

Is a warranty wise?

If you're planning to hold on to your current car, is now the time to buy a used-car warranty? We look at the options

Sales of new cars have slumped and used-car values dropped by an average of £1,000 this year as we get used to tougher times.

We're holding on to our cars for longer, which means that a lot more are coming out of warranty.

In this article, we look at whether you should buy a used-car warranty to ensure you're protected against a breakdown, or pay for repairs as required.

We also consider what a warranty should include and compare what's available for four popular vehicle types.

What do warranties cover?

Exactly what your warranty covers is the crux of the issue. There is so much small

print in documents it's often difficult to tell what is and isn't covered – and it does vary widely. We'd like to see providers list all the exclusions to their policies, not just what's covered.

There are normally two main cover levels – simple 'mechanical breakdown' and 'comprehensive'. Whatever warranty you buy, it almost always covers major mechanical items such as the engine, ignition, electrical system, gearbox, steering and suspension.

Commonly excluded are things such as damage to bodywork, paint, glass and lights, sometimes even oil leaks. Items that fail because of 'wear and tear' are commonly excluded. For more on this, see p24.

How much does a warranty cost?

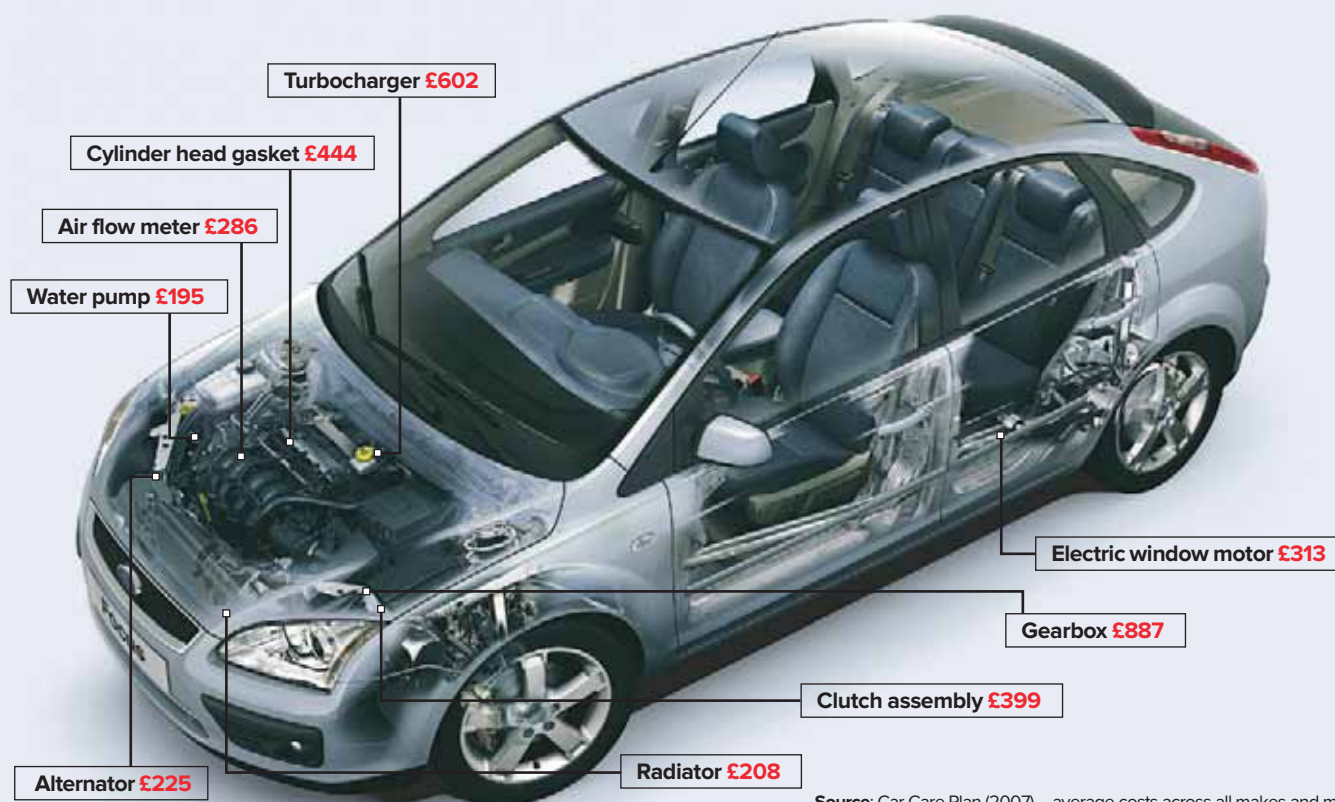
Warranty costs vary enormously, depending on the level of cover and the car you drive. For example, Tesco basic cover for small cars costs from £99 a year, but it charges up to £419 for more comprehensive cover for prestige vehicles. The most expensive scheme we found was £895 for one year's extension to a Land Rover Discovery warranty.

Adding an excess charge (agreeing to pay the first part of a repair cost) reduces your premium. A £100 excess on BMW's comprehensive policy, for example, cuts the premium from £620 to £499 a year.

