

Reality Choices

Making decisions in a changing consumer marketplace

In the Driver's Seat



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You've already made some important financial decisions and the decision making isn't over yet. The choices you make now may affect your financial situation for many years to come.

While these decisions may seem overwhelming, making them is easier if you have solid information before you start. Whether you are buying, leasing, insuring or repairing your vehicle, there are some questions you need to consider before putting yourself in the driver's seat:

- Do I really need a vehicle at this stage of my life?
- Is it better for me to buy or lease?
- I've changed my mind on my newly purchased vehicle — can I return it?
- Can I end a lease before the term is up?
- How should I go about choosing a mechanic?
- How much insurance do I need and how can I minimize my premium?

It's important that you know your rights and responsibilities under the legislation governing your jurisdiction.

Find information for different jurisdictions through the following links:

Canadian Consumer Information Gateway:
ConsumerInformation.ca

You may also consult your provincial or territorial office of consumer affairs.

Quebec residents may consult the Office de la protection du consommateur:
www.opc.gouv.qc.ca



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Before you buy or lease — Do you really need a vehicle? Can you afford one?

Next to accommodation, an automobile is probably one of the biggest expense items in anyone's budget, so it is important to first establish that you really need a car — especially if money is tight. As you consider your options, it may be helpful to begin by assessing your situation. How necessary is a vehicle in your current circumstance? If you live in an urban area, for example, could using public transit, taking a taxi or occasionally renting a car be a cheaper and more sensible alternative?

Keep in mind that there are far more expenses involved in owning a vehicle than the initial cost of the car. Insurance, licensing fees, loan interest, vehicle maintenance, parking and gas will add up significantly, often far outweighing what taxis and public transit would ever cost. Check out the following Web site to help you calculate whether or not owning a vehicle is reasonable in your situation:

Car Time Calculator, from the British Columbia Conservation Foundation (www.bccf.com/kamloops/nps/travel/cartimecalculator.html)

If you have confirmed that a vehicle is indeed a necessity, you need to make some decisions about the type of car you want to drive. Is owning a high-end vehicle important to you? Perhaps you would rather put the extra money towards other investments. Decide on the make, model, year, horsepower, gas mileage, and options to suit your type of driving. For example, a small compact car may be easiest to park and manoeuvre, if you do mostly city

driving. If you spend much of your time on the highway, gas mileage and horsepower are higher priorities. Consider how much you can afford and how much you will be willing to pay for your vehicle. Setting the maximum price for yourself will ensure you don't spend beyond your means.

Calculate how much the vehicle will cost, including any payments you may have to make, taxes, interest, fees, etc. You will also need to determine fixed yearly costs (insurance and licence fees), as well as daily operational expenses (gas and parking). You will have to estimate costs for maintenance, such as changing oil, filters, batteries, tires and antifreeze, as well as tune-ups and any repairs that may be required.

There is a wide variety of information available to help you make the best decisions for your circumstances. The Automobile Protection Association (www.apa.ca), the Canadian Automobile Association (www.caa.ca), Protégez-Vous (www.protegez-vous.qc.ca) and Consumer Reports (www.consumerreports.org) can offer you vehicle ratings for safety, reliability and price, as well as helpful information about the cost of maintenance and repair. Some of these sites require a membership fee to access specific information.

Buying a vehicle from a dealer

Check out the reputations of dealers before you do any business with them. Talk to friends, relatives and co-workers who may be able to recommend a dealer to you. Contact your local Better Business Bureau (www.bbb.org) for reports on various dealers.

Take the time to shop around and compare prices for similar vehicles with similar options. Test drive the vehicles and be sure to check consumer reports for ratings on everything from gas consumption to safety features. The following sites offer comparisons for both new and used vehicles: Protégez-Vous (www.protegez-vous.qc.ca) and Consumer Reports (www.consumerreports.org).

Whether it is a new, used or leased vehicle you are considering buying, it's always a good idea to have a mechanic of your choice check its condition before you buy. The condition of the vehicle is probably more important than the age, make or model.

You may also have local requirements for safety inspections that must be done before a vehicle can be licensed. Find out who will be responsible for the safety requirement check and, if the vehicle is then found to be unsafe, find out who is responsible for paying for those repairs. Keep in mind that even though a vehicle passes a safety inspection, it may not be in good mechanical condition and might therefore be unreliable. Be sure to ask when buying a used vehicle if there is a warranty that can be transferred to you.



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If you feel that there was misrepresentation by the dealer in the sale of a vehicle, contact your provincial or territorial office of consumer affairs.

