



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.

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 3 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 couldn't afford the repayments. He wants to know whether he can refuse to buy the car so he contacts CCLSWA for advice. Jim is told that as he applied to get a loan 4 times and was unable to get one with repayments he can afford then he can end the contract to buy the car.

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 or houses. 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.

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

You will need to look at your sale contract to see if there is a subject to finance clause. It is usually handwritten in the box titled "Special Conditions". If you told the supplier that you needed finance to purchase the goods, and your contract does not contain this clause, you should contact us for advice.

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 file. If several applications are listed on your credit file, this may affect your ability to get credit in the future.

How do I end my sale contract?

To end the contract, you must let the supplier know in writing. You should 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 us 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.

For further information contact:

Consumer Credit Legal Service (WA) Inc.
Website: www.cclswa.org.au
Advice line number: (08) 9221 7066

Consumer Protection - Department of Mines, Industry Regulation and Safety
Website: www.commerce.wa.gov.au/consumer-protection
Telephone number: 1300 304 054