



‘Would you like a warranty with that?’

Electrical stores seem to be unfamiliar with new rules on warranties

Anyone who's ever bought an electrical appliance will have, at some time, been offered an extended warranty. You should usually say 'no, thanks': appliances are more reliable these days and when we last looked at warranties, it seemed that retailers got more benefit from selling the warranty than you did from buying it.

In 2003 the government's Competition Commission ruled that five big retailers (Argos, Comet, Dixons Store Group, Littlewoods and Powerhouse) were making excessive profits from the sale of warranties – on average, between £116 and £152 million more than they should have been each year. This was because of a lack of competition in the market and 'excessive prices' – in other words, warranties were a rip-off.

In response, the government introduced new rules regulating the sale of warranties, which became law in April this year. We were keen to see what effect these rules were having, so we sent our undercover researchers to buy a TV. And for once, we didn't politely say 'no, thanks' the minute a warranty was mentioned (see 'Our research', left).

PRESSURE SELLING

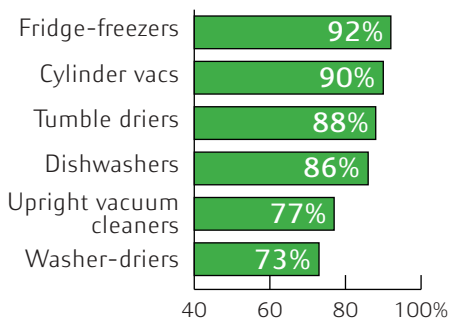
The good news is that sales assistants are no longer using the hard sell that used to be so common. In all but one of the visits, our researchers said they felt no pressure to buy the warranty. The exception was Currys in Leicester's Fosse Park. The sales assistant started well by explaining the costs and benefits of a warranty. But when we asked how long the price was valid for, he said we had to 'decide now'. When we queried this, he said we had 28 days to think about it, and added: 'But if you want it today, the three years I can do you at £59.' When we said we'd go away and think about, the sales assistant didn't pursue it. However, the price he marked up in his written quotation was the full price of £69. Under the new rules, any discount offered should be made available for 30 days on the same terms.

OUR RESEARCH

We sent our undercover researchers to ten stores round the country – two branches each of Argos, Comet, Currys, Dixons and Powerhouse. We didn't visit Littlewoods as it has been sold since the Competition Commission ruling, and we visited Currys as it's part of Dixons. We bought a TV worth around £300 in each store and, during the transaction, we asked about the warranty to test shop staff's knowledge. We also collected all the information on warranties we could find in the store, and asked for a written quotation. Visits were made in July 2005.

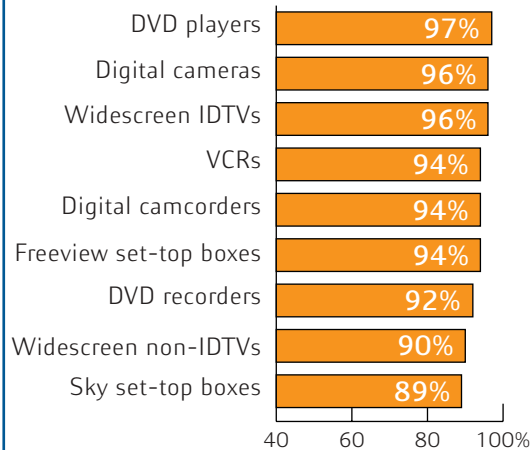
Domestic appliances

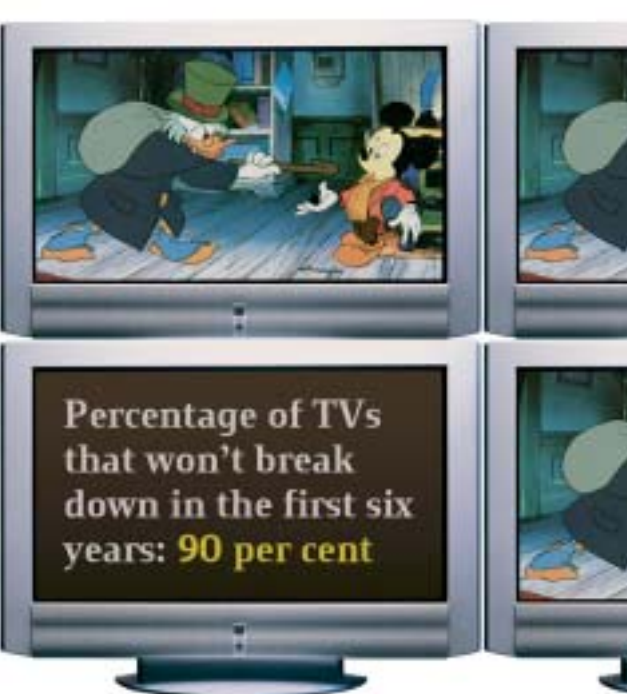
Percentage that haven't needed a repair in the last six years.



