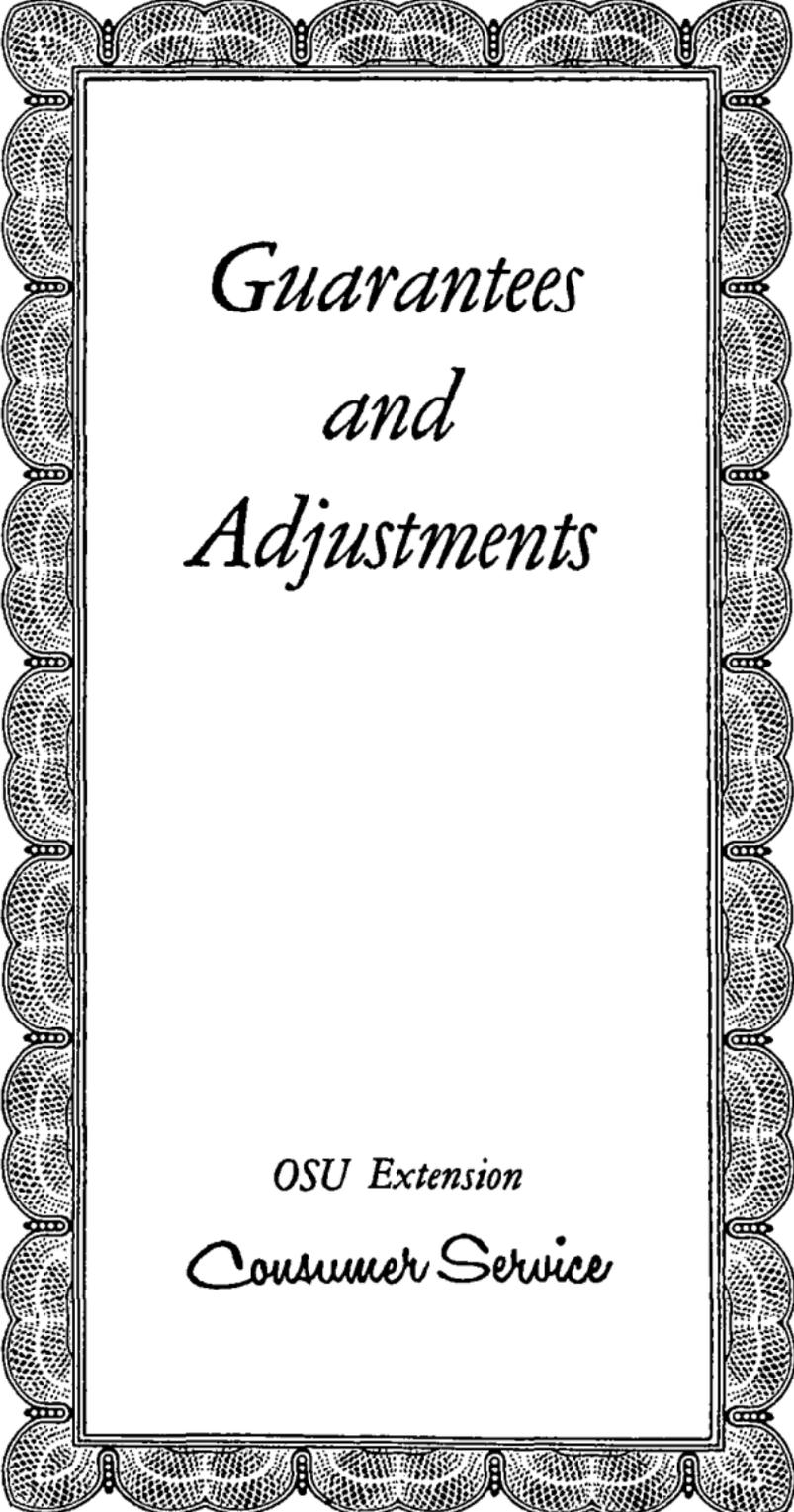


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*Guarantees
and
Adjustments*

*OSU Extension
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Guarantees and Adjustments

Prepared by BERNICE STRAWN

Extension Home Management and Equipment Specialist

THE President's Special Assistant on Consumer Affairs reports that the greatest percentage of complaints received deals with the consumer's frustration about servicing problems on appliances. Much of the trouble stems from failures of the customers to ask proper questions and fully understand the guarantee before buying so they will know exactly the service to which they are entitled.