Offer to purchase

Most dealers will have you sign an “offer to purchase” once you have decided to buy a vehicle. Make sure that the offer or any agreement includes a complete description of the vehicle, stating requested optional equipment and features, the price and the amount of any deposit, the warranty, and any statements made regarding the vehicle that may influence the sale. If you are trading a vehicle, the offer should have a complete description of the trade-in and the amount being given. For used vehicles, all repairs and alterations should be listed in the offer.

Do not sign anything or make any deposit until you are completely satisfied with the deal. It may be a good idea to bring a friend or relative to go over the details with you. Read the agreement thoroughly and ensure that it has been completed before you sign it. Be sure to get a copy of the completed and signed agreement. The time to bargain is before you sign. Whenever changes or additions are made to an offer to purchase or agreement, all parties should initial the changes.

Changing your mind

Once you have signed the offer, you are legally obligated to follow through with your purchase. Many consumers mistakenly believe that there is an automatic “cooling-off period” or a money-back guarantee for a certain number of days after a vehicle is purchased. You usually don’t have the right to withdraw from a vehicle purchase agreement, unless the dealer has a policy that allows you to do so.

Once you have signed and/or given a deposit, you have bought a vehicle and it is up to the vendor whether or not they let you cancel. Even if the dealer agrees to a cancellation, they may keep your deposit.

Before you make a purchase, find out what the dealer’s policy is and make sure you get the details in writing.

Private sales

Many people buy vehicles privately rather than from dealers. You may be able to purchase a vehicle privately at a lower price. However, keep in mind that if you have problems with the vehicle, it may be difficult, if not impossible, to get any assistance or compensation from the vendor. Remember too, that you do not have the right to change your mind once you have purchased a vehicle in a private sale.

Buying privately or from a dealer is a “buyer-beware” situation, and vehicles are often sold “as is,” which means the seller will not fix any flaws or damages. If your mechanic finds the vehicle to be unsafe or requiring repairs, be sure to find out who is responsible for paying for these repairs.

Check for liens against the vehicle.

A lien occurs when money is owed on the vehicle and although the vendor is in possession of the vehicle, its legal claim belongs to someone else, such as a bank. If you, the consumer, were to buy a vehicle with a lien, you may face unfortunate legal implications in the future. Legislation differs across jurisdictions on the consequences of buying a vehicle with a lien. It is possible that the new owner may be required to pay the money owed or risk having the vehicle seized. Contact your provincial or territorial office of consumer affairs for information specific to your jurisdiction or to find the organization in your jurisdiction responsible for conducting lien checks.

It is very important when you are buying privately to ensure that the vendor is the registered owner of the vehicle. Remember to ask for repair bills and maintenance records for review.

Watch out for curbers/curbsiders

If you have decided to buy a vehicle from a private seller be aware of who you may be dealing with. Though the individual may be advertising a private sale, there is a possibility that he or she is part of a complex scam and in the business of reselling poor-quality, stolen and/or rebuilt vehicles. Some of these people, who are frequently referred to as “curbers” or “curbsiders,” may be involved with any number of other scams, such as tampering with the vehicle’s odometer or selling you a vehicle with a lien against it.

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The risk of curbsiders' scams makes it especially important that you have a used vehicle checked thoroughly by a mechanic. When having the vehicle inspected, you may want to question the mechanic to see if the odometer has been rolled back. There are often signs that show that the wear and tear on the vehicle isn't consistent with what is showing on the odometer.

Remember that you don't have the right to change your mind after a sale such as this. If you have problems with the vehicle it will most likely be impossible to get any assistance or compensation from the vendor. Legal action may be your only option.

Buying a consignment vehicle

You may choose to buy a consignment vehicle. This means that the seller has made an agreement with a motor dealer to sell the car on the seller's behalf. The car remains the property of the seller until the dealer has sold the vehicle.

Again, as is true for all types of purchases, it is important to have the vehicle inspected by a mechanic before buying a consignment vehicle. Find out from the dealer the vehicle's history and request repair bills and maintenance records for review. Check for any liens that may be registered.

Make sure that you get a detailed receipt or contract from the dealer that includes the following information:

- a complete description of the vehicle (including year, make, model, serial number and odometer reading);
- the date of sale;
- your name and address;
- the dealer's name and address;

- the price (including any trade-in value and additional fees);
- a description of any problems with the vehicle;
- a description of any warranty coverage; and
- a note that the vehicle was consigned.

