The sale of credit insurance, GAP insurance, and service contracts (also known as extended warranties or mechanical breakdown insurance) is a major profit center for car dealerships. These items are dramatically overpriced, dealers do not adequately disclose that they get to keep a large cut of the item’s price as a commission, and the policies may not provide the promised benefits. There is also a great deal of discretion in pricing these items and individual consumers often pay many times more for the products than other consumers. Dealers sometimes sell these products without informing consumers that they have a choice whether to purchase them or even hiding from consumers the very fact that they are paying for them.

A number of legal remedies are available concerning the sale of these items. See NCLC’s *Unfair and Deceptive Acts and Practices*, *Truth in Lending*, and *Consumer Credit Regulation*. Attempts by a consumer to enforce a service contract are covered in NCLC’s *Consumer Warranty Law* and unfair denials of credit, GAP, or other types of insurance claims are discussed in NCLC’s *Unfair and Deceptive Acts and Practices*.

### Footnotes


**Source**: National Consumer Law Center, Automobile Fraud [6th ed.], updated at www.ncle.org/library

**Source URL**: https://library.nclc.org/af/010305-0

**Links**

[1] https://library.nclc.org/nclc/link/UDAP.07.02.04
[2] https://library.nclc.org/nclc/link/UDAP.07.02.05
[3] https://library.nclc.org/nclc/link/UDAP.09.05.07
[7] https://library.nclc.org/nclc/link/UDAP.09.05