Guarantee or Warranty?

For the consumer, the terms "guarantee" and "warranty" mean the same. Many manufacturers prefer the term "warranty."

A warranty or guarantee is a written statement of a manufacturer's responsibility for replacement of defective parts or workmanship within a certain time limit. It can also be for any number of other obligations relating to the product or price. A card is usually included which should be filled out and returned to the manufacturer for the warranty to be valid.

Trend in Warranties

Longer warranties are now in force on appliances, television tubes, and certain other items. Some appliance and car warranties are as long as five years, but conditions should be carefully checked, as discussed below. The trend in car warranties is to shorter periods and less coverage. The buyer may be offered the option of a longer warranty at extra cost.

Another trend, and a very welcome one, is for clear, easy-to-understand language in warranties. One appliance manufacturer's warranty is in the form of questions and answers, which leaves practically no chance for a consumer to misunderstand the provisions.

The warranty of another manufacturer takes the form of a letter to the consumer in "easy-to-read English." There is no "fine print." In both instances, the companies' lawyers have stated that these new warranties are just as legal and binding as the old type which confused consumers with "whereas" phrases.

Cooperative Extension work in Agriculture and Home Economics, Lee Kolmer, director. Oregon State University and the United States Department of Agriculture cooperating. Printed and distributed in furtherance of Acts of Congress of May 8 and June 30, 1914.

Replacement and Pro-rata Warranties

For small electrical appliances, replacement warranties are often used. In these instances, the dealer will replace the appliance within a specified time in accordance with the conditions stated in the warranty.

Pro-rata warranties apply to some items such as tires and water heaters. The item or part will be *replaced*, but the consumer must pay in accordance with the length of time it has been used. For example, if the item has been satisfactory for six months but was guaranteed for one year, then the consumer would pay half the price of a new replacement. In case the product is offered at a sale price, the consumer should ask what price would be used as a basis for making an adjustment.

Read All the Warranty Before You Buy

The warranty (or guarantee) is part of what you pay for when you buy equipment, a car, or another item. Therefore, you should look at it just as carefully as you do styling, features, or any other details.

The purchase time is the time to ask the questions listed below. The answers can be found by reading the warranty. Anything not understood should be discussed with the salesman. (Watch for conflict between written and spoken promises, however.)

- What is the length of the warranty period? When does it begin and end? Not all warranties are the same. *Examples:* Company A's warranty for an electric blanket may be for two years, while their toaster may carry a five-year warranty. A refrigerator may have a five-year warranty on a sealed compressor, but the other parts may be guaranteed for one year.

- What does the warranty cover? Certain parts are covered. Exceptions are listed. Labor for replacement of parts during the warranty period may or may not be included. Or the labor may be included for one year and the parts for a longer time.

- What are the conditions stated in the warranty? Usually there will be a statement that the warranty is not in effect if the product has been misused, neglected, or is inoperative because of an accident.

The warranty may be void if repairs or installation are not made by an authorized service person, or if parts from another source have been used in repair.

Warranties for some types of products exclude what is referred to as "normal wear."

The warranty usually applies only to the first owner and is void if the product is resold. This is true for some items and not for others.

For cars, check to see if specified service must be performed at stated intervals in order to keep the warranty in force. Usually, routine service charges are not covered by the warranty, but the company may require proof that basic maintenance has been kept up.

