

Extended warranties: the lowdown

Feelings have been running high over how hard PC showroom salespeople push extended warranties – a practise criticised by the Office of Fair Trading. ConsumerWatch sent out Robert Blincoe as a mystery shopper to find out just how hard the hard sell gets

During his appearance on Radio 4's *Desert Island Discs*, Sir Stanley Kalms, the man who grew Dixons from a small camera shop into the high street electrical retailer that it is today, stated that "Dixons is not cuddly". He's not wrong there, but he went on to say: "You may not get love and affection, but you get good value and service. I assume customers want to buy that way."

But the service part of Kalms' claim doesn't ring entirely true. In the course of investigating how computer retailers sell extended warranties, I visited six stores as *PC Advisor's* mystery shopper. I pretended I wanted to buy a laptop costing less than £1,000. Two of the outlets were Dixons and PC World, both part of DSG (Dixons Stores Group). Their salesmen were good at selling computers, they listened to what I wanted and offered the best value machines.

Then came the warranty. Saying "I'd like to think about it" was treated as an opportunity to restate warranty 'benefits' again and again. Saying I definitely didn't want the cover was an opportunity to push payment terms over 10 months and to reiterate I had 14 days to cancel the warranty if I changed my mind. They pushed their warranties as if their life, jobs and commissions depended on it.

DSG is the largest retailer of computers in the UK so, as Kalms surmised, a large proportion of society must want to buy this way. And if you purchase DSG's cover you can be sure you'll receive the promised service, even in the unlikely event the company went bust (not something you can be quite so certain of with some resellers).

But DSG's salesmen have a serious strong-arm hard sell technique to compel customers to buy warranties. If the *PC Advisor* shop visits reflect what goes on day-to-day in DSG stores you can expect pressure, cajoling,

deals and a peppering of imaginative and incorrect statements to get you to buy one. It's no surprise the retail group has grabbed nearly a third of the £550m UK warranty market.

The other four outlets I visited were John Lewis, Comet, The Computer World (the new name for the Time and Tiny stores) and Micro Anvika, an independent retailer based in London's electrical mecca, Tottenham Court Road.

John Lewis and Micro Anvika were pleasant, their staff informative and not pushy. The Computer World, on the other hand, isn't going to sell many computers if its staff don't put in more effort. They could start with actually coming out from the back of the shop in a less-than-grudging manner. Comet also had to be scoured high and low to find any sign of life – and then it was pleasant but not intelligent life that was discovered.

A sense of fair play

My mystery shopping exercise took place in the wake of the OFT (Office of Fair Trading) slamming the sale of extended warranties on electrical goods and concluding that the retailers could not regulate themselves. The OFT's report, published on 2 July, said competition was not effective, consumers were not sufficiently protected or informed and it

would refer the matter to the Competition Commission. Dixons has stated it believes "the OFT has misdirected itself".

The Competition Commission will decide whether the sale of electrical warranties is operating against the public interest and indicate whether a monopoly exists. It will report back to the government in 12 months time.

But while you're waiting for that to happen, you have several lines of defence for fending off the warranty sales pitch:

- your household insurance could cover theft and accidental damage;
- your credit card may offer protection;
- you may not need expensive helplines;
- you can investigate deals from third parties;
- you can call on the Sale of Goods Act.

This 1979 Act places the responsibility on the retailer to sell goods that are 'fit for purpose'. The retailers interpret this as 'fit for purpose at the time of sale' and feel that the manufacturer's one-year warranty, a standard offering with almost all electrical goods, covers this. If the machine goes wrong a year and a day after purchase and you didn't take out extended cover then you're sunk, according to these retailers.

Fitness test

At PC World it was conceded that a laptop should be fit for the purpose of being used like a portable computer for a year but after that... "Yes, it's suitable to do that but... if any key comes off through wear and tear you're not covered for that." (The spectre of keys dropping off was a popular line at PC World to encourage warranty buying. The store even had a machine, minus a key, in its bargain sales corner, to illustrate that it could happen.)

