



**Western Cape
Government**
Economic Development
and Tourism



Office of The Consumer Protector
Hire-Purchase Agreements
(Or Instalment Sale Agreements)

'Speak to us. Know your consumer rights'



**Western Cape
Office Of**

**THE CONSUMER
PROTECTOR**

Call the toll free number: 0800 007 081

An information guide for HIRE-PURCHASE AGREEMENTS

If you cannot afford to buy goods for cash, you may be able to buy them on credit. If the goods you want to buy are more expensive goods, such as furniture or a motor car, the seller may only be prepared to sell them under an instalment agreement (this type of agreement used to be called an 'instalment sale agreement' or 'hire-purchase' agreement).

What is an instalment agreement?

If you buy goods under an instalment agreement, the seller will give you the goods immediately and you will have to pay the price in instalments (smaller amounts of the full price) over a period of time.

If I buy goods under an instalment agreement, when can I take it home to use?

If you buy goods under an instalment agreement, you will have to pay a deposit. After you have paid the deposit you can take the goods home with you to use but you will not become the owner of the goods until you have paid off the price. If you do not pay your instalments or do not pay your instalments on time, the seller can take back (repossess) the goods.

Does it cost more if I buy goods on instalment?

Because you are buying on credit, the seller is allowed to charge you interest on the price. Paying interest means that you will pay more for the goods than you would have paid if you bought the goods for cash. The amount that the seller can charge you interest is determined by law and depends on the price of the goods.

How will I know how much I will end up paying for the goods?

Before you buy goods under instalment agreement, the seller must give you a 'pre-agreement statement and quotation'. The pre-agreement quotation must say how much credit will be given and it must also say how much deposit must be paid, how much you will have to pay per instalment, the interest you will have to pay and any other fees or charges that you will have to pay.

This quotation should give you an idea of the costs involved if you enter into the instalment agreement. It is a good idea to shop around and see whether any other store will give you a better offer.

If you buy under an instalment agreement, what will the final agreement look like?

If you decide to buy under an instalment, the seller must give you, free of charge, a copy of the document that records the agreement. This document will have your personal details and details of the seller. It must set out the financial details of the agreement such as the deposit, the interest, the instalment amounts and how often they must be paid. The document should also set out some of the rights and duties that you will have as a buyer.

Will I need to sign the agreement?

Yes, you must sign the agreement and the seller must also sign it.

How old must I be before I can enter into an instalment agreement?

You must be over 18 years old to buy goods under an instalment agreement. If you are under 18 years old, a parent or legal guardian can help you by signing the agreement on your behalf or by being present when you sign the agreement but you will still be responsible for making the payments under the agreement..

What if I do not understand something in the agreement?

If you do not understand anything in the document, ask the seller to explain it to you in plain language or else take it home and ask a friend to explain it to you. It is very important that you understand all the terms and conditions of sale before you sign the contract.

Remember to keep copies of the hire purchase agreement and invoices of all the instalment amounts that you pay. Also keep copies of any letters or notices sent to you by the seller or letters that you send to the buyer. This is so that if there is any disagreement about the price or whether or not you have made a payment.

Can I pay my instalments before they are due?

Yes you have the right to make bigger payments or to settle the whole account. The advantage of paying off your account early is that you will become the owner of the goods earlier and you will end up paying less money as interest.

What happens if I miss a payment?

If you do not make a payment, the seller has the right to ask for it. The seller must let you know that your payment is late and must suggest that you seek financial advice if you are unable to keep up with payments. The seller must give you time before they can take legal steps against you.

What does it mean to be in default?

Default means failure to pay. You are in default if you have not paid your account for 20 business days after you were supposed to.

If you have defaulted on the agreement, the seller must let you know of your default and must let you know what your rights and duties are. The seller may not take any legal action against you until they have sent a notice letting you know these things. In the notice, the seller must give you an opportunity to settle your outstanding debt.

What if I do not think I am in default but the seller says that I am?

When the seller sends a notice to let you know that you are in default, they must let you know who you can go to if there is a disagreement about the fact that you are in default. If there is a

disagreement, you can take the seller to a consumer court who can resolve the dispute and come up with a plan for bringing your payments up to date if need be.

What happens if I cannot keep up with my payments?

If you cannot keep up with your payments, you should think about going to see a debt counsellor. A debt counsellor will be able to help you work out your budgets and, if you are serious in debt they can arrange that you pay less money per instalment (for a longer period of time) or that the agreement is suspended until you are able to make payments. If you go see a debt counsellor, the seller will not be able to cancel the agreement and take back the goods but you will not be able to apply for credit with anyone else.



What will happen if the seller enforces the agreement?

If the seller has notified you that you are in default and 10 business days have passed, the seller can 'enforce' the agreement. Enforce means that the seller can cancel the agreement and take the goods away from you.

Before taking back the goods, the seller must get a 'voluntary consent form' from you, the buyer. If you sign this form, it means that you know you are in default and that the seller is allowed to take the goods away from you. If you do not sign this form, seller must get a court order. If the seller gets a court order, a sheriff (messenger of the court) will take the goods away from you. If the sheriff tries to re-possess the goods, make sure that the sheriff has a summons (document) which has been issued by the court.

What happens if I lose my job after signing the agreement but before I have paid the full purchase price and cannot afford to keep paying the instalments?

If you no longer want to keep the goods and want to cancel the agreement, you have the right to return the goods to the seller so that the seller can resell the goods. However, this right is only available if you are up to date with your payments. The money the seller makes from the second sale will then be used to settle your account. You must notify the seller, in writing, that you wish to cancel the agreement and give back the goods.

Will I receive statements and information about the agreement and my account?

Yes, the seller must give you regular statements about your account. The seller must deliver these statements to you at least every two months or whenever you ask the seller for a statement.

Can I get information about the agreement in any language that I choose?

Where possible, the seller should give you information in an official language that you understand. If this is not possible, the information must be given to you in plain language. This means that the contents, meaning and importance of the document must be easy to understand.

If you move house, must I let the seller know?

Before you have paid off the account, you are not owner of the goods. Because of this, you have the duty to let the seller (who still owns the goods) know where the goods are being kept. If this information changes, you have a duty to let the seller know. If you are renting the property where the goods are kept, you have a duty to let the seller know the name and address of your landlord.

Can I lend the goods to my friend?

Yes, you can let someone else use and keep the goods but if you do, you must let the seller know the name and address of the person to whom you have lent the goods.

What can you do if you have a consumer complaint about a product or service you have paid for?

Even careful buyers sometimes encounter problems with goods they have purchased or a service they have utilised. If you do have a consumer related query and your attempts to settle the complaint yourself have failed, contact the Office of the Consumer Protector.

How the Western Cape Office of the Consumer Protector can assist you

- The Office of the Consumer Protector is a Western Cape Provincial Government department that has been established to assist consumers in resolving disputes they have with businesses and institutions.
- The Office of the Consumer Protector investigates complaints received from consumers and intends to resolve these complaints amicably between the two parties.
- The Office of the Consumer Protector (OCP) also supports Advice Offices across the province. These Advice Offices are independent Non Profit Organisations that provide a consumer advisory service to members of their communities.

Call the toll free number: 0800 007 081

Fax: 021 483 5872

Email: consumer@pgwc.gov.za

Visit the OCP on the Ground floor

Waldorf Arcade, St George's Mall, Cape Town.

Visit any of the Advice Offices in the Western Cape.

ISSUED BY: The Western Cape Office of the Consumer Protector,
Department of Economic Development and Tourism,
Waldorf Arcade, 80 St George's Mall, Cape Town.

