

Consumer Leases

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What is a consumer lease?

A consumer lease is a contract that allows you (the lessee) to hire goods from the hirer (the lessor). Despite the large amount of money that you pay out, you do not own the goods at the end of the lease. They remain the lessor's property.

Consumer leases are often promoted as convenient and affordable options when you are purchasing household items such as whitegoods, TV's, or laptops. But in reality, the total lease payments will add up to more than the cash price of the goods. You will also have to pay fees and charges.



No right to purchase.

At the end of the lease, you may make an offer to buy the goods, which usually means paying an additional amount of money. However, the lessor does not have to accept your offer and may refuse to sell the goods to you.

Usually no cooling-off period

Avoid impulse buys and watch out for high-pressure sales tactics. There is usually no cooling-off period for a consumer lease agreement, so once you sign, you are legally bound. It is a good idea to shop around for the best deal before you sign anything.

Financial Hardship

You are entitled to ask for changes to your consumer lease agreement, on grounds of financial hardship. The lessor must respond to your request in writing within 21 days. If the lessor unreasonably refuses your request, you may complain to the Australian Financial Complaints Authority (**AFCA**). See AFCA's contact details below.

See also our fact sheet on hardship variations.

Termination & default

If you terminate a lease early, you will pay a termination fee, usually based upon how long is left on the lease. Check the terms and conditions of your lease.

If you signed a consumer lease and have not received the goods, you may terminate the lease. However, you may still be liable for fees/charges incurred before the termination.

If you default on your payment, the lessor cannot enter your premises to repossess the goods unless the occupier consents to entry, or unless the Court authorises entry.

See also our fact sheet on default notices.

Consumer lease provider obligations

Account information

Consumer lease providers have responsible lending obligations and must obtain your account information for the preceding 90 days in verifying your financial situation and the affordability of your repayments. They must document in writing their assessment that the consumer lease is not unsuitable.

10% protected earnings caps

A consumer lease provider must not enter (or offer to enter) a consumer lease if the repayments would exceed 10% of your net income.

Total price payable

Consumer leases must contain the base price of the hired goods and the difference between that base price and the total amount payable under the consumer lease (including taxes and add-on fees).

4% cap on fees and charges

The total and monthly amounts payable on a consumer lease (including any applicable taxes and add on fees) are capped at 4%. The cap is on top of the base price multiplied by the number of months (up to a maximum of 48 months), plus default fees or certain enforcement expenses.

Canvassing ban

Businesses are prohibited from canvassing for consumer leases in public places, stalls, or an aircraft, vehicle, or vessel.

Statements

The lessor must give you periodic statements of account, at least annually and on request. The lessor must provide you with an end of lease statement at least 90 days before the end of the lease.

What are your obligations?

- You have an ongoing obligation to make lease payments.
- If the goods become damaged, stolen, or destroyed, you still have to pay the rest of the lease repayments, as set out in your agreement.
- You must disclose the location of the goods hired if the lessor requests you do so.

Do you have a better option?

Take the time to explore all your purchasing options.

If it can wait, you may be better off delaying your purchase and saving up for the item.

Consider lay-by. This option may not be widely promoted but is usually available if you ask for it. With lay-by, you pay your purchase off in instalments, with no extra fees or charges. Of course, you have to wait until you've paid it off in full before taking your purchase home, but you will save a lot of money in fees and avoid getting hit with hefty interest charges.

You may be eligible for a NILS loan ([No Interest Loans Scheme](#)) or a [Centrelink Advance](#).

For further information contact
Consumer Credit Legal Service Website: www.cclswa.org.au Advice line: (08) 9221 7066
Other useful contacts
Australian Financial Complaints Authority Website: www.afca.org.au Phone: 1800 931 678
National Debt Helpline Website: www.ndh.org.au Phone: 1800 007 007
MoneySmart by ASIC Website: www.moneysmart.gov.au Consumer Leases Webpage: https://moneysmart.gov.au/other-ways-to-borrow/consumer-leases