

Reality Choices



This publication is intended to provide general information only and is not a substitute for legal advice.

In The Driver's Seat

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Next to a place to live, a vehicle is probably one of the biggest expense items in anyone's budget. Making the decision to buy and what to buy 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?
- What should I check when I'm buying a vehicle?
- 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?

Alberta Motor Vehicle Industry Council (AMVIC)

In Alberta, AMVIC is responsible for licensing automotive dealers, salespeople and repair shops. AMVIC also investigates complaints against these businesses under the *Consumer Protection Act*. To contact **AMVIC**.

DO YOU REALLY NEED A VEHICLE? CAN YOU AFFORD ONE?

It's important to determine that you really need a vehicle — especially if money is tight. Do you need a vehicle right now? 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, registration fees, loan interest, vehicle maintenance, parking and gas will add up significantly, often far outweighing what taxis and public transit would ever cost.

To find out how buying and owning a vehicle will fit your budget; work through Reality Choices – **You and Your Money**.

CHOOSING YOUR VEHICLE

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 savings or investments.

Reality Choices

- 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 your maximum price will help keep you on budget.
- 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 premiums and registration fees), as well as daily operating expenses (gas and parking). You will have to estimate costs for maintenance, such as oil changes, filters, batteries, tires, antifreeze, tune-ups and any repairs that may be needed.
- You can compare the fuel consumption of various makes and models and select the most fuel-efficient vehicles for your needs by using Natural Resources Canada's [Fuel Consumption Guide](#).
- The type of car you buy could affect how much your insurance will cost. See [What About Insurance](#) on page 7 for more information.
- Date and Time – the date and time that the report was printed. Information in the report is only current at the date and time it is produced as it is subject to change at any time after the report is printed.
- Vehicle Description – the year, make (e.g. Chrysler, Ford), model (e.g. Voyager, Aerostar), style (e.g. 2-door, 4-door), colour and fuel type (e.g. gasoline, propane).
- Vehicle Status – the current status of the vehicle, and if applicable, the last date that the vehicle was written-off (declared salvage).
- Vehicle Registration – registration information will tell you the date Alberta Registries first entered the vehicle in its records. The report will give you the latest registration date and the municipality where the registrant resided. This information is also provided for the seven most recent registrations, based on information available since December 1993.
- Licence Plate Classification – the latest licence plate classification (e.g. passenger, commercial, farm or rental). Up to seven of the most recent licence plate classifications can be reported.
- Lien Information – the number of liens and other related instruments which are registered in the province of Alberta and associated with the serial number.
- As of December 2002, the public can voluntarily provide Alberta Registries with the odometer reading on their vehicle at the time of registering or renewing a vehicle registration. This will allow you to compare the most recent odometer reading with the current reading on the vehicle.

WHAT YOU NEED TO CHECK

Once you've decided on a vehicle there are steps you should take to protect yourself.

Check the vehicle's condition. Whether it is a new, used or leased vehicle you are considering it's always a good idea to have a qualified 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. If a used-vehicle's odometer reading is unusually low (under 20,000 km/yr) check the odometer for signs of tampering. Clues to look for are in [AMVIC's](#) publication [Choosing A Vehicle](#).

Get a Vehicle Information Report (VIR) when you buy a previously-owned vehicle in Alberta. It will help you make an informed decision. It doesn't replace a mechanical inspection.

The following information is found on the Vehicle Information Report

VIRs are available for a fee at Alberta registry agents. You will need the Vehicle Identification Number. To locate a registry agent, see page 8.

Check for liens registered in Alberta. A lien means that someone still owes money on the vehicle. If you buy the vehicle, you might have to pay the amount that is owed, or the vehicle could be legally seized. While the VIR will tell you the number of liens against the vehicle; the Personal Property Report lien search will show details such as to whom the money is owed. If you believe the vehicle was registered in another jurisdiction, you should do a lien search in that jurisdiction.

Do your own searching. Don't depend on documents from the seller, such as a letter from a financial institution saying the vehicle is lien free.

A Personal Property Report lien search is available for a fee from Alberta registry agents. You will need the Vehicle Identification Number. (See page 8 for locating registry agents.)

Find out what consumer-testing and other agencies have to say about the vehicle. The **Automobile Protection Association**, the **Canadian Automobile Association**, and **Consumer Reports** offer information including 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 to obtain vehicle-specific information (see page 8).

