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## 'Warranty' buyer beware

**U.S. firm's auto service pitch is deemed lawful, but RCMP says consumers should be on guard**

February 14, 2009

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BUSINESS REPORTER

*"Your factory warranty is about to expire ... You are still eligible to reactivate warranty coverage ... This is the final call before we close the file. Press 1 to speak to a representative about your vehicle, press 2 to be taken off the follow-up list."*

Sound familiar? Chances are if you're living in Canada and own a phone you've received one of these calls.

If so, you might have noticed they're coming from all over the U.S. – Nevada, California, Florida.

But watch out, police say. The people calling you don't actually have any idea about the warranty on your car. They don't even know if you have a car.

They're cold calling you from call centres in the U.S. and trying to sell you on a warranty that many mechanics may not honour, industry officials say.

"It's a nightmare," said Lou Robertson, head of Phonebusters, the RCMP's anti-fraud unit, which has received countless complaints from people receiving the call.

"They lead you to believe that there's some type of urgency. They're walking on a very fine line. I'm sorry, but it's not a proper way to do business in Canada."

National Dealers Warranty Inc., a marketing company operating out of St. Louis, Mo., runs the warranty operation and its telemarketing workers use various names such as Canadian Auto Warranty Services and World Wide Warranties Inc. when calling consumers.

The complaints show a pattern. When customers respond to the cold calls, they end up speaking with "the warranty division," where they're asked for their full name and for their car details (make, model, age and mileage).

They're then offered what's pitched as "an extended warranty" and asked for their credit card information in order to finalize the purchase.

In some cases, complainants say they're never told the name of the company they're speaking with, and are asked repeatedly for their credit card information.

SUPPLIED IMAGE

National Dealers Warranty advised Canadians that factory warranties on their vehicles were going to expire and that they should contact the firm to buy an extended service contract.

Complainants who bothered to ask the company how they got their number and where they are based say the telemarketers refuse to answer and often hang up the phone.

Those who give out their credit card information are billed by Canadian Auto Warranty Services. Some complainants have received full refunds for their purchase.

The Niagara Regional Police Service issued an alert about the operations of CAWS in November.

At first the police called the sales pitch "a scam," but later retracted that wording after being contacted by the company's U.S. lawyer who said the company had a post office box in Niagara Falls, Ont. and that it was selling an \$800 engine additive known as "The Choice," and "Gold Key," a vehicle service contract that can cost as much as \$3,500 and is similar to an extended factory warranty.

"Calling it a scam was a problem," said Paul Spiridi, of the Niagara Police fraud squad. "But, I don't want to come out as saying all of this is okay. "CAWS began operating in Canada six months ago and started mailing more than 100,000 post cards to random Canadians, advising them that their factory warranties were going to expire and that they should contact the company immediately.

The warranty company has been operating in Missouri under a number of names for 20 years, said Michael Carter, general counsel for the company.

What motivated the move to Canada?

According to Carter, Canada was an untapped market, where car dealerships had been selling extended warranties for years, but where third-party car warranty providers were not as prevalent.

CAWS's move into the Canadian market came just two months after the attorney general's office of Missouri ordered National Dealers Warranty (NDW) – one of the many names the company operates under in St. Louis – to change their business practices and pay \$29,955 (U.S.) in fines.

A statement issued by the Missouri attorney general's office in August 2008 said the company had sent misleading postcards and letters to consumers informing that they had limited time to purchase extended warranties for their vehicles.

The company was also charged with failing to inform consumers that it was not affiliated with any car dealers or manufacturers or that Gold Key wasn't actually a warranty, but a vehicle extended service contract – a promise to pay for certain repairs on a vehicle should it break down for a certain reason.

"Consumers were frightened or misled into purchasing goods or services they didn't need, often at a cost of hundreds, or even thousands, of dollars," then-attorney general Jay Nixon said.

Nixon's decision forced NDW "to change how it does business and requires it to give consumers more accurate information in making a purchasing decision."