Leasing a vehicle

Leasing may be a convenient way to get a vehicle, but it may not be the cheapest. Your lease agreement outlines the terms and conditions of the agreement and your rights and responsibilities. Take the time to read the entire contract before signing. If you don't understand something, ask for an explanation. If the dealer promises you something, get it in writing. If you are considering leasing a used vehicle, you should have it checked by a mechanic before leasing it.

Compare costs and think about your needs and choices before you lease. Be sure to ask about what fees you'll pay at the beginning of, during, and at the end of the lease. Make sure you consider the same factors when you are comparing leasing with buying. There are various calculators on the Internet that can help you consider your options as they apply to your situation.

Open-end and closed-end leases

Leases are contracts in which you make a fixed number of payments during the specified term of the lease and you return the vehicle to the company when the lease is over. There are two kinds of leases: *closed-end* and *open-end*. In both open- and closed-end leases, the projected depreciation of the vehicle is estimated and calculated into your monthly payment.

In an open-end lease, you, the lessee, are expected to pay any difference between the retail value of the vehicle at lease-end and the residual value (estimated wholesale value) of the vehicle in the lease agreement. What this means is, at the end of the lease term, if the vehicle is worth less than the residual value, then you pay the difference. Keep in mind that the lessor determines the residual value. Before you sign the contract, ask how the retail and residual values are determined.

In a closed-end lease, you usually have no more payments to make at the end of the contract, unless the vehicle has been damaged by excess wear and tear. You may also have to pay a kilometre charge if you have driven a greater distance than the limit set out in the lease contract. This can be expensive, as charges often range from 7 to 12 cents for every kilometre driven over the limit. Basically, you have three options under a closed-end lease when it expires: you may return the vehicle, buy the vehicle (if the lease has a purchase option) or lease a new vehicle.

When leasing, you are responsible for maintaining the vehicle in accordance with the owner's manual, unless you have a full-maintenance lease. You are also responsible for any repairs. If you fail to follow through on these responsibilities, you may be charged for excess wear and tear at the end of the lease term. You are also responsible for paying the registration and insurance.

If there is a dispute or you feel there has been a misrepresentation by the lessor, consult your provincial or territorial office of consumer affairs.

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Ending a lease

Pay particular attention to the conditions regarding ending the lease. Keep in mind that when you are considering entering into a lease agreement, you may not have the right to end it early. A lease agreement will usually outline whether or not it can be terminated early and what conditions and costs apply in this situation.

It can be very expensive to end a lease. If the agreement doesn't contain information about early termination, you should request that the lessor provide you with that information in writing before entering into the agreement.

Buying on credit

Most consumers can't pay cash for a vehicle and financing is necessary.

Shop for credit just as you would shop for the vehicle you are buying. Remember that not all places that offer financing charge the same interest rates, and check out financing options with various financial institutions. Do not take on more debt than you can comfortably afford and borrow the least amount that you need. You may want to refer to *Reality Choices — You and Your Money* for tips on financial planning.

Pay all debts promptly. The consequences of carrying debt may include damage to your credit rating, loss of the vehicle and/or other collateral, or loss of money you have already paid towards the vehicle.

Warranties

New vehicles are sold with a manufacturer's warranty. However, many used vehicles are sold "as is" with no warranty, which means that you may be responsible for the cost of any repairs.

The terms and conditions of a warranty are usually outlined in the lease agreement. Make sure that any warranty is in writing and read it carefully.

You will have responsibilities under a warranty agreement; therefore it is important that you know and understand its terms and conditions. Unless maintenance performance can be documented, warranty claims may be denied. Keep copies of all maintenance or warranty work orders.

If you are buying a used vehicle from a dealer, check to see if there is any manufacturer's warranty remaining on the vehicle. If not, see if the dealer offers any warranty. Not all warranties are the same and many are "limited." You need to find out what the warranty covers, for what period of time and what responsibilities you will have.

Some dealers offer "extended" warranties (which increase the period of time you are covered under a manufacturer's warranty) or "third-party" warranties (which are offered through warranty companies). Extended and third-party warranties are generally available at an additional cost. Again, make sure that you understand the terms and conditions of such warranties and obtain, in writing, any details of what is covered and for how long, what's not covered, and what your responsibilities are.

If you have a warranty dispute, consult your provincial or territorial office of consumer affairs.

Repairs

If your vehicle requires repairs, it is important that you choose a reputable repair shop. Often the best way to find a good mechanic is by word-of-mouth. Ask friends, neighbours and co-workers for recommendations and obtain a report from your local Better Business Bureau (www.bbb.org) on any businesses that have been recommended to you.

