



## CONSUMER LEASES

*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.*

### CASE STUDY

Four years ago Jessica got a new couch. She entered into a consumer lease to pay for it. The lease has now ended and she has been contacted by the leasing business to return the couch. Jessica knows that over the last four years she has paid the business much more than the couch was worth and wants to know whether she can keep it. She calls CCLSWA for advice. She is advised that at the end of the consumer lease she does not own the couch. She can make an offer to purchase it, but she has no right to purchase or keep it.

### What is a consumer lease?

A consumer lease is a contract that allows you (the **lessee**) to hire goods from the hirer (the **lessor**). This type of finance allows you to lease the goods over time rather than buying them outright. However, despite the large amount of money you pay out, you do not own the goods at the end of the lease period. They remain the lessor's property.

Stores promote leasing as a more affordable option than buying something outright but in reality, your total lease payments will add up to more than the cash price of the goods. You may also have to pay certain fees and charges.

### Usually no cooling-off period

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

### 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 may refuse to sell the goods to you. You have no right to insist on buying the goods.

## Changes to your lease

If you and the lessor agree on a change to the lease agreement, the lessor must set out these changes in writing within 30 days of the change.

## Financial hardship

You have the right to ask for changes to the lease agreement on grounds of financial hardship. If you need more information about applying for hardship, you can visit the Hardship section of our website (<http://cclswa.org.au/advice/hardship/>).

The lessor must respond to your request in writing within 21 days. If the lessor does not respond to you or refuses your request, you may complain to the Australian Financial Complaints Authority (see the contact details for AFCA below).

## Termination & default

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 premises to repossess the goods unless the occupier consents to entry, or unless the Court authorises entry.

## Leases signed on or after 1 March 2013

If you signed a lease on or after 1 March 2013, you have further rights:

### *Alterations*

The lessor must not make a unilateral change to the lease unless you agree to it in writing.

### *Statements*

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

### *First default by direct debit*

The lessor must give you notice of your first direct debit default within 14 days of the default occurring.

## 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 it.

## Consider your options

Take the time to explore all of your purchasing options first. You may be better off waiting a while 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 installments, 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.

### For further information contact:

#### **Consumer Credit Legal Service (WA) Inc.**

Website: [www.cclswa.org.au](http://www.cclswa.org.au)

Advice line number: (08) 9221 7066

#### **National Debt Helpline**

Website: [www.ndh.org.au](http://www.ndh.org.au)

Telephone number: 1800 007 007

#### **Australian Financial Complaints Authority**

Website: [www.afca.org.au](http://www.afca.org.au)

Telephone number: 1800 931 678

#### **MoneySmart by ASIC**

Website: [www.moneysmart.gov.au](http://www.moneysmart.gov.au)

Telephone number: 1300 300 630