- *Who is responsible* for fulfilling the terms of the warranty? This may be the factory or the dealer or both. Are these reliable, established firms which can be depended upon to stay in business as long as the product is in use? (Be wary of "fly-by-night" sales people who will not be around when you need help.) For appliances, the factory is usually responsible for parts and sometimes labor costs during the warranty period.

It is a common practice for the dealer to be responsible for service. In this case, be sure the dealer has reliable, qualified, and well-trained servicemen. Ask if parts are kept on hand so that service can be prompt.

Your best guide is the experience of others who have bought products from the same dealer. Another indication of reliability of the service is the dealer's participation in a franchised service program in which he is required by the manufacturer to meet certain standards.

Customers who are outside the service area of the dealer from which they buy may find that service is excluded from the guarantee and, therefore, they may pay a lower price. The bill of sale should have a notation that free service is not included.

- Will the warranty be effective if you move to a new location? If parts are guaranteed by the manufacturer, you will have no problem. But, if the dealer is responsible for the labor for replacing parts, it may not be easy to get free service. Usually, arrangements can be made, but have a clear understanding.

- Where should the product be returned (or can it be repaired at home, especially major appliances) in case repair or replacement parts are needed within the warranty period? The dealer can tell you this at the time of purchase. Your warranty may also give you this information.

- Is adjustment based on the price you actually pay for the product or is it prorated on the manufacturer's "list" or the "sale price."

What Is Your Responsibility as Owner?

- Read carefully the instructions for use of the product and follow them. If there is evidence of misuse, the warranty is void.

- Before reporting trouble, check for blown fuses or failure to plug in the appliance. Be sure the control is properly set.

- Do not tamper with an appliance.

- When you report trouble, be specific.

- Always identify the appliance by model and serial number when making a complaint.

- Give the date of purchase when making a claim under a warranty.

- Keep your warranty in a safe place. It is a good idea to have a central place where all warranties are kept so that they can be easily found.

- If you ship the appliance to the factory or service center for repair, be sure it is safely packed and wrapped. Damage while in transit will not be repaired free.

Extended Warranties and Service Contracts

If a warranty for a washer, television, or other appliance includes repair of parts for one year, you may be able to purchase a service contract to extend this service for one or more additional years. Some service contracts include both parts and labor; others one or the other.

Prices of extended service contracts vary with the type of appliance and the geographical area. The older the appliance, the higher the cost of the service contract. It is logical to expect that the longer the appliance is used, the more likely it is to need service. Contract prices are also related to the servicing experience for different appliances. For example, a service contract for a washer will cost more than one for a dryer.

Service contracts are similar to health insurance. Your decision to buy or not to buy depends on how insurance minded you are. Also, if your products are guaranteed for a long period and you fully understand what the guarantee includes, you may feel a service contract is unnecessary.

Service contracts are not all the same. Read carefully and check these points:

1. What is covered—parts, labor, number of calls?

2. What are the time limitations? A contract may appear to be a bargain, but may run for only nine months instead of a year.

3. Is there a limited number of service calls on the contract?

4. Are you paying for protection on parts that are already covered? For example, the sealed refrigerator system is usually guaranteed for five years, while other parts may not carry the same guarantee.

5. If you move out of the dealer's service area, are there provisions for a refund or can the contract be transferred to a dealer in your new location?

6. If the contract covers labor only, can you obtain a price list of parts before signing?

Guides Against Deceptive Advertising

The Federal Trade Commission is concerned with advertising and has issued guides to show the proper way of promoting guaranty and warranty claims. If you suspect the advertising of a product has been deceptive, contact the Federal Trade Commission, Seattle, Washington. Their personnel will look into the matter but cannot handle settlements between the consumer and the guarantor. Associations of manufacturers and retailers also set voluntary standards for their industries. To advertise that a product is guaranteed is meaningless unless the following information is given:

What product or part of product is guaranteed, what is excluded, the duration of the guarantee, what, if anything, a person claiming under the guarantee must do to get fulfillment by the guarantor and the manner in which the guarantor will perform (such as, replace, repair, refund money).