Request a written estimate, including parts and labour, before you give any authorization for work to be done. For larger repair jobs, it may be a good idea to do some price comparisons with other repair shops. Get written details on the warranty coverage for the work. Ask that the business keep the parts that have been replaced for you in case a dispute arises. Make sure that you keep copies of all documentation you are given.

If you have problems with repairs that have been done to your vehicle and the repair shop will not resolve your concerns, contact your provincial or territorial office of consumer affairs to discuss the options you have available to you.

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What about insurance?

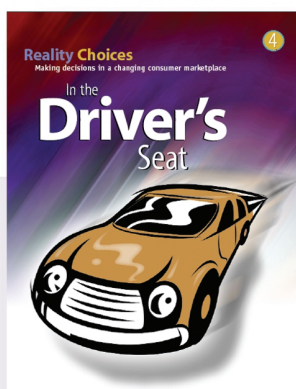
All owners are required by law to insure vehicles driven on public roads. Some provinces and territories offer public insurance while others have insurance sold privately. Here are some basic items to consider when buying vehicle insurance:

- Liability insurance is mandatory, and is used as financial protection against loss or injury caused to others while operating your vehicle. The minimum amount of insurance required differs across jurisdictions but keep in mind that skimping on liability insurance may cost you in the long run. Minimum liability will not cover the cost of an accident resulting in the injury of several people, for example, particularly in circumstances where legal action is an option.
 - Vehicle damage insurance, unlike liability insurance, may be optional. Damage insurance, however, is still recommended for the simple reason that damages to a vehicle will quickly add up in the event of an accident where you are at fault. Not being able to recover any money will have serious ramifications on your bank account.
 - Some dealers or credit grantors may require that you take out other insurance such as life and/or disability insurance before agreeing to do business with you. Make sure that you fully read and understand any agreements that you are asked to sign and that you get a copy of the completed and signed agreement. Do not sign an agreement unless it is completed in full.
- You should also do some comparison shopping on insurance prices and coverage before signing any agreement. Here are some items to consider in keeping your insurance rates to a minimum:
- Accidents can increase your insurance costs, especially when you are at fault. Staying out of accidents will save you money in more ways than one.
 - Statistics show that some types of vehicles are more likely than others to be involved in an accident. Insurance companies are aware of this and therefore charge more to insure high-risk vehicles. The make and model of the vehicle, its colour, and whether it's a two-door or four-door are all factors considered by your insurance company. Some cars are also more expensive to repair or are frequently targeted by thieves. Contact the Vehicle Information Centre of Canada (www.vicc.com) to find out which vehicles will cost you more to insure.
 - Where you live may affect what you pay for automobile insurance. Driving to work every day, especially if it's a long commute, not only means extra gas and wear and tear on your vehicle but also the possibility of a higher insurance premium. Urban residents may have higher premiums than those living in rural areas.
- Insurance companies reward low-risk drivers. Discounts might be offered for driver education, multiple vehicles, high academic achievement, anti-theft devices or abstinence from alcohol, among others. Have your insurance agent or broker ask about any of these types of discounts.

Sometimes it doesn't pay to carry collision or comprehensive insurance on an older vehicle if the total amount you are paying for the deductible plus the monthly premium is more than the entire worth of your vehicle.

For more information regarding auto insurance, visit the Insurance Bureau of Canada on-line (www.ibc.ca).

Aussi offert en français sous le titre *Prendre le volant... sans se faire voler.*



CONSUMER PROTECTION is an important goal for federal, provincial and territorial governments in Canada. In the spirit of cooperation, and to improve efficiency on the consumer front, the Consumer Measures Committee (CMC) was created under Chapter Eight of the *Agreement on Internal Trade*. This agreement is designed to provide a framework for federal, provincial and territorial governments working together in the area of trade within Canada. The CMC, which has a representative from the federal government and every province and territory, provides a forum for national cooperation to improve the marketplace for Canadian consumers by harmonizing laws and providing information. Consumer information targeted to young Canadians between the ages of 18 and 30 is important as these consumers are faced with first-time choices in a complex and changing marketplace.

GOVERNMENTS INVOLVED IN THIS PROJECT INCLUDE:

Canada



Ontario

Québec



NOVA SCOTIA



New Brunswick
Nouveau Brunswick

Manitoba



BRITISH COLUMBIA



Prince Edward Island
CANADA



Saskatchewan

Alberta
GOVERNMENT OF ALBERTA



GOVERNMENT OF
NEWFOUNDLAND
AND LABRADOR

Yukon
Government

Northwest
Territories