Shop around and compare prices for similar vehicles with similar options. Test drive the vehicles.

Some sellers require you to put a deposit down and possibly sign a contract before you can test drive a vehicle. If you agree to this make sure that you get it in writing that you get your deposit back in full if you don't buy the vehicle — no conditions. If you are asked to sign something read it — are you agreeing to buy the vehicle?

Changing your mind

There is no legislated "cooling-off period" when buying a vehicle. The only way you can cancel the contract is if the seller (a dealer or private individual) has a policy that says you may. Even if the seller agrees to cancel the contract, it may keep any deposit you've made.

Before you buy, find out what the seller's policy is and get the details in writing.

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 could be responsible for the cost of any repairs.

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

You need to know what your responsibilities are under the warranty. If you don't perform them, will claims be denied? It's wise to keep all maintenance or warranty work orders in case you need proof work was done.

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 and for what period of time, what it doesn't cover, 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 get, in writing, any details of what is covered and for how long, what's not covered, and what your responsibilities are.

If the vehicle is 5 years old or newer and you have a dispute with an automobile manufacturer about the quality of your vehicle or how the manufacturer is interpreting or implementing its new vehicle warranty, the **Canadian Motor Vehicle Arbitration Plan (CAMVAP)** may be an option for you. It's a program that resolves these types of problems through binding arbitration rather than court action. Most domestic and imported passenger cars, light trucks, sport utility vehicles, vans and multi-purpose passenger vehicles that are purchased or leased in Canada are covered by CAMVAP. To contact CAMVAP, see page 8.

BUYING ON CREDIT

Most consumers can't pay cash for a vehicle so they need to find financing.

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. Check out financing options with various financial institutions and the seller. Do not take on more debt than you can comfortably afford; borrow the smallest amount that you need. To determine how much debt you can afford, work through Reality Choices – **You and Your Money**.

Alberta's **Consumer Protection Act** requires lenders to disclose specific information about the terms and conditions of a loan including:

- the complete description of the vehicle;
- the cash selling price;

- the amount of the down payment or trade-in allowance;
- a breakdown of all costs, fees, and other charges;
- the credit charge, written out in dollars;
- the annual percentage rate of interest you'll pay;
- the amount of each payment, the number of payments and the dates they are due; and
- the additional charges you will have to pay if you fall behind in your payments.

BUYING FROM A DEALER

Check out the dealers' reputation 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 Bureaus** for information about a dealer's complaint history (see page 8).

Make sure the dealer is licensed to operate in Alberta by calling **AMVIC** or searching **AMVIC's** Web site (see page 8).

Read **AMVIC's** information about selecting a dealer in its publication **Choosing a Vehicle**.

If you feel that a dealer misrepresented the vehicle terms of the sale, contact **AMVIC**.

OFFER TO PURCHASE

Sellers will have you sign a contract once you have decided to buy a vehicle. Make sure that the agreement states the type of agreement (i.e. purchase or lease) and includes a complete description of the vehicle including the vehicle identification number, the requested optional equipment and features, the price including taxes, document fees, extra services, insurance etc., the amount of any deposit, the warranty, and any statements made regarding the vehicle that influenced the sale. If you are trading a vehicle, the offer should include 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 give 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 make sure it's complete 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.

PRIVATE SALES

You may be able to buy 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 help or compensation from the seller if something goes wrong. Most private sales are "as is". This means that the seller won't fix any flaws or damage.

Private sales are not regulated by the **Consumer Protection Act**. If you have problems and the seller won't deal with them, you may have to take the seller to court.

Buying privately is a "buyer-beware" situation. See **What You Need to Check** on page 2. It is very important when you are buying privately to make sure that the seller is the registered owner of the vehicle. Remember to ask for repair bills and maintenance records for review.

If you are buying or selling a vehicle privately, Alberta Registries provides a basic **bill of sale**.

Watch out for curbers

Car curbers pose as private individuals but are actually in the business of selling vehicles. In some cases they sell poor quality, stolen, rebuilt, odometer-tampered vehicles or vehicles that still have liens.

The risk of dealing with a curber makes it especially important that you have a vehicle checked thoroughly by a qualified mechanic, get a **Vehicle Information Report**, and check for liens.

If you have problems with the vehicle you will most likely have to take the seller to court.

