

# AUTOMOTIVE

## *Used Vehicles — Extended Warranties — Lemon Law*

Car dealerships are under constant pressure from the manufacturers to sell large volumes of cars. This means that they pass the pressure on to you when you are looking for a new or used vehicle.

Here are some tips to avoid succumbing to the pressure of a salesperson:

- Plan your purchase ahead of time.
- Decide what kind of car you want and how much you can afford to spend. This includes talking to your bank to know how much you are pre-approved for and the interest rates on a loan.
- Try to make financial arrangements before you buy.
- Take a friend or family member along in case you may have questions about something that was said or promised.
- Shop around and compare dealer prices before buying a car.
- Buy from a dealer with a good reputation.
- Don't be talked into borrowing extra money to make a down payment.
- Always test drive a car before buying it. If the dealer is not willing to let you drive it, they may be trying to hide something.
- Avoid buying anything in a hurry. Take a few days to make sure you want the vehicle.
- Have used vehicles checked by a mechanic at another facility and make a list of the things which need to be repaired.
- Insist that all promises made by the dealer be put into writing. This includes promised warranties, repairs, and accessories.
- Avoid low-value extras such as credit insurance, auto club memberships, extended warranties for new cars, rust proofing, and upholstery finishes. You do not have to purchase credit insurance in order to get a loan.
- Never sign a contract with blank spaces.
- Ask for proof, in writing, of any repairs made to the vehicle to make it ready for sale.
- When buying a used car, ask to see the title to reveal any damage disclosure information and to verify that it is not a salvaged title.
- Used car dealers must list the price of the vehicle on the contract, any trade-in allowance, and all other fees associated with the car deal. They must also explain all of these charges to you.

Dealers must disclose the true mileage of the car. An odometer statement should be given to you. If you suspect your car's odometer has been tampered with, contact the Department of Revenue, Dealer Licensing at 605-773-3541. You should receive a title for the vehicle within thirty (30) days from the date of purchase.

SOUTH DAKOTA OFFICE OF ATTORNEY GENERAL

**CONSUMER  
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This handout is for informational purposes and should not be construed as legal advice or as a policy of the South Dakota Attorney General. If you need advice on a particular issue, you should consult a private attorney or other experts.

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## **USED VEHICLE PURCHASES**

All used vehicles are sold "AS-IS" unless it still has factory warranty or the dealer places an "In-House" warranty on the vehicle. If the dealer has an "In-House" warranty, you will want to make sure that it is put in writing for you. When purchasing a used vehicle "AS-IS" the dealer is not responsible for any repairs on that vehicle after the sale, unless it is put into writing.

## **EXTENDED WARRANTY FOR VEHICLES**

When buying a new or used vehicle, your car dealer may encourage you to buy a service contract or extended warranty. These products are designed to cover mechanical breakdowns occurring after the expiration of the manufacturer's warranty.

When considering the purchase of an extended warranty, remember the following:

- Banks do **not** require that consumers purchase an extended warranty in order to be approved for a loan.
- Read all of the information provided to you about the warranty. Make sure you are aware of what is covered by the warranty and what is not. Some warranties claim to be bumper-to-bumper coverage when in fact they are not. Also make sure that you are aware of what your obligations are going to be when it comes to the deductible and non-covered parts.
- Some extended warranties require a waiting period after the policy is purchased before coverage begins. For example, the policy may not cover any repairs for the first thirty (30) days or 3,000 miles whichever comes first.
- Most extended warranties are going to require normal maintenance to be performed on a mandated schedule. They may also require certain documentation to be presented when a claim is made. For example, the warranty company may require computer generated maintenance receipts with mandated information on it. If you do not have the required documents, your claim may be denied and your policy may become void with no refund.

The decision to buy an extended warranty comes down to your comfort level. A vehicle is a big investment and extended warranties do not come cheap. Buyers need to be aware of all their options. Just remember that companies offering extended warranties are businesses and wouldn't offer the plans if they didn't make money on them.

## **SOUTH DAKOTA NEW VEHICLE LEMON LAW**

Under South Dakota law, a "lemon" vehicle is one that has a single problem (or a series of problems) that "significantly impairs the use, value, or safety of the vehicle". The problems must arise from routine use, not through acts of abuse or neglect. Also, the problems cannot be the result of an accident, or an alteration of the vehicle that is not authorized by the manufacturer.

**The Lemon Law pertains to new vehicles only.**

The Lemon Law enables consumers to obtain a replacement vehicle or a full refund for their new car, light pickup, or motorcycle if certain criteria has been met.

The first reported issue must be within the first 12 months and 12,000 miles after the purchase of the vehicle.

**The following criteria would then need to be met for the Lemon Law to take effect:**

- The same nonconforming condition was subject to repair attempts 4 or more times by the manufacturer, or its authorized dealers. At least one of which occurred during the Lemon Law rights period. PLUS a final attempt by the manufacturer, and the same nonconforming condition continues to exist; OR
- The motor vehicle was out of service and in the custody of the manufacturer or an authorized dealer due to repair attempts including the final attempt, one of which occurred during the Lemon Law rights period, for a cumulative total of thirty (30) calendar days, unless the repair could not be performed because of conditions beyond the control of the manufacturer or authorized dealers, such as war, invasion, strike flood, or other natural disaster.

**PLEASE NOTE:** You should request a repair order be generated every time you take your vehicle to the dealership for repairs of a nonconforming condition. If the service visit is not documented, it can't be used to establish the Lemon Law criteria.