A £99 warranty may seem good value, given that the average repair costs £273.50 and one in three cars between four and nine years old breaks down each year, according to Warranty Direct. But, there are more factors to consider than simply the price.

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TYPICAL REPAIR COSTS



Source: Car Care Plan (2007) – average costs across all makes and models



Where to buy a warranty

The most obvious place to buy a used-car warranty is from the relevant main (franchised) dealer. Extending the cover as a car comes out of its manufacturer's warranty effectively means continuing the same cover you're used to. Every official brand warranty is different, so check the terms carefully – the same applies to used cars bought from independent dealers.

Alternatively, you can buy a warranty from an independent provider. The three main companies are Warranty Direct, Warranty Wise and Tesco, a new-comer to this market, which has its own branded scheme run by Car Care Plan. Some breakdown recovery providers offer schemes to cover repair costs – these only apply at the time of the breakdown, so they aren't full warranties.

Having a warranty can give you peace of mind, and helps sell a car. You can usually transfer a warranty's balance to a new owner but many providers charge for this (typically £10-£50).

Can I get a warranty for any car?

Mostly yes, but some cars are difficult to find cover for. Performance cars are often excluded – Tesco won't cover you if your car has an engine bigger than 3.5 litres – while specific uses like driving school instruction or taxis may be excluded.

You normally need a current MoT test certificate and proof of servicing by a VAT-registered garage within the last year. Most warranties also have an age and mileage limit, so if your car is close to either, you could be left with no cover.

Some won't cover cars that are more than six years old or have done 60,000 miles, but the best have unlimited mileage policies.



ONLINE

Find Best Buy used cars, and the results of our reliability survey, and troublespots for each car, in the Which? Car Buying Guide

www.which.co.uk/carbuyingguide

What to look for

■ **EXCESS** Any excess charges should be low – ideally £25 or less. Look for percentage excess clauses, which ramp up the amount you pay as your mileage increases.

■ **CLAIM LIMITS** Check how much each individual claim is limited to.

Ideally, you should be able to claim up to the value of the car. Many have a claim limit of just a few hundred pounds – which is clearly inadequate. Make sure the cover matches the likely costs of repair, which could be thousands of pounds.

■ **GARAGE CHOICE** Make sure to check whether you can take your car where you want it to be repaired. Usually there is a limit on the hourly rate, so if you want to use a more expensive repairer, you will pay the extra. Some providers may tie you into using specific garage networks but the best providers will allow you the freedom to choose your own.

■ **MILEAGE** Check if there's an annual or total mileage limit above which the warranty won't pay for repairs.

■ **AGE LIMIT** If your car is approaching the maximum age allowed, is it really worth buying the warranty?

■ **REGULATION** You should ensure that your warranty provider is regulated by the Financial Services Authority and that you get a 14-day cooling off period.

■ **CONDITIONS** Some providers state that you must be with a scheme for a period before being able to claim.

■ **KEEP YOUR WARRANTY** You need to keep the car serviced according to the manufacturer's schedule, and keep all the paperwork. Your warranty could

be invalidated if you fit non-standard parts, and any pre-existing faults will also be excluded.

■ **FRINGE BENEFITS** Some warranties include breakdown cover while others may offer replacement car hire, cover in Europe and MoT test insurance cover.

What to avoid

■ **BETTERMENT** Watch out for these clauses. When a repair makes a car more valuable than before (eg a new engine), you may have to pay part of the cost.

■ **CONSEQUENTIAL LOSS** An exclusion where a part suffers damage as a result of another part failing, which is not covered by the warranty. The best warranties don't have these.

■ **WEAR AND TEAR** Items that fail because of wear and tear are commonly excluded, leaving you vulnerable to declined claims. Most policies exclude 'wear and tear' items such as tyres, exhausts, catalysts, hoses, clutch friction plates and brake pads. The reason is that claims could be almost limitless. What is covered can be confusing – most car owners only know that their car has broken down, not what has caused it. The best schemes offer some wear and tear cover; a major benefit. You could still be asked to pay toward the cost of parts, and some items may not be covered.

■ **EARLY CLAIMS** Some warranties don't pay out if a claim is in the first few weeks, effectively cutting your warranty short.

Which? says

If Warranty Direct's figures are correct, one in three cars that is four to nine years old breaks down each year, at an average repair cost of £273.50. So buying a warranty might not save you money – but it could offer peace of mind. If that's what you want, go for comprehensive cover.

We think Tesco's 'Finest' warranty is worth a look – it covers wear and tear, travel expenses, continental breakdown and MoT failure, and is keenly priced.

Contacts

Tesco 0844 573 8121 www.tescofinance.com

Warranty Direct 0800 731 7001

www.warrantydirect.co.uk

Warrantywise 0800 169 7880

www.warrantywise.co.uk



WHAT SORT OF WARRANTY IS AVAILABLE FOR YOUR CAR?

We've taken a look at what is available for four different types of vehicle and what they cost

Working out what's best for your car isn't easy: it's difficult to compare warranties like-for-like as each has its own exclusions, many of which are buried in small print, or vaguely described.