If you believe you have been dealing with a car curber, contact **AMVIC**.

BUYING A CONSIGNMENT VEHICLE

You may choose to buy a consignment vehicle. This means that the seller has given a licensed dealer the authority to sell the vehicle on his or her behalf. The car remains the property of the seller until the dealer has sold the vehicle.

Before you buy a consigned vehicle read **What You Need to Check** on page 2.

Get a receipt

Get a receipt or contract from the business. The receipt or contract should include the date of the sale; your name and address; the business' name and address; the car's year, make, model, and serial number; the odometer reading; the price and payment method; a description of any problems the car has; and a description of any warranty coverage.

If you are selling a vehicle on consignment, read the **AMVIC's** information sheet [Buying and Selling Vehicles on Consignment](#). The information sheet describes the **Consumer Protection Act's** contract, payment and disclosure requirements.

LEASING A VEHICLE

Leasing may be a convenient way to get a vehicle, but it may not be the cheapest.

Leasing is not for everyone. The least expensive way to obtain a vehicle is always to pay cash. If you cannot pay cash then the shortest borrowing term available to you will result in the lowest interest cost or "carrying cost". The faster you repay what you have borrowed, the lower your carrying costs. Carrying costs for a lease are higher than with a loan of the same term because you are only paying off the depreciation, and not repaying the entire value of the vehicle.

(Canadian Automobile Dealers Association, Turning The Lights on Leasing, used with permission.)

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, during, and at the end of the lease.

Check for kilometer limits, and the surcharges for exceeding them. Make sure you consider the same factors when you are comparing leasing with buying.

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, have it checked by a mechanic before leasing it.

Open-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, will have 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 retail value, then you pay the difference. On the other hand, if the retail value is more than the residual value, you get the difference. Keep in mind that the lessor (the business leasing the vehicle) determines the retail and residual values. 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 kilometer charge if you have driven a greater distance than the limit set out in the lease contract. This can be expensive.

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 according to the owner's manual specifications, unless you have a full-maintenance lease. You are responsible for repairing the vehicle. 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. Find out how much coverage the lessor requires.

If there is a dispute or you feel there has been a misrepresentation by the lessor, contact **AMVIC**.

Ending a lease

Pay particular attention to the conditions regarding ending your lease. You won't be able to end the lease early unless your contact says you can. There will be extra costs to end the lease early. These will be included in your contract.

AMVIC's leasing tips

A popular alternative to purchasing a vehicle is leasing one. The benefits of leasing are usually lower monthly payments and driving a newer vehicle more often. Familiarize yourself with the leasing "jargon" to ensure you understand your contract. Leasing can have its disadvantages as well. Some points to consider are:

- Additional charges may be levied when returning the vehicle if there is damage, excessive wear and tear, or kilometres over the limits defined in your contract — even on a "closed-end lease" where the residual value of the vehicle is guaranteed.
- Early termination of your lease could result in substantial costs that you need to be aware of. Ask your salesperson for information.
- Leasing likely means you will never have any equity in the vehicle.
- Monthly payments are subject to G.S.T.
- The first lease payment and deposits are usually required upon delivery.
- "Full disclosure" is required on leasing contracts. Your contract should include: capitalized costs, capitalized cost reduction (cash down), open/closed-end lease designation, annual percentage rate, monthly payment, term, residual value, excess kilometer charges, and documentation fees.

For more information, get the **Canadian Automobile Dealers Association's** publication *Turning the Lights on Leasing*: <http://www.cada.ca/site/content/publications#3>.

MAINTENANCE AND REPAIRS

It's important to 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 complaint history information from your local Better Business Bureau on any businesses that have been recommended to you. Make sure the repair shop is licensed by **AMVIC**.

Read **AMVIC's Choosing a Repair Business**.

Ask for a written estimate, including parts and labour, before you authorize any work to be done. For larger repair jobs, it may be a good idea to compare prices among repair shops. Get written details on the warranty coverage for the work. Ask the business to keep the parts that have been replaced for you in case a dispute arises. Make sure that you keep copies of all documents 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 **AMVIC**.

WHAT ABOUT INSURANCE?

In Alberta you must have a minimum of \$200,000 coverage for public liability and property damage. You must be able to prove you have this coverage to register a vehicle in the province.