The identity of the guarantor (the person or company who guarantees the product) should be included.

Pro-rata Adjustments of Guarantees

The Federal Trade Commission says that pro-rata guarantees should clearly disclose the basis on which they are prorated. If the guarantee is to be adjusted on the basis of a price other than that paid by the purchaser, this price should be conspicuously disclosed.

Example: You buy a tire that has a list price of \$40, but it is on sale for \$30, and has a 12-month guarantee. After six months, the tire proves defective. The guarantor could be required to disclose in advertising the

price to be used in the adjustment, based on the time the tire was used. If the list price is used, you would pay \$20 for a new tire, not \$15. He should also disclose if adjustment will be made in cash or on a new tire.

Also, the *Guides* provide that adjustments based on a fictitious list price should not be used even where adequate disclosure of the price used is made.

"Satisfaction Guaranteed or Your Money Back"

When such statements are made, the full purchase price should be refunded at the option of the consumer. If this type of guarantee is subject to any conditions or limitations, they should be set forth.

For example, a product is advertised as "satisfaction guaranteed or your money back." The guarantee requires return of the product within one year (or some other definite time) of purchase date before a refund will be made. Limitations should be stated in the ad.

Lifetime Guarantees

If the words "life" or "lifetime" guarantee are used in advertising a product, and relate to any life other than that of the purchaser or original user, the life referred to should be clearly stated.

For example, a part of a car is advertised as guaranteed for life, and the life of the car in which it was installed is meant. The ad is ambiguous and should be revised to disclose the "life" referred to.

Guaranteed Savings

Sometimes ads read "guaranteed to save you 50%" or "guaranteed lowest price in town." These ads should include a clear and conspicuous disclosure of what the guarantor will do if the savings are not realized, together with any time or other limitations.

For example, "guaranteed lowest price in town" might include a statement that if within a definite time after you purchase the identical item in town for less and present a receipt to the seller, money will be refunded.

How Valuable Are "Seals of Approval"?

The value of these seals depends on who is back of them, what tests were made, what is included in the certification, what the terms are, and for how long they are effective.

Tests made by most laboratories are not for the purpose of comparing one brand with another.

Trade Associations and Testing Laboratories

• *UL—Underwriters Laboratories.* This seal is attached to electrical cords, appliances, and other products which have passed rigid laboratory tests for safety. However, be sure that a seal is attached to both the appliance and the cord.

• *AGA—American Gas Association Blue Star seal.* This seal will be found on gas appliances which have met the minimum test standards for performance, construction, and safety.

Magazine Seals

These seals are given only for products which have been tested and accepted for advertising. Other manufacturers of good quality items may not choose to advertise in these publications.

• *Good Housekeeping Consumers Guaranty*
Readers are guaranteed replacement or refund of money if a product is not as advertised in *Good Housekeeping*. Tests are made at the Good Housekeeping Laboratories. Only advertised products receive this seal.

• *Parents' Magazine Seal of Commendation*
This seal states that the product has been commended by the Consumer Service Bureau of Parents' Magazine as advertised therein. The magazine accepts ads only for products considered by this magazine as suitable for families with children. The U. S. Testing Company, an independent commercial laboratory, does much of the testing for *Parents' Magazine*. This is not a guarantee.

• *McCalls Use-Tested Tag*
This tag states that the McCalls' Laboratory has used the product and likes it. Only advertised products receive this tag. This is not a guarantee.

Consumer Financed Testing Agencies

• *Consumer Reports*, published by Consumers Union, compares one brand with another and reports its opinions as to "best buys," "also acceptable," and those "not acceptable." They maintain their own laboratories and employ some outside consultants and laboratories.

• *Consumer Bulletin*, published by Consumers' Research, also maintains testing laboratories and consultants for comparison of brands.

These publications may serve as a guide but may not include all models or brands. They do not give guarantees.