Carter – who unsuccessfully ran for lieutenant governor of Missouri in November and who's now campaigning to be a municipal judge – said the company has adopted the spirit of Nixon's decision in its practices in Missouri and in its newfound operations in Canada.

Others disagree.

Volkswagen, GM, Kia, Ford, Volvo, Chrysler, the Toronto Automobile Dealers Association and others say they have received complaints from customers believing that CAWS was affiliated with the manufacturers or dealers of their cars.

Some manufacturers have launched investigations into CAWS's actions.

"We sent them a letter in St. Louis asking them to cease and desist," said Peter Cho, legal counsel for Volkswagen Canada.

"My two cents is that these folks are operating in the grey. They may be selling something but the manner in which they're doing it is a little bit troubling. The way they get you off the bat, there is a general intent to deceive."

But not so, said Carter who adds other warranty marketing companies, which he wasn't able to name, are making the sales calls as described above and providing no real service.

He said these operations are mimicking his company's practice of cold calling and mailing Canadians, trying to dupe them into believing they're calling from the dealers and that there's some urgency involved.

The RCMP's Robertson said he has found no evidence that has led him to believe any of the calls have been coming from other companies other than CAWS and the numerous variations on its name.

Bill Davis, executive director of the Toronto Automobile Dealers Association, said he's received many calls from telemarketers in the U.S. trying to sell him on an extended warranty on his car. Others have complained to him and to the *Star* that they have received multiple calls in the same day.

Carter said it's not CAWS that's calling individual Canadians two, three, sometimes four times a day.

The provinces of Saskatchewan and British Columbia have both issued CAWS orders to cease and desist selling "warranties" in both provinces because the company is not licensed to do so under the provincial statutes that govern the sale of insurance in those provinces.

Carter cites a great misunderstanding, caused by a third-party call centre in Florida that accidentally started calling Saskatchewan residents on behalf of CAWS.

"We originally didn't care about Saskatchewan," Carter said. "It was too small. Our attorneys had looked at B.C., Alberta and Ontario." "We mistakenly took (Saskatchewan's cease and desist order) lightly because we said: 'Look, there are either a million or less than a million people there.' Had we known that it would have metastasized into B.C. we probably would have done it properly."

Hearings have been set in both provinces for later this year when Carter said he hopes to come to Canada and set the record straight.

While Ontario's Consumer Protection Branch is aware of the complaints against CAWS, the province has not followed Saskatchewan and B.C.'s lead in taking legal action against the company due to a lack of specific licensing and regulatory statutes in Ontario governing the auto warranty industry.

That said, the ministry of consumer services has been advised by CAWS that the company has amended the contents of its mail-out marketing material.

Carter said his 150-200 strong staff is instructed not to tell Canadians that they're trying to sell them a warranty. "We say it's much like a warranty, but we do not say that it is."

However, CAWS's website, which Carter said was put online in error and is "95 per cent accurate," states that the company is selling "extended vehicle warranties."

Carter described his service contract as a "bumper-to-bumper warranty," but acknowledged that not all parts of the car are covered, such as the bumper itself. Some lower-cost contracts cover only such areas as the powertrain.

The Ontario Motor Vehicle Industry Council said in its advertising guidelines that warranty firms should not use the bumper-to-bumper claim in their sales pitches unless it means everything from the bumper to the engine to the door handles on the car.

Also, a service contract is only useful if you can find a mechanic to honour it.

Carter said any mechanic who can process a credit card can and will honour the company's service contracts.

But Davis, who represents 340 car dealers in the GTA, said most of the mechanics he represents would never honour an uninsured contract from a third party operating out of the U.S.

Carter said his company has sold millions of dollars worth of contracts to thousands of Canadians already.

Thus far, 49 of those customers have tried to use their contracts to service their cars. Thirty-three of those claims have been paid to Canadian mechanics, he said. Another 16 have not.

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