Here are some basic items to consider when buying vehicle insurance:

- Two hundred thousand dollars coverage is mandatory, but it may not be enough to cover the cost of an accident that results in injury to several people or substantial damage to vehicles or property (not including your vehicle). The insurance industry recommends at least \$1,000,000 public liability and property damage coverage. Find out how much more the higher coverage would cost.
- Coverage for damage to your vehicle is optional. If you don't have it, you pay for repairs to, or to replace your vehicle. 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. Check with your agent or broker.

- Some dealers or credit grantors may require you to 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 for insurance prices and coverage before signing any agreement. Here are some items to consider in keeping your insurance rates to a minimum:

- Accidents and tickets can increase your insurance costs, and limit the number of companies willing to insure you.
- Statistics show that some vehicles are more likely than others to be involved in an accident. Some cars are also more expensive to repair or are frequently targeted by thieves. Insurance companies are aware of this and therefore charge more to insure high-risk vehicles. **The Insurance Bureau of Canada** has information that will tell you which vehicles will cost you more to insure (see page 8).
- Where you live may affect what you pay for automobile insurance. Driving to work everyday, 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. They may offer discounts 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.

If you are in an accident, the Alberta Treasury Board and Finance's web page **What to do after an Auto Collision** has information about what to do after a collision. Their

publication **Summary and Collision Worksheet Form** has information about your right to choose a repair shop and working with your insurance company.

MORE INFORMATION

Lemon-Aid Car Guides

www.lemonaidcars.com

Consumer Reports

<http://www.consumerreports.org/cro/index.htm>

(general information only. For specific vehicle reports you must be a member or subscriber.) Individual copies of the magazine are sold at stores.

The Automobile Protection Association

www.apa.ca

Canadian Automobile Association

<http://www.caa.ca/>

Alberta Motor Vehicle Industry Council (AMVIC)

Edmonton: 780-466-1140

Toll-free 1-877-979-8100

<http://www.amvic.org/>

Service Alberta

Consumer Services Branch

Edmonton: 780-427-4088

Toll-free in Alberta: 1-877-427-4088

www.servicealberta.ca



Consumer Protection Alberta

<https://www.facebook.com/ConsumerProtectionAlberta/>

Finding a Registry Agent

Phone: Edmonton and outside Alberta: 780-427-7013

Toll-free in Alberta: 310-0000 then dial 780-427-7013

Telephone book: look in the SuperPages™ under Licensing and Registry Services

www.servicealberta.ca/1641.cfm

Alberta Insurance Council (AIC)

They are responsible for licensing insurance agents, brokers, and adjusters. AIC also investigates complaints against these businesses

Edmonton: 780-425-5745

Calgary: 403-233-2929

www.abcouncil.ab.ca/

Better Business Bureau of Central and Northern Alberta

Edmonton: 780-482-2341

Toll-free in Canada: 1-800-232-7298

www.edmontonbbb.org

Better Business Bureau of Southern Alberta & East Kootenays

Calgary: 403-517-4222

Toll-free in Southern Alberta: 1-800-661-4464

www.calgary.bbb.org/

Insurance Bureau of Canada

For general information about vehicle insurance

Edmonton: 780-423-2212

Toll-free: 1-800-377-6378

www.ibc.ca

Canadian Motor Vehicle Arbitration Plan

1-800-207-0685

<http://camvap.ca/>

Canadian Automobile Dealers Association

<http://www.caa.ca/>

REFERENCES

AMVIC

- **Choosing A Vehicle**
<http://www.amvic.org/consumer/the-buying-process/choosing-a-vehicle/>
- **Buying and Selling Vehicles on Consignment**
<http://www.amvic.org/consumer/consigning-a-vehicle/>
- **Choosing a Repair Business**
<http://www.amvic.org/consumer/repairing-a-vehicle-tips/>
- **In the Driver's Seat** (video)
<http://www.amvic.org/in-the-drivers-seat-2/>

Other links referenced in this module

Service Alberta: **Reality Choices**

You and Your Money

http://www.servicealberta.gov.ab.ca/pdf/reality_choices/You_and_Your_Money.pdf

Natural Resources Canada:

Fuel Consumption Guide

<http://oee.rncan.gc.ca/transportation/tools/fuelratings/ratings-search.cfm?attr=8>

Canadian Automobile Dealers Association:

Turning the Lights on Leasing.

<http://www.cada.ca/site/content/publications#3>