Micro Anvika staff were helpful in discussing what a warranty entailed but were quite blunt when it came to the bottom line. "Shouldn't it last longer than a year with a normal use?" I asked. "Unfortunately we can't cover for that. The manufacturer will only cover you for one year when you buy it. If it goes wrong after one year and a day we can't do anything," was the salesperson's helpful response.

The Computer World line is the same: "If it's out of warranty we'll still repair it for you, but you'll have to pay for it." And the bottom line is that if your computer is still within its one-year manufacturer's warranty, but you've not taken out extended cover (£299 for Cover Plus, £399 for Cover Gold over three years) you're put to the back of the queue for getting your machine fixed.

"It [the warranty] still covers you but it's not going to prioritise you above people who have paid for the extended cover. It'll still be repaired for you, but it's how quickly it will be done," answered The Computer World's salesman.

The consumer's position on 'fit for purpose' really becomes clear after talking to Dixons' head office. An engineer (a

Dixons engineer unless you go to the expense, time and trouble of sourcing an independent engineer) will look at your computer and decide if its failure is due to it not being 'fit for purpose'. Basically, you've got a fight on your hands bringing in the Sale of Goods Act. But you could win if you've got the energy and are prepared to suffer having an unrepaired computer for several months.

Good housekeeping

What about household contents cover? Both Dixons and PC World were ready for this one and talked up insurance companies' high excess rates and depreciating the value of your goods. According to the Dixons sales guy, "You've got to pay an excess of £150 each time you claim." Actually, your excess depends on your insurance cover. You can get new-for-old cover, too. A three-year Dixons warranty on a £751-£950 laptop costs £249 and its value might depend on how accident-prone you are.

The Dixons salesman also asked me if the laptop would be used for work. "If you're using it for any kind of business, home insurance won't cover it. If it breaks down and they service it, they'll do audit checks, find whatever you have on there and if there's anything related to any sort of business your warranty will be invalid."

If you suspect your insurance company is going to start rooting through your personal data, change insurers. If you're now alarmed about what Dixons service engineers may get up to, don't take out their warranty.

At PC World, the salesman was confident you're "not covered if you take it out of your home". Not true. Household contents insurance can cover property outside the home.

Relative values

John Lewis stands alone among electrical retailers because it offers a two-year guarantee with its computers. The first year is the standard manufacturer's warranty; the second is through John Lewis itself.

However, John Lewis' offer doesn't impress the Dixons salesman, who is

Warranty watch

Following the OFT's (Office of Fair Trading's) decision to refer the sale of extended warranties by electrical retailers to the Competition Commission (see *News*, September 02), we present here, for our readers' edification and delectation, the *PC Advisor Warranty watch*.

1. Take cover **If you're worried about faulty goods, remember you are covered under the 1979 Sale of Goods Act, which places responsibility on the retailer to sell goods that are 'fit for their purpose'. You are also almost always covered for a year by the manufacturer's warranty. If you're truly worried about accidental damage, why not get insurance from a third party, such as your contents insurance provider? They can offer much better value.**

If you feel uncomfortable at the prospect of paying an additional third on top of the original asking price, take a stroll around the car park first and think it through – you can always come back later.

2. Changing your mind **Dixons Group's Coverplan warranties can be cancelled within 14 days with a full refund. They can be cancelled instore or by calling customer services on 0870 600 1550. If you go to the shop to cancel, rather than phoning to do so, be warned you may well get a salesperson try and talk you round.**

If you pay by direct debit it is also possible to cancel instore (as long as the first payment hasn't gone out). However, nervous sales staff anxious to avoid an ear-bashing from the store manager may refer you back to the bank.

