



VEHICLE SERVICE CONTRACT INDUSTRY

BBB® Study Reveals How This Complex Business Model Leads to Customer Complaints When Marketers' Promises Giveth and Administrators Taketh Away

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INTRODUCTION

For two decades, the St. Louis area has been the hub of the Vehicle Service Contract (VSC) industry, which has long been a source of consumer dissatisfaction. Various law enforcement agencies have taken action against the industry in an attempt to protect consumers. Between 2000 and 2020, Better Business Bureau® (BBB) of Eastern & Southwest Missouri & Southern Illinois processed **more than 15,000 complaints** against VSC companies in its service area.

VSC companies headquartered in the St. Louis region primarily market the selling of contracts to millions of consumers. Marketing tactics used by some in the industry have been called into question by consumers, law enforcement and regulatory agencies. Some in the industry

utilize U.S. mail to send marketing materials to consumers informing them that their manufacturer's service coverage is about to expire or use electronic media, television and radio ads that feature influencers who tout the product and its ease of use, to promote the service contracts. Some companies have been accused of using robocalls to bombard unsuspecting consumers with offers for their services.

Consumers throughout the U.S. have told BBB that they believe mailers and commercials are misleading. Vehicle repairs they believed would be covered under policies purchased through the VSC marketing companies are sometimes later denied by the administrators of the policies,

which are separate companies. As a result, consumers spend hundreds or thousands of dollars on the repair costs that they thought were covered under their policies.

This study looks at particular aspects of the VSC industry — from what the **“warranties”** really are, to how the plans are marketed and sold, to the dubious history of the industry, to how complaints about the industry are on the increase again. Consumers who believe they were wronged by the industry share their stories of financial loss and hardship.

The image shows two documents related to a vehicle service contract. The left document is a 'Vehicle Service Contract' form with sections for purchaser and seller information, vehicle details (Nissan Altima), and contract terms. The right document is a 'PAYMENT PLAN AGREEMENT' for the same contract, detailing financing terms, a table of payments, and important disclosures.

Vehicle Service Contract Details:
 - Contract Number: AEVU20063411
 - Vehicle: 2009 Nissan Altima
 - Coverage: 72 months or 100,000 miles
 - Purchase Price: \$19,194.00
 - Deductible: \$100

Payment Plan Agreement Details:
 - Seller: AUTO ASSURE, LLC
 - Amount Financed: \$3,024.00
 - Finance Charge: \$0.00
 - Total Payments: \$3,184.00
 - Total Cash Price: \$1,600.00
 - Down Payment: \$160.00
 - Amount Financed (net): \$3,024.00

WHAT IS A VEHICLE SERVICE CONTRACT?

According to the Federal Trade Commission (FTC), “a service contract is a promise to perform (or pay for) certain repairs or services.” While these may be called an “extended warranty,” these contracts are not considered warranties as defined by federal law.

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

A vehicle service contract can be added to a vehicle at any time and will always cost the consumer additional money, while a warranty comes with a new vehicle and the expense is included in the purchase price. Used cars can also be covered under some type of warranty.

New cars come with a warranty, the length of which varies depending upon the make and model of the vehicle. A service contract usually isn't available until after the car's warranty has expired.

Service contracts are sold in various lengths and prices depending on what the consumer wants to have covered and the age and condition of the vehicle. The more worn the vehicle is, the more expensive a VSC will be. Most contracts have a deductible that must be paid by the consumer. Despite some claims to the contrary, few service contracts cover everything on the vehicle. Common repairs usually are not included in the contract.

Consumers report having troubles with third parties that sell vehicle service contracts. They might receive a solicitation through the mail indicating that their vehicle is no longer under warranty and that they might be liable for any repairs needed. Consumers tell regulators that they believe the mailers are misleading.

Some mailers are written in a way that makes the consumer believe that it is coming from their dealer or manufacturer. The mailers tell the consumer they need to act quickly.

They might be marked “urgent” and portray that it is the “final notice” the company will send them.

