

## Ending a Contract to buy goods or services which is: 'Subject to Finance'

*Disclaimer: Consumer Credit Legal Service (WA) Inc. produced this information as a general guide only. The information is not legal advice. You may ring us on (08) 9221 7066 for more help. Please note the information provided is correct as of date of production, as indicated in the footer.*

### CASE STUDY

Jim went to buy a car from a car dealer, but he needed a loan to pay for it. He signed a contract with the dealer to buy the car. The words "subject to finance" were handwritten onto the contract. Jim went to his bank to apply for a loan. The bank rejected his application, so he applied to three other banks. Two of the banks refused to give him a loan. The third offered a loan for a very high interest rate if his parents acted as guarantors. Jim did not want to take out the loan offered by the third bank as he could not afford the repayments. He wants to know whether he can refuse to buy the car, so he contacts CCLS for



advice. Jim is told that as he applied to get a loan four times and was unable to get one with repayments that he can afford, he can end the contract to buy the car.

### How do I know if a subject to finance clause is in my contract?

A 'subject to finance' clause is a condition which the parties to a sale contract sometimes agree to add into the contract. It is usually found in contracts to purchase cars. This condition means that the contract to purchase the goods will not come into effect until the purchaser receives approval from a lender to borrow money to pay the contract price.

### When can you end a sale contract if it is subject to finance?

You are generally allowed to end a sale contract which is subject to finance if you made several applications for credit; and

- Your applications were rejected; or
- You could not afford the repayments that the lenders had requested.

You need to be aware that every time you apply for credit, the application is recorded on your credit report. If several applications are listed on your credit report, this may affect your ability to get credit in the future. See our fact sheet on credit reports for more information.

### How do I end my sale contract?

To end the contract, you must let the supplier know in writing. We recommend that you keep a copy of any written correspondence.

### What happens once my contract is at an end?

Once your contract is at an end, any money that you paid to the supplier must be refunded to you. This will usually be your deposit. If the supplier refuses to refund any amounts to you, you should contact CCLS for further advice. You can also report the supplier to Consumer Protection WA on the below details.

If you took possession of the goods, you must return the goods to the supplier. If the goods were damaged while they were in your possession, you must pay the supplier for that damage. If any services were supplied to you before the contract was cancelled, you must also pay for those services.

| <b>For further information contact</b>  |
|---|
| Consumer Credit Legal Service<br>Website: <a href="http://www.cclswa.org.au">www.cclswa.org.au</a><br>Advice line: (08) 9221 7066   |
| Consumer Protection WA -Department of Mines, Industry Regulation and Safety<br>Website: <a href="http://www.commerce.wa.gov.au/consumer-protection">www.commerce.wa.gov.au/consumer-protection</a><br>Phone: 1300 304 054 |