

# Service Contracts & Warranties

*The material in this handout represents general legal principles. The law is continually changing; although the information in the handout was current as of the date it was drafted, some provisions in this pamphlet may have changed. It is always best to consult an attorney about your legal rights and responsibilities regarding your case.*



understand what is/is not covered under the basic warranty and what additional services are being offered. Specific things to consider include:

- **How long does the coverage last?**

Both warranties and service contracts terminate after a specified period.

- **Where can you obtain repairs?**

If a service contract is offered by the vendor, vice the manufacturer, you may be required to bring the product back to the vendor's storefront. Some warranties and contracts require you use a third-party for all repairs/maintenance while others might require you ship the item somewhere.

- **What are the conditions or limitations to obtain repair?**

Some warranties and service contracts will only cover costs related to specific uses of the product.

- **Are consequential damages covered?**

Consequential damages are incurred because of the product's malfunction. For example, if your freezer breaks down does the warranty cover both the cost of repairing the freezer and the food that is spoiled?

- **What happens if the product fails entirely?**

Will the product be replaced, repaired, or will you receive your money back?

- **What costs are you liable for?**

Do repairs include a deductible you have to pay? If you have to ship the faulty product, who pays for those costs?

- **How are disputes resolved?**

Most warranties and service contracts will include a clause dictating that any dispute must

When buying a car, major appliance, or audio/video entertainment component, the vendor will routinely offer to sell you a service contract or extended warranty for the item. Before you buy a service contract, consider the following:

## What is the difference between a warranty and a service contract?

A written warranty may be included in the price of the product you buy but they are not legally required. The warranty will set out the manufacturer's liability and the consumer's rights if the product malfunctions in a specified period. A service contract, or extended warranty, may be available for purchase as an add-on to the product's basic warranty. The terms of the warranty are dictated by the item's manufacturer, whereas the terms of the service contract or extended warranty may be controlled by either the manufacturer or the vendor you purchase the product from.

## What are the terms?

Service contracts and warranties both offer the same thing -- repair and/or maintenance of a product for a specific period and under specific conditions. When considering whether to buy an add-on service contract, it's important to

be resolved via arbitration/mediation and may even specify the state in which that process is to occur.

## **Other factors to consider:**

- Service contracts through a vendor will almost certainly be void if the vendor goes out of business. Before purchasing any add-on services, consider the likelihood the vendor will be in business through the full period of the contract.
- A warranty must be written to be enforced. A salesperson might make a verbal promise about future repairs but, if not in writing, the promise is unenforceable. One potential exception to this general rule is the “implied warranty.” Regardless of any warranty the manufacturer offers or that you purchase, all products have an implied warranty that they will perform the function they purport to do.
- Regarding cars, specifically, many states have “lemon laws” that require auto dealers to replace or refund a vehicle if it is sold with substantial defects. Research and understand the extent of your state’s lemon laws when considering buying a new car.

**For additional information about car purchases**, visit the “Automobiles” tab of the Air Force Legal Assistance website.