

EXTENDED WARRANTY SCAMS

Ralph Seekins

Question: Last week you mentioned that some extended warranty solicitations might be scams. Could you expand on your comment?

Answer: First, I want to make it very clear that honest Extended Service Plans are good products – particularly in our extreme Interior Alaska environment. As I pointed out last week, some compliment manufacturer’s base warranties by providing things like roadside assistance, rental assistance, and scheduled maintenance. Others cover a vehicle after the manufacturer warranty has elapsed and also provide a menu of the options mentioned above.

HOWEVER, THERE ARE A LOT OF EXTENDED WARRANTY SCAMS OUT THERE.

The **AUTO WARRANTY SCAM** is the latest – and perhaps most pervasive – attempt by telemarketers to trick consumers nationwide. The value of the product they are hawking is often worthless. But, you won’t know it until you need a repair. Then, you’ll find out that what you bought was a very expensive piece of worthless paper.

Here’s how the telemarketers work. They are typically using autodialers. When you answer the phone, you get a recorded message that tells you your vehicle’s warranty is about to expire and encourages you to press “1” for more information. Then, you get someone who asks for your vehicle’s identification number. This is a pretty good tip-off that this is a “fishing trip” call. I’ve received two calls at my own home. Once, I said: “I thought you already had that number.” The phone went dead. Another time, I asked for the name of the company and the guy immediately hung up.

I’ve also had friends and customers bring in mailers that told them their warranties were about to expire and soliciting an extended warranty product. They were confused because their warranties weren’t close to expiring or already had extended service plan coverage for their vehicle. One friend didn’t even own a vehicle. I personally called the numbers listed on mailers twice. Again, just like with the telemarketers, the guy on the phone didn’t know what vehicle the mailer was referencing in their mailer (I used my customers’ names) and when I asked too many questions, the line also went dead – both times.

The Better Business Bureau reported that they alone got more than 140,000 consumer complaints in 2008 (an increase of more than 40% over 2007) about telemarketers who said their auto warranties were on the verge of expiring. And, like my one friend, a good number of those who got the calls didn’t even own an automobile.

So here’s what I recommend. Never buy *anything* over the phone – particularly something as important as service coverage for your vehicle. Know who you are buying from. Know you are dealing with a reputable, established company with a history of actually providing what is

offered. Then, you absolutely need to see the terms of any contract and you absolutely must read the contract terms carefully. All this *before* you buy. Then, in general, never, never, never give anyone you don't know your social security number, bank or credit card numbers, vehicle identification numbers, home address, or any other personal information over the phone.

As I recommended last week, if you are in the market for extended coverage for your car or truck, look first at manufacturer backed offerings that are good at dealerships from coast to coast across the U.S. and Canada.