Honda Jazz (reliable car)

The Which? Car survey found this was one of the most reliable cars, so is it even worth buying a warranty? Probably not. Honda's own warranty looks pricey at £250 a year, especially as you have to pay more to cover for wear and tear. Tesco's warranty is cheapest at £99.

Ford Focus (popular car)

If you're going to keep your car for three years, the £699 three-year Ford warranty looks fair value – cheaper than Tesco Finest over a three-year period.

BMW 3 Series (prestige car)

BMW's warranty includes a £100 excess. This is quite high, as the average repair costs less than £300. Reducing the excess to zero will increase the cost of cover from £499 to £620. Warranty Wise looks like good value at £321.

Land Rover Discovery 3 (costly to run)

Land Rover's own scheme is costly at £895 but it allows for unlimited claims. Given the cost and frequency of Discovery repairs (according to the Which? Car survey), it could be good value; but Tesco Finest is just £419.

WHAT THEY COVER

TESCO Personal Finance

Tesco's Value covers only named parts, and excludes wear and tear on mechanical/electrical items, but its other two products – Standard and Finest – include this in varying degrees. Standard adds in cover for brakes, electrics, air-con and steering. Finest adds cover for catalyst, suspension and MoT test insurance, plus a higher level of cover for other items. All Tesco warranties exclude exhaust, satnav and engine valves.



Warranty Direct has two schemes. Each lets you choose between getting repairs done at franchised dealers or at an approved 'network'


independent garage, which is cheaper. The basic MajorCare warranty covers only the engine and transmission. Paying more for ExtraCare will cover items such as driveshafts, suspension, braking, cooling, steering and electrics, so is probably worth it.

Warrantywise excludes exhausts, oil leaks, worn clutch-face materials, worn brake shoes/pads, fuel tank, hoses, air-con repressurising, fuses and rewiring.



But you can choose any VAT-registered garage to do the repairs, subject to an hourly rate limit. Car hire, recovery, hotel and travel expenses are included, plus 90-day European cover. You can add an excess and reduce your premium. Failure due to wear and tear is included – a big benefit. Exclusions are: bodywork, paintwork, windscreen, interior trim and consumable service items. You pay extra to cover airbags, alloy wheels, catalyst, wear and tear, incorrect fuelling, keys and locks, audio/satnav and tyres.

USED-CAR WARRANTY COSTS COMPARED

				
	HONDA JAZZ 1.4 AUTO	FORD FOCUS 1.6 ZETEC MANUAL 5-DR	BMW 320d SALOON MANUAL	LAND ROVER DISCOVERY 3 TDV6 AUTO
Main dealer/ manufacturer scheme	£250 (1yr), £811 (3yr) ^a	£399 (1yr), £699 (3yr) ^b	DriveLine £362 Named Component £437, Comprehensive £499 ^c	£895 ^d
Tesco^e	Value £99, Standard £149, Finest £199	Value £149, Standard £199, Finest £259	Value £259, Standard £339, Finest £419	Value £259, Standard £339, Finest £419
Warranty Direct^f	Network: £139 MajorCare, £249 ExtraCare Franchised: £166 MajorCare, £298 ExtraCare	Network: £154 MajorCare, £276 ExtraCare Franchised: £185 MajorCare, £332 ExtraCare	Network: £229 MajorCare, £379 ExtraCare Franchised: £275 MajorCare, £455 ExtraCare	Network: £340 MajorCare, £524 ExtraCare Franchised: £408 MajorCare, £629 ExtraCare
Warrantywise^g	£227 (1yr), £529 (3yr)	£227 (1yr), £529 (3yr)	£321 (1yr), £758 (3yr)	£513 (1yr), £1,242 (3yr)

^a Includes replacement car cover, extra-cost optional add-ons exist for wear and tear, MoT test, tyres, AA ^b Includes roadside assistance; some exclusions, such as wear and tear past 70,000 miles, catalyst past 70,000 miles; optional add-on for multichanger/satnav systems ^c With excess of £100 (choices also of £0 or £250); DriveLine covers engine/transmission/driveline, no mileage limit, £5,000 claim limit; Named part has enhanced cover and claim limit of value of vehicle; Comprehensive has expanded cover but 100,000-mile limit at time of warranty purchase; some exclusions on all, such as exhausts, drive belts, batteries, bulbs, brake/clutch facings, brake discs/drums, glass, wheels/tyres, trim, glass ^d If car is out of three-year warranty, it must have a dealer inspection (£285 extra); warranty to same level as Land Rover second and

third year warranty ^e Includes continental breakdown cover; Standard includes limited wear and tear cover and enhanced named part cover; Finest has more part cover, MoT test insurance, travel expense cover ^f MajorCare covers named mechanical parts; ExtraCare adds more named parts; policies renewable after 12 months ^g Includes breakdown recovery, travel expenses, car hire and continental cover; excludes exhausts, oil leaks, worn clutch-face materials, worn brake shoes/pads, fuel tank, hoses, air-con repressurising, fuses and rewiring. Figures assume cars are three years old, have done 30,000 miles, are just out of manufacturer warranty, full main dealer service history and owner has AA cover. Cost for one year cover unless stated. Summary of main terms only – for full details, refer to warranty provider.