Instead of being from a dealer or manufacturer, these mailers usually are from third-party marketing companies. The goal of the mailer is to get the consumer to call the toll free number printed on the mailer so that the consumer will make contact with the company about what they offer. Once the consumer calls the company, the company has been granted permission to contact the consumer about its product.

The company behind the mailer is trying to sell the consumer on a vehicle service contract. Consumers say they have been subjected to high-pressure sales pitches when calling companies who send out these mailers. In addition, they often feel pressured to divulge personal information as well as banking information so that they can make an immediate payment for the contract. Typically, consumers do not get to read or review the contract before agreeing to terms of the deal, which consumers are often told is only good for that day.

The marketing aspect is just one part of the vehicle service contract. While a consumer may pay one company for the contract, a different company is in charge of administering it. Each vehicle service contract marketer works with different administrators. It is up to the administrator to approve



customer claims.

This setup can be confusing to the customer. While they paid one company for the product, their contract is actually with an administrator, the company that makes the call on whether a claim is approved.

As for getting repairs approved, there is a lot of responsibility placed on the shoulders of the consumer. While the consumer may have been told “everything's covered,” that is rarely the case. Problems caused by regular “wear and tear” are not likely to be covered.

You may have to follow all manufacturer's recommendations for routine maintenance like oil and spark plug changes. If you fail to do this, the contract could be voided. You may be required to keep strict records, including receipts, in the case you make a claim. Failure to do this, could result in a claim being denied. Even if a consumer does everything asked of them when it comes to chronicling their vehicle's service history, there is no guarantee a claim will be approved.

[The New York Times](#) and [Consumers' Checklist](#) both published articles about the vehicle service contract industry in June 2021.

A GROWING PROBLEM

In the early 2000s, the VSC industry was like any other monitored by BBB. The industry received its share of complaints from consumers, but the emergence of one company quickly drove up complaint numbers.

Around 2005, National Auto Warranty Services Inc., a Wentzville, Missouri-based company, began to see an uptick in complaints. By 2007, VSC complaints handled by BBB St. Louis numbered more than 1,000, with National Auto Warranty Services, Inc., leading the way with nearly a third of all complaints filed against the industry. For the next three years, the company continued to be a magnet for consumer complaints, reaching its apex in 2009 when it received 731 complaints in the same year BBB St. Louis processed a high of 2,222 complaints against the industry.

Consumers told BBB at the time that the company used deceptive and misleading sales tactics in order to gain customers. In March 2008, then-Missouri Attorney General Jay Nixon filed suits against several St. Louis-area VSC companies as part of an initiative his office dubbed “Operation Taken for a Ride.”

As it turned out, 2009 wound up being the beginning of the end for National Auto Warranty Services, Inc., which had rebranded itself as US Fidelis. Co-owners of the business, brothers Darain and Cory Atkinson, were indicted on federal and state charges, and they were sentenced to prison time in 2012. They were accused of taking more than \$100 million from the

company and spending it on themselves. The brothers bought mansions, cars and other luxury items.

Darain Atkinson was sentenced to eight years in federal prison, while Cory Atkinson was sentenced to 40 months in federal prison and made to pay back nearly \$4.5 million in back taxes.

US Fidelis eventually folded, but its legacy lives on as former employees still work in the industry in the St. Louis region.



Making a Comeback

In recent years, BBB St. Louis has seen a dramatic increase in complaints filed against vehicle service contract companies. From 2018 to 2020, complaints filed against companies in the St. Louis region nearly tripled, going from 544 in 2018 to 1,402 in 2020.

During that three-year period, consumers filed complaints against 80 different VSC companies located in the St. Louis region. One company, CarShield, was responsible for nearly 60 percent of those complaints to BBB St. Louis during that time frame.

CarShield, which is based in St. Charles, Missouri, bills itself as “USA’s No. 1 Auto Protection Provider.” Through the use of influencers from the world of sports, music and entertainment, CarShield uses TV commercials to entice consumers to call in to get coverage for their vehicles.

The company also solicits customers through the mail. Consumers tell BBB they believe the mailers are misleading. Consumers say the mailers convey a sense of urgency because they imply their service contract may be expiring and they need to act immediately by calling the company. After the call is made, consumers say, hard-sell attempts are made to sell a vehicle service contract to the consumer.

