

## BULLETIN 3

### WARRANTY VS. GUARANTY

2025

*This bulletin outlines the difference between the terms “warranty” and “guaranty” in a construction context.*

#### 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 standard contract forms, warranty is the only term used. This bulletin explains 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. For more information on warranties, please refer to CCDC’s “Construction Warranties” bulletin.

**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, or principal, e.g. the Contractor. This is most commonly seen in the form of surety bonding. For these purposes, CCDC publishes three standard bond forms: CCDC 220 ‘Bid Bond’, CCDC 221 ‘Performance Bond’ and CCDC 222 ‘Labour and Material Payment Bond’. For more information on surety in construction, please refer to CCDC 22 ‘A Guide to Construction Surety Bonds’.

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