



ATTORNEY GENERAL SWANSON SUES EXTENDED AUTO WARRANTY COMPANY THAT DELAYED PROVIDING REFUNDS AND FAILED TO ISSUE PENALTY PAYMENTS AS REQUIRED BY MINNESOTA LAW

Some consumers waited a year or more for refunds and the company failed to pay the 10% monthly penalty payment required by Minnesota law for refunds not issued within 45 days

Minnesota Attorney General Lori Swanson today filed a lawsuit against Enterprise Financial Group, Inc. ("EFG")—a Texas company that issues extended auto warranties—for its delays in issuing refunds owed to Minnesota consumers and its failure to follow Minnesota law, which requires a 10% penalty payment per month for refunds for extended auto warranties that are not issued within 45 days. Some extended auto warranty companies inundate Minnesota consumers with mailings and postcards stating that their automobile warranty is expiring in an attempt to lure them to purchase additional coverage.

"Minnesotans are bombarded with postcard mailings claiming that their auto warranties are about to expire, and people need to know that not all of these companies play fair," said Attorney General Lori Swanson.

Swanson noted that the mailers often contain information about the consumer's year, make, and model of car, leading some people to believe the auto warranty company is affiliated with their manufacturer.

EFG issues extended auto warranties—also known as motor vehicle service contracts—which generally cost between \$1,600 and \$2,600. The warranties are marketed to consumers whose automobiles are nearing the end of coverage for their manufacturer's auto warranties. EFG hires companies that send consumers postcards or mailers that indicate their warranty is expiring and telemarketers that call consumers and try to sell them an EFG motor vehicle service contract.

EFG's contracts provide that customers can receive a full refund if they cancel the contract in the first 30 days or receive a pro-rated refund if cancelled thereafter. Minnesota law also requires issuers of extended auto warranties to pay consumers a penalty of ten percent of the refund amount per month if a refund is not made within 45 days.

The lawsuit alleges that EFG failed to comply with the cancellation provisions of its contract and of Minnesota law, giving the "runaround" to many consumers who tried to cancel. EFG has delayed refunds for many months—in some cases consumers have had to wait over a year for their refund. Moreover, EFG does not pay consumers the statutory penalty for refunds made after 45 days of the consumer's cancellation required by Minnesota law.

Minnesota consumers have encountered the following problems receiving the refunds owed to them from EFG:

- A Minnesota resident followed EFG's cancellation instructions and submitted her documents within 30 days from her purchase date. The company took nearly one year to make a refund and never paid the consumer the statutory penalty for delayed refunds. Meanwhile, the consumer was charged about nine percent interest by her credit card while she waited for the motor vehicle service contract refund.
- A 78-year-old grandmother estimates that she spoke with approximately a dozen different people trying to get her refund. She reports that employees of the seller of her contract hung up on her at least twice. After five months, and after contacting the Attorney General's Office, the woman received a refund, but the company failed to add the penalty payment.
- One consumer reports that he followed the instructions and cancelled his EFG contract within 30 days. The company took nearly three months to issue his refund. When it arrived, the consumer received only about 80% of what he had paid for the contract.

The lawsuit—filed in Hennepin County District Court—alleges violations of the state's service contract law and consumer protection laws. Among other things, it seeks injunctive relief, civil penalties, and restitution.

The Attorney General's Office has issued a Consumer Alert entitled "Extended Auto Warranty Offers" that has more information on the ins and outs of purchasing an extended car warranty. Among other things, the Attorney General's Office encourages consumers to check with the Minnesota Department of Commerce before purchasing an extended car warranty, because warranty companies must be registered with the Department.

People may report complaints to the Minnesota Attorney General's Office by calling (651) 296-3353 or (800) 657-3787. People may also download a [Complaint Form](#) from the Attorney General's Office website by clicking here and mail the completed form to the Attorney General's Office at: 1400 Bremer Tower, 445 Minnesota Street, St. Paul, MN 55101-2131.

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