According to the St. Louis Business Journal, CarShield is one of the top privately held companies in the St. Louis region. In the 2019 rankings, the last released by the news outlet, CarShield ranked 110th with revenue of \$204.73 million and 678 employees.

Consumers Speak

During the course of this study, BBB reviewed thousands of complaints filed by consumers from across the country against the vehicle service contract industry. These are some of their stories:

‘Stay away from them like the plague’

For years, 71-year-old Richard S. of Branson, Missouri, worked on cars. After retiring from the Ford Motor Co. assembly plant in Hazelwood, Missouri, he later relocated to southwest Missouri.

Wanting to make sure he had some added protection for his 2013 Nissan Quest, he called CarShield after seeing a TV commercial in the fall of 2019. He wound up paying the company \$79 a month for a policy.

He said the company denied a claim he made a few months after he bought the policy. He said the transmission in the vehicle went bad and needed to be replaced. He said CarShield would not cover the issue and he had to pay approximately \$4,600 out of pocket for the repair.

He said the clutch inside the air conditioning unit went bad in February 2020. CarShield’s administrator, American Auto Shield, denied the claim, saying the compressor clutch was not listed for coverage. CarShield cancelled the coverage in March 2020, per his request. But, he said he didn’t receive any refund from the company.

“Never use them,” he said. “Stay away from them like the plague.”

He said he was able to get his transmission fixed after receiving some money from his church. He said he has not had the AC unit in the vehicle fixed.

‘I still blame Ice-T to this day’

Dan T. of Thomasville, North Carolina, liked what he heard. In front of him on his TV screen was famous rapper and actor Ice-T. It was a commercial for CarShield, and it was convincing enough for Dan for him to pick up the phone that day in June 2020 and buy a service contract.

He had just purchased a used vehicle and figured it could use the protection. In early October 2020, the vehicle began to make terrible noises, so he took it to a repair shop. He said he had peace of mind since he believed the CarShield policy would cover any necessary repairs.

He said it took nearly three months for the repairs to his vehicle to be approved by CarShield. In the meantime, Dan T. said his wife lost her job because they had no way to get her to work. He said CarShield would not pay for a rental vehicle until repairs were approved.

When the final bill came, CarShield would only pay up to \$5,000 of the \$8,000 cost and would only pay for half of the rental car expenses. He said he was lucky to receive a government stimulus payment at the time the repairs were finally finished so that he could pay what CarShield wouldn’t.

He said he believed CarShield did not follow up on promises it made on the TV commercials he saw before purchasing the service contract.

“I still blame Ice-T to this day,” he said.

Dan said he didn’t receive any refund from CarShield, which continued to bill him \$129 monthly during the period of time his vehicle was in for repairs.

CarShield has an “F” rating, the lowest on BBB’s scale. In a lawsuit filed against BBB St. Louis, CarShield claims the “F” rating results from BBB being biased against it and the industry.

VSC companies receiving the most complaints registered at BBB St. Louis from 2018-2020

Company	Location	Complaints
CarShield	Cottleville, Mo.	1,617
AutoAssure LLC	Cottleville, Mo.	533
US Automotive Protection Services	O’Fallon, Mo.	207
Autoplex Extended Services/Motor Vehicle Services	St. Charles, Mo.	132
National Vehicle Protection Services	St. Charles, Mo.	107

'It seemed legit.'

When Jewuan B. of Durham, North Carolina, received a notice in the mail in the spring of 2020, he figured he better act on it. He said the mailer had all of the information about his vehicle, a 2014 BMW.

"It seemed legit," he said. "I called to talk to them because it said to contact them. After talking with them, I figured I needed a little protection."

He wound up buying a service contract from Driver's Protection of St. Charles, Missouri, in March 2020. Four months later, his vehicle experienced a leak in a gasket. When he took the vehicle to get repaired, he said the claim was denied. He said he spent more than \$1,000 for a repair he believed would have been covered by the contract.

"At that point, I didn't want to deal with them any more and called to cancel," he said. "At first, they didn't want me to cancel and told me all of the reasons I shouldn't. They tried to make me feel bad for canceling."

