

Hire Purchase, Lay~Away And Conditional Sale Agreements

(Lease Financing Agreement)

In addition to buying goods for cash there are other options available to consumers, including:

- Hire Purchase Agreement,
- Conditional Sale Agreement and
- Lay~ Away

However, before deciding to use any of these three options, Consumers should find out the advantages and disadvantages of each option in order to ensure that they will be able to honour the Agreement.

Hire Purchase and Conditional Sale Agreements (e.g. Lease Financing)

This is an arrangement between the vendor and the buyer, which allows the buyer to be in possession of an item by making an initial deposit and subsequent monthly installments over a set period of time.

The seller remains the owner of the item (s) until all payments are made or the conditions specified in the agreement are fulfilled.

Lease Financing arrangements have become increasingly popular in the automotive industry.

Here are some important facts you need to know before deciding to sign either a Hire Purchase or a Conditional Sale Agreement:

- ♦ Make sure you know the **Cash price** and the **Hire Purchase price**.

- ♦ The **Cash price** is always **lower** than the Hire Purchase price, which includes interest.



Cash \$7,000 HP \$11,000

- ♦ After paying your first deposit or installment, the agreement requires you to pay a **set** number of monthly installments on a **set date**. Some agreements may require you to make installments on the date that the goods are delivered. If you pay after this date, additional interest will be charged for each day missed.
- ♦ On signing the contract, **all parties should honour the agreement**. For example, if the agreement is to deliver the goods on a set date, the vendor must do so.
- ♦ **Read and understand the terms of the agreement** before you sign it, and ensure you get a copy of the agreement.
- ♦ The Hire Purchase Act provides guidelines on the Rights and Responsibilities of contracting parties in these agreements.

REPOSSESSION

Under the Hire Purchase Act, if the consumer fails to honour the contract, then the vendor can repossess the goods on the following conditions:

- ♦ If less than two-thirds of the cost of the item is paid, it can be repossessed after the customer has been in

arrears for two months or longer period stated in the Agreement.

- ♦ If two-thirds or more of the cost has been paid, repossession can only take place after the consumer has been in arrears for three months or longer period stated in the Agreement.
- ♦ Two Notices must be given prior to the act of Repossession
- ♦ Repossession is done between the hours of 6:00 a.m. and 6:00 p.m. Monday to Saturday. Public Holidays are not included. When goods are repossessed the consumer pays bailiff's fee.

WARRANTIES

Warranties are usually offered on items acquired using these two methods. The warranty indicates the vendor's obligation if something should go wrong with the product.

Ensure that you understand the terms of the warranty.

WARRANTIES USUALLY DO NOT COVER ELECTRIC POWER SURGES, EQUIPMENT OR APPLIANCES STRUCK BY LIGHTENING, ITEMS USED IN WAYS CONTRARY TO INSTRUCTIONS IN THE MANUAL OR OTHER SPECIAL INSTRUCTIONS GIVEN BY THE VENDOR, AND DAMAGE CAUSED BY THE OWNER'S NEGLIGENCE.

In some cases, warranties relate specifically to parts of the product. For example, on a refrigerator the warranty may be one year on parts, three months on labour and two years on the compressor.

A warranty can be made null and void if the purchaser works on or gets someone other than the vendor to fix the item. For example, if you purchased a television set and it has a problem, which needs fixing, do not call a television repair man or try to fix it yourself. You could lose your warranty. Report the problem to the vendor immediately.

Lay~Away

Lay-Away allows the buyer to pay for the item in installments over a period of time, while the seller keeps the item. No interest is charged on the cash price and in most cases there are no set dates for payment.

The vendor should not sell the item to anyone else while he is waiting for the customer to conclude payment. Additionally the items should not be exchanged for a similar one or for anything else unless the customer agrees.

If the consumer decides not to take the item or fails to complete the agreed payments, the consumer may not get a full refund.

This should be stated in the contract.



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