

Warranties

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Everyone who buys something new—a packaged product, an appliance, or material for a dress—expects it to be usable and free of defects.

Imperfect products do reach the market, however. Presumably, someone stands behind them with some kind of written or implied warranty, sometimes called a guarantee.

The warranty was developed to give buyers assurances of quality and performance. But another reason for the development of guarantees was to limit the seller's liability to the specific provisions in the guarantee.

Warranty Defined

A **warranty** or **guarantee** is a promise by a manufacturer or a seller that the product or service purchased will perform in a certain manner. The promise may be reimbursement for parts or labor, or both, if the product fails to perform properly.

An **implied warranty** is a right promised by state law and requires that the product will perform in an expected manner. The manufacturer has a responsibility to the consumer if the product does not meet expectations.

Implied warranties are not written but come automatically with every sale unless it is agreed that the merchandise is accepted "as is."

A service contract is sometimes considered a warranty. It is not. Warranties come with the product at no additional charge, and service contracts may add extra protection at additional cost.

The Magnuson-Moss Warranty Act

In the past, warranties and guarantees were classic examples of the "big print giveth and the small print taketh away." That is, the bold type of the guarantee might note, "This product is fully guaranteed," but the small type would include a major obstacle such as an extremely high charge for handling. Also, many guarantees were written in legal language that only attorneys could translate.

As a result of such abuses, the Magnuson-Moss Warranty Act was passed in 1977. The Act treats

guarantees and warranties as the same. It does not require a manufacturer to give a warranty, but if a warranty is given it must be either a **full** or **limited** warranty.

Full Warranties

A full warranty promises the consumer that:

- a defective product will be repaired or replaced free, including removal and reinstallation when necessary;
- the product will be repaired within a reasonable time after the consumer has told the company of a problem;
- the consumer will not have to do anything unreasonable to get the warranty service;
- the warranty is good for anyone who owns the product during the warranty period;
- if the product has not been repaired after a reasonable number of tries, a replacement or a refund will be provided (known as the "anti-lemon" provision);
- the consumer does not have to return a warranty card for a product with a full warranty. A company may give a registration card and suggest that it be returned, so long as it is clear that the return of the card is voluntary;
- implied warranties cannot be disclaimed, denied or limited to any specific length of time.

The title full does not mean:

- that the entire product is covered by the warranty;
- that the warranty has to last for one year or any other particular length of time;
- that the company must pay for "consequential or incidental damages" (such as towing, car rental, food spoilage);
- that the product is warranted in all geographic areas.

Limited Warranties

A **limited** warranty lets the consumer know that the warranty gives less than what the **full** warranty gives. For example, the consumer:

- may have to pay for labor, reinstallation, or other charges;
- may be required to bring a heavy product back to the store for service or do something else that may be difficult;
- may be promised a pro-rata refund or credit;
- should realize that the "lemon provision" does not apply to limited warranties.

The title **limited** does not mean:

- that the product is inferior or will not work as provided;
- that only part of the product is covered; a limited warranty may cover the entire product;
- that the warranty only covers the cost of repair parts; a limited warranty may include labor, too;
- that the warranty will last for any particular length of time;
- that the warranty service may be done in only a few locations.

A product may carry more than one written warranty. For example, an automatic washer can have a **full** warranty on the entire product for one year and a **limited** 4-year warranty on the gear assembly.

In order to avoid problems, it is recommended that the consumer:

- Keep sales slips;
- Do any maintenance that is required for warranty coverage;
- Use the product according to the manufacturer's instructions; abuse or misuse is not covered by any warranty;
- Realize that a warranty is only as good as the company that stands behind it.

Violators of the law should be reported to the Federal Trade Commission, Magnuson-Moss Act, 6th and Pennsylvania, N.W., Washington, D.C. 20580.

What Should a Warranty or Service Contract Tell You?

The Federal Trade Commission suggests that consumers should ask these warranty-related questions before making any purchase.

- Is the warranty **full** or **limited**?
- Are all parts of the product covered by the warranty? Would the parts that are not covered be expensive to fix? Are they likely to break?
- Would you have to pay any of the repair costs?
- How long does the warranty last?
- Do you get a different amount of protection for different parts of the product? Or for different periods of time?
- Is the warranty for just the first purchaser? Are you likely to sell the product, or give it as a gift, during the warranty period?
- What do you have to do to get warranty service (such as mailing or shipping the product somewhere)?
- Is there anything you have to do to keep the warranty in effect (such as proper maintenance)?
- Does the company giving the warranty have a good (or bad) reputation for living up to its warranty?
- What extra protection does the service contract give you that the warranties don't give?
- How much does the service contract cost? Is it worth it?
- If you change your mind, or sell the product, and you want to cancel the service contract, can you get any of your money back?
- Who is responsible for performance? The manufacturer? The dealer? Someone else?

References

Federal Trade Commission, "Warranties: There Ought to Be a Law . . .," Washington: Government Printing Office, 1977.

Lee, Stewart M. and Mel J. Zelenak, **Economics for Consumers**, Palo Alto: Wadsworth Co., 1982.

This guide replaces "Guarantees", a guide written by Shirley Drinkard.