Expecting to receive an \$800 refund from Driver's Protection, Jewaun said he was told he would only receive a partial refund. He told BBB he still has not received a refund more than seven months after the company promised to send it to him.

'Waiting for a refund'

Brittney L. of Louisville, Kentucky, said she had a similar experience with Driver's Protection.

She said she purchased a contract from the business in the spring of 2020. She paid the company nearly \$2,000 before she took her car to a mechanic after her check engine light came on in January 2021. She said none of the repairs were covered by Driver's Protection. She had to pay the \$600 bill on her own.

She said she believed when she purchased the contract that everything would be covered if she had any issues with her vehicle. She said she received a call from the company in spring 2020 and decided to purchase a plan.

"They seemed legitimate and were really nice on the phone," she said. "They wooed me over and I gave them my debit card."

Getting a refund has not been easy, she said.

"I've called them over and over and they keep telling me that my money is on the way, but I never receive it," she said.

As of spring 2021, she was still waiting to receive the money due from her cancelled contract.

Driver's Protection appears to be out of business.

'I'll never do it again.'

The owner of a Jaguar, Cynthia N. knew her options to have her vehicle repaired were limited. In September 2020, the St. Ann, Missouri, resident said she happened to meet a sales representative for Aftermarket Protection Group of Edwardsville, Illinois.

In an interview with BBB, she said she was assured by the sales representative that her vehicle would be covered under the company's "supreme warranty" package. She said she was told she could go to the dealer of her choice for any repairs.

Two months after buying the VSC, she attempted to use it at her Jaguar dealership. Instead of having the work done, employees told her they had never heard of Aftermarket Protection Group. Soon after, she learned that Aftermarket Protection Group was a marketer of

service contracts for another company, which made the decision on whether to honor the service contract. Since the dealership would not acknowledge the VSC, she had to pay for her repairs out of her own pocket.

Soon after that, she sold the vehicle since getting it repaired was so difficult. She said this was the first time she had ever purchased an extended warranty.

"I'll never do it again," she said. "It's not worth it. You never get out what you pay back in. I'm out \$756. You're better off just saving the money yourself and paying for repairs as they come."

She said attempts to get her money refunded by the company, which has an "F" rating with BBB, have failed.

'They wound up not covering anything.'

All it took was one phone call for Joe R. of Oceanside, California, to get caught in the vehicle service contract web. He said he was contacted by the Auto Protection Club in August 2020. What the representative of the St. Peters, Missouri, company told him sounded good, so Joe signed on.

"They told me everything would be covered and my troubles would be over," he said.

He said his BMW repairs were denied twice, and another time, the contract's administrator would only approve a cheaper part than the one his dealer wanted to install. As a result, he said he had to pay more than \$3,000 out of his own pocket for repairs that he believed were covered.

He said he paid \$185 per month for the contract and eventually cancelled it in March 2021. He said he paid nearly \$1,500 to the company and has not received a requested refund from the company.

'They just made money off me.'

When Mary H. of Nashville, Tennessee, purchased a vehicle service contract from AutoAssure LLC in the summer of 2019, she said she thought she was buying a peace of mind should anything happen to her 2009 Nissan Altima.

She said she had two claim attempts denied - one in 2019 and another in 2021. She didn't have money to pay for the repairs herself.

"They gave me a bad deal," the 73-year-old retiree said. "They didn't do anything for me. They just made money off of me."

The last straw for Mary came in April 2021. She took her vehicle in for routine maintenance when she was told she had an oil leak. She was told the cost to repair it would be around \$1,500. She said she tried to use her AutoAssure LLC service contract to pay for the repair, but the request was denied.

She received a partial refund of just over \$1,700 from AutoAssure LLC after she filed a complaint with BBB. She said she paid the company nearly \$3,200. She said she won't buy another vehicle service contract in the future.

CONCLUSION

At an increasing rate, consumers across the U.S. are reporting dissatisfaction with vehicle service contract companies.

