

WARRANTY VS. GUARANTY

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Introduction

The terms warranty and guaranty are commonly misapplied interchangeably to describe the responsibility of a manufacturer, after delivery of a product or to describe the responsibility of a contractor after completion of construction. In CCDC contract forms, warranty is the only term used. This bulletin provides explanation of the difference between a warranty and guaranty as practiced in the construction industry.

Definitions

WARRANTY: a two party agreement which provides an assurance by a seller of goods, e.g. the contractor (warrantor), to a purchaser, e.g. the owner, that the warrantor will assume stipulated responsibilities for correction of defects in the goods within a stated period of time.

GUARANTY: a three party agreement in which the third party, e.g. a surety (guarantor), guarantees the performance of an obligation to the second party, e.g. the owner (obligee), in the event of default of the first party, e.g. the contractor or manufacturer (principal).

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