



A credit agreement is only legal if both buyer and seller have signed it

Buying on hire purchase

Many people buy furniture and other household goods on Hire Purchase (HP) because they do not have cash. But, before you do so, it is important to understand how HP works because, if you do not, you may lose the goods when you fail to pay

What is Hire Purchase?

Hire Purchase (HP) means buying household and other goods on credit. When you buy *something on HP, you have to pay a deposit, then a certain amount called an instalment, every month until you have paid off the full amount.*

Once you have paid the deposit, you can take the goods home, but they do not belong to you until you have paid the last instalment.

You, the buyer, enter into an instalment sales agreement (this used to be called an HP agreement) with the seller. This is a credit agreement.

It says that the buyer can pay the rest of the amount owed (balance) in small

amounts. The seller is allowed to charge interest because he or she is not being paid in cash.

Many people who buy on credit do not know that it costs more than buying for cash.

What must a credit agreement contain?

A credit agreement must be in writing and is only legal if both the buyer and the seller have signed it. It must state exactly how much the goods cost, what deposit is to be paid, and how much the monthly instalment is. A statement saying how much is still owed must be sent to the buyer every month.

Once you have signed a credit agreement, keep a copy of it in a safe place. Keep receipts for every payment so that you can prove you have paid if something goes wrong.

The trap of easy credit — repossession

The seller can take back the goods if you do not make your payments.

A seller can only take back the goods if:

- You have signed a voluntary repossession or consent form;
- The seller obtains a court order. In this case, a person sent by the court, called a Messenger of the Court, will come to your home to take back the goods.

Know your rights

● Sellers sometimes use false summons. Make sure that your summons have been issued by the court;

● It is illegal for sellers to use physical threats or force. If they do, you must report it to the police;

● If a seller interferes with your private life, they may be taken to court for invasion of privacy;

● If a seller enters your property illegally (without a court order or consent form), they must be reported to the police for trespassing;

● If a door or window (or any property) is broken by a seller, they may be charged for damaging your property.

Here are a few tips

● Always read a document carefully and make sure you understand what it says before you sign it;

● If you are not sure of something, take the document home and ask a friend or relative to read it and explain it to you;

● Ask the salesperson questions such as what will happen if you lose your job or cannot make the payments;

● If a relative dies, find out what agreements he or she

signed. Make certified copies of the death certificate.

Documents are certified by a lawyer or commissioner of oaths. Take the copies to every place where your relative owed money to. If the manager of the shop is rude and not helpful, contact the company's head office;

● Make copies of every letter you send to the seller and keep letters you receive. These letters can help you prove your case.

Remember, it is not good to buy something on HP, especially if it is expensive, without thinking carefully about it. Be sure you understand the terms of the sale.

If you need more information and advice on HP, go to your nearest advice centre or write to:

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Signature

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