Reports of misleading mail solicitations, high-pressure sales pitches and denial of previously promised coverage claims are common. Consumers report that they are told to pay up front for a service contract, without ample time to read it over to learn about any limitations, conditions and disclaimers. Consumers state that they later find that they are not only out the money paid for coverage, they also have to absorb the repair costs.

BBB is warning consumers to use caution if purchasing a vehicle service contract without carefully reading the contract prior to purchase.

*... Better Business Bureau
I carried my car to
Center in Madison Wis
Q: not to get my car
Services. I was told by
had a oil leak. I was
Car and something on
Knows it was going to
of the service advisor
Could see he was going
I took this extended
payment 1200 a month
I refuse to have any
I had with them they
Nothing to do with me
of my checking account
on the 5/31/21*

Vehicle Service Contract Complaint Trends

Complaints Registered at BBB St. Louis from 2000-2020

YEAR	COMPLAINTS	YEAR	COMPLAINTS
2000	27	2011	868
2001	61	2012	621
2002	130	2013	842
2003	195	2014	848
2004	224	2015	770
2005	271	2016	486
2006	400	2017	477
2007	1,040	2018	544
2008	1,790	2019	791
2009	2,222	2020	1,402
2010	1,207		



RECOMMENDATIONS

Make sure you need it.

Compare the vehicle service contract with the manufacturer's warranty. New vehicles come with a manufacturer's warranty that usually lasts for a minimum of three years or 36,000 miles, whichever comes first. A VSC likely won't provide benefits until a manufacturer's warranty expires.

Do the math.

Before deciding whether to invest in a vehicle service contract, figure out how much it is going to cost. If you pay \$100 for 24 months, that's \$2,400. Is your vehicle worth that much? Would it be advantageous to regularly set aside money to put in a rainy day account for your vehicle? A Consumer Reports study on the VSC industry found 55 percent of those who bought policies never used them. The study found the median price for policies was \$1,214 and the median out-of-pocket savings on approved repairs was \$837, a net loss of \$377.

Research.

If you decide a vehicle service contract is something you'd be interested in purchasing, do your research before contacting a company. Don't blindly call a company based on something you may have seen on TV or received in the mail. BBB has information on hundreds of VSC companies. When you contact the company make sure to also ask who administers the contract as that company will decide whether any claims will be approved. Research that company as well. Obtain a copy of the contract before agreeing to terms of the deal.

Industry

Truth in advertising.

One of the biggest drivers of consumer complaints is advertising tactics used by the VSC industry. Mailers used by VSC companies have long been scrutinized by BBB. These mailers confuse the recipient about who the sender is and are written in a way that creates a false sense of urgency. They often are stamped with terms like “immediate response requested,” “final notice” or “last chance to act.” The mailers indicate the consumer has not contacted the business “to have your vehicle service contract activated.” These mailers often will have arbitrary deadlines posted on them. Mail solicitations should be screened for misleading statements prior to dissemination.

Marketers should be transparent when there are other companies involved, such as an administrator, so that consumers are aware that one company’s promises may not be honored by an affiliated company whose job is to enforce the terms of the policy.

Better self-regulation?

There should be strict guidelines and a code of ethics for marketers and administrators to follow.

Government/regulatory agencies

More prosecution of bad actors.

Just over a decade ago, there was a flurry of law enforcement activity against the bad players in the VSC industry. With consumer complaints on the rise, state and federal law enforcement agencies need to be more vigorous in prosecuting violators of consumer protection laws which govern the industry, including criminal prosecutions of the most egregious offenders.

Get it in writing.

Consumers should have ample opportunity to read and understand a contract before agreeing to it. Regulators should consider making it mandatory for a contract to be read and signed by the consumer before any payments are accepted. This move would prohibit the use of a telephone “signature.”



Resources for victims

Consumers who believe they were defrauded by a vehicle service contract company may register complaints at:

- **Better Business Bureau:** BBB.org or call your local BBB.
- **Federal Trade Commission (FTC):** ftc.gov or call 877-FTC-HELP.
- **State Attorney General's Office:** where you live and where the business is located.
- **U.S. Postal Inspection Service:** uspis.gov, regarding mailed solicitations.





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