



# ATTORNEY GENERAL OF TEXAS GREG ABBOTT

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## **Attorney General Abbott Charges Conn's with Unlawfully Failing to Honor Warranty Agreements**

**More than 2,000 complaints indicate Beaumont-based retailer sold defective products, failed to fulfill warranty obligations**

**HOUSTON** - Texas Attorney General Greg Abbott today charged Conn's, Inc. with failing to honor product warranties, misleading customers about the nature of its products, false advertising and other violations of the Texas Deceptive Trade Practices Act. According to the state's enforcement action -- and information contained in more than 2,000 customer complaints -- the defendant unlawfully relied on aggressive and deceptive sales tactics to increase its extended service warranty sales for consumer appliances, electronics and other products.

"The defendants are charged with using high-pressure sales tactics to deceive customers about their extended service warranties," Attorney General Abbott said. "Texas law contains important protections to prevent vendors from misleading customers about their goods and services. Today's enforcement action reflects a concerted effort to ensure the defendant is held accountable for violating the law."

<b>Media links</b>

<a href="#">View Video of News Conference</a>
<a href="#">Attorney General's petition - Conn's Appliances Inc.</a>
<a href="#">Employee Script for selling Conn's Service Maintenance Agreements</a>

Conn's brochures obtained by state investigators claimed that the replacement warranties protected purchasers "for a two full years from the date [they] purchased the product." However, customers did not actually receive two-year warranties. In fact, the replacement warranty agreements stated that they did not apply to any period covered by the manufacturer's warranty, which typically covered one year after purchase. Thus the two-year extended warranty does not begin at the time of purchase as represented by Conn's.

Further, in the event a product had to be replaced, the replacement was not covered by the warranty. Thus, if a replacement product failed within the two-year period, it was not covered, despite the defendant's promise to provide replacement coverage "for a full two years."

The state's enforcement action indicates that Conn's failed to provide customers with a copy of the warranty

agreement at the time of sale. As a result, purchasers were not adequately informed about exclusions, limitations, cancellation penalties and other provisions governing their warranty agreements.

Court documents indicate that, at the time of sale, Conn's sales personnel told warranty purchasers that replacement products would be "new, unused" items. However, the actual terms of the warranty contract provide that the replacement products could be "refurbished" or "rebuilt," rather than the new items customers were promised by Conn's salesmen.

In an effort to increase warranty sales, Conn's instructed sales personnel to rely on high-pressure tactics to "overcome objections" voiced by customers who declined to purchase extended warranties. A Conn's sales manual obtained by state investigators, which was marked "not to be distributed to customers," said salesmen should "create a sense of urgency" and "make [customers] 'live' the service call... [t]his is done by 'painting a picture' in the customers [sic] mind, calling up that sickly feeling we all get in the pit of our stomachs when something goes wrong." The sales manual also provided a series of scripted responses to customer objections and reminds salesmen that selling more warranties would "maximize" their personal incomes.

Today's enforcement action also charges Conn's with failing to fulfill its warranty obligations. According to customer complaints obtained by the Office of the Attorney General, Conn's delayed repair appointments for weeks or even months, failed to repair the item to working condition, ignored calls, and ultimately, refused to give refunds or replace the defective products. Instead, customers received refurbished goods, not new products, as promised.

Depending on the product, the extended warranties cost anywhere from \$100 to \$1,000. The commissions from the sale of these warranties accounted for about 5 percent of Conn's \$900 million in annual sales revenue.

The state's enforcement action seeks civil penalties and a court order prohibiting the Beaumont-based defendant from continuing its unlawful conduct. Conn's is a major consumer products and electronics retailer with locations throughout Texas, Louisiana and Oklahoma. It is publicly traded on the NASDAQ. The Office of the Attorney General has received more than 2,000 complaints about Conn's conduct.

The Attorney General seeks civil penalties of up to \$20,000 per violation of the Texas Deceptive Trade Practices Act, as well as a \$250,000 penalty if the defendant's conduct financially harmed persons aged 65 or older.

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