Audio-visual goods

Percentage that haven't needed a repair in the last six years.





CANCELLATION

Shoppers should now have 45 days to cancel a warranty and get a full refund. If they cancel after 45 days they can get a pro-rata refund. But when we asked about cancelling the warranty if we changed our minds, we were given variable advice. The worst advice came from Currys in Oxford, which said we had seven days to cancel.

QUOTATIONS

The new regulations say that stores must provide a written quotation for a warranty if asked, with the price guaranteed for 30 days. Both Dixons and Comet in Newcastle gave us full written quotes, signed and dated, and the price lists given to us in Argos were printed with a statement which made it clear they constituted a written quotation valid for 30 days. However, most of the other stores just underlined the price bands in the relevant leaflets, without signing or dating them. Comet in Leicester was the only store that didn't give us some kind of written quotation – and it told us that we had only 14 days to buy the warranty after purchase.

WRITTEN INFORMATION

It's now a legal requirement to advertise the price of a warranty next to the electrical goods, and supply a leaflet outlining customers' rights and details of the warranty. Comet was the best at providing this information. Dixons, Currys and Argos were also OK. However, Powerhouse's Bicester store didn't advertise the price of the warranty next to the TVs, and both its stores gave us leaflets that, frankly, were inadequate. The text concentrated on the warranty product itself, and didn't include information it should have done, such as what your statutory rights are or where else to buy a warranty.

ROOM FOR IMPROVEMENT

It's clear from our research that there's still confusion over how extended warranties are sold. Argos and Comet told us they'd look at staff training, and Powerhouse assured us it has a training programme in place. Dixons/Currys is investigating our findings and taking steps to improve customer service.

The price of a warranty

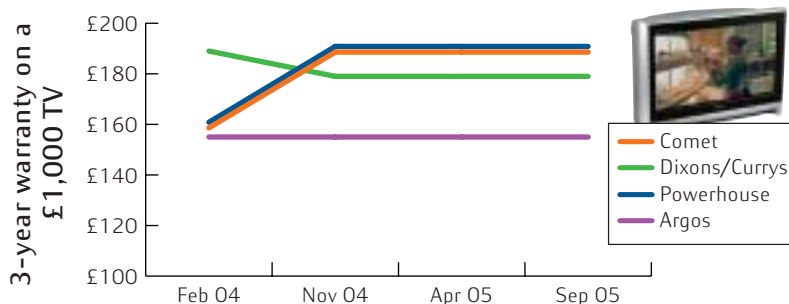
The new rules haven't made warranties much cheaper. In the case of a three-year warranty on a £1,000 TV, both Comet and Powerhouse have increased the price of their warranties from £160 to £190 since February 2004 (see graph below). The price of a five-year warranty on a £350 washing machine has remained fairly static. Currys is the most expensive, at £179 – half the price of the appliance itself.

Interestingly, the government's new rules were meant to prompt competition in the warranties market by making prices clearer. However, all the retailers told us that they would sell warranties only on

items bought from their own stores, so it's obvious that competition isn't working as well as it should be.

CURRYS PAY AS YOU GO

Currys now offers its warranties on a 'pay monthly' basis. A five-year warranty on a £350 washing machine that costs £179 upfront can also be paid for at £5.49 a month. Over the five-year period this would cost £329.40 – just £20 less than the washing machine. A spokeswoman from Currys told us: 'Currys must invest in its huge support infrastructure upfront.' However, she also said that Currys was trialling lower pay-as-you-go pricing on fridges and TVs.



Before you buy a warranty...

● **LOOK AT OUR RELIABILITY DATA** (*Which?*, June/July 2005) Modern appliances are getting more reliable (see the graphs, opposite), so an extended warranty could be pointless.

● **CHECK THE MANUFACTURERS' WARRANTIES** These usually last for a year, but the manufacturer might offer an extended guarantee free, or more cheaply than retailers. For example, our Best Buy Siemens WXL147 washing machine is available

at Comet. A five-year warranty would set you back £169.99 from Comet but is free from Siemens if you register your purchase.

● **SHOP AROUND** Manufacturers, credit card companies and some insurers might offer a cheaper warranty than the shop. And ask for a discount. In our research seven stores offered an incentive to buy the warranty – normally free delivery or something off the price of the TV.

● **KNOW YOUR COVER** One of the added extras of most

retailers' warranties is accidental damage cover. But you can normally add this to your household contents insurance for as little as £30 a year.

● **KNOW YOUR RIGHTS** If there's a manufacturing defect, the retailer is legally obliged to repair or replace your machine any time up to six years. And this is the case even if the fault doesn't show up for some time (say if a component wears out too quickly because of shoddy workmanship).