3. Keep calm **If you've got frustrations, don't take them out on the staff. We have dealt with cases where customers have become so enraged that they've been forcibly ejected from the store and barred from returning. Such behaviour could discredit your case should it end up in a small claims court. Be reasonable.**

4. Help is at hand **Fellow readers who are experienced in dealing with warranty claims can be found in our ConsumerWatch forum at www.pcadvisor.co.uk/consumerwatch. There's a good chance someone there will be able to help you out.**



Warranty cost comparison

High street reseller	Telephone	Website	Basic cover offered with product	Extended warranty
Comet	0845 600 7002	www.comet.co.uk	1 year	price-dependent. sample £1,035 Sony laptop: extra year £284.99; extra three years: £389.99 accident and breakdown cover but no theft cover. Does not cover accidental damage for business use.
Dixons	0870 600 1550	www.dixons.co.uk	1 year	notebook £751-£950: £249 extra year's cover; notebook £951-£1,200: £299 extra year's cover. Warranty includes annual PC Healthcheck, damage protection and repairs. Theft cover only applies to first year of ownership (ie during the standard warranty period).
The Computer World	020 7734 7660	www.thecomputerworld.co.uk	1 year	Cover Plus £299: priority phone line support, free repairs and upgrades; Cover Gold £399: technicians may offer to fix problem remotely using intelligent agents to look around your PC; extended tech support line hours
John Lewis	020 7629 7711	www.johnlewis.com	2 years (1st provided by manufacturer; 2nd year John Lewis cover)	1 or 3 years' additional cover can be bought. Notebook up to £2,000: £105 extra year; £249 extra three years. Notebook up to £1,000: £99 extra year; £249 extra three years' cover. Products purchased from John Lewis are only covered for theft.
Micro Anvika	020 7467 6050	www.microanvika.co.uk	1 year standard; two years if offered by manufacturer	not applicable.
PC World	0870 546 4464	www.pcworld.co.uk	1 year	notebook £751-£950: £249 extra year's cover; notebook £951-£1,200: £299 extra year's cover. Warranty includes annual PC Healthcheck, damage protection and repairs. Theft cover only applies to first year of ownership (ie during the standard warranty period).

sure the consumer will be out of pocket if the retailer can't fix your computer. "With John Lewis what they do is depreciate the goods. Laptops depreciate very quickly so, after the first four months, your laptop will be worth £300-£400 less and that's what John Lewis will give you back."

In fact, John Lewis will replace a product that can't be repaired with the same or equivalent model. Dixons offers the same deal except it may give you a "fully refurbished" – in other words, a secondhand – machine.

Another difference between shopping at John Lewis over PC World is that at John Lewis, when I'd made my decision to buy, I was escorted to a cashier and no mention of extended warranties was made. After deciding to buy a laptop at PC World I received more than 20 minutes of hard sell. 'Peace of mind' was mentioned frequently, in spite of me being made to worry that the laptop would disintegrate through wear and tear.

I said I'd need to think about it more than 10 times during the conversation and that I didn't want it three times.

It's a steal

PC World's warranties differ from Dixons' in that it can offer an annual Healthcheck service as part of the package. The Healthchecks cost £39.99 instore and involve a virus scan, PC housekeeping advice and a friendly chat about what you want to do with your PC. This is pushed hard as a warranty selling point.

After 20 minutes of stalling I was eventually offered a £50 discount on the £249 three-year deal. "If it's £199, it's costing you about £65 a year. You're getting a Healthcheck every year that costs £40. Normally it comes with 12 months theft [cover], but I'll increase that to two years anyway."

What? You don't get three years theft cover? So you have to rely on your home insurance anyway after the first year.

Dixons and PC World leaflets clearly say theft insurance is for one year, but the salesmen at neither Dixons nor PC World do. They clearly say that their warranty extends the manufacturer's guarantee in the first year to theft and accidental damage but never, until drawn, mention it's a one-year-only theft clause.

Dixons head office is surprised to hear its staff hard sell on warranties. To them it doesn't make sense. The company says commission on warranties is not weighted any more than commission on actually selling a product. And staff also get rewarded on good service. Maybe it's just a desire for customers to leave a store with peace of mind that drives its workers.

But somehow it doesn't seem surprising that 87 percent of respondents to a *PC Advisor* online poll think extended warranties are a rip-off. And that 97.4 percent of respondents to a further poll think retailers exploit consumer's limited knowledge of the subject. ■