility to you once you buy the service contract.
- Check on licensing and registration within your state. While many states do not regulate contract administrators, some states (including California, Florida and New York) have strict regulations.
- Before you do business, check out the seller and the contract administrator with your state Attorney General (naag.org), local consumer protection agency (consumeraction.gov) and the Better Business Bureau (bbb.org) to make sure no unresolved complaints are on file. The phone numbers for these organizations are in your phone book or available through directory assistance or Internet directories.

To learn more about service contracts and questions to ask a contract administrator, read *Auto Service Contracts* at ftc.gov.

File a Complaint

If you think you've been victimized by an auto warranty scam, file a complaint with the Federal Trade Commission. Although the FTC does not intervene in individual disputes, the information you provide may indicate a pattern of possible law violations requiring action by the Commission.

The FTC works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or to get free information on consumer issues, visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

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1-877-FTC-HELP	FOR THE CONSUMER