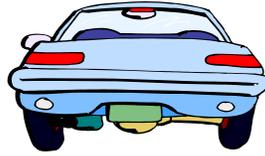


## HIRE PURCHASE (& CONDITIONAL SALE)



Goods bought under a Hire Purchase (H.P.) or a Conditional Sale agreement should be treated as priority because they can be repossessed if payments fall into arrears.

Under a H.P. or Conditional Sale agreement the goods do not actually belong to the purchaser until the final payment is made. This means that the goods cannot be sold in the meantime without the permission of the creditor.

Up until recently these agreements were usually for cars bought through a garage. More recently certain stores, who do not carry out credit checks, (such as "Brighthouse" and 'buy as you view slot tv') use Conditional Sale agreements for household furniture, consumer durables etc.

Most credit agreements will be Credit Sale agreements instead, but it is worth checking the **Repossession of Goods**

If more than a 1/3 of the total cost (including any deposit or part-exchange value) has been paid then the goods can only be repossessed with either the customer's agreement or under a Court Order.

If less than a 1/3 has been paid the creditor can repossess goods without going to Court, but will need to serve a Default Notice first.

If more than 1/2 of the total cost (and any arrears on the instalments) has been paid you can return the goods to the lender and will not have to pay a penny more; as long as the goods are in a reasonable condition.

If more than a 1/3 has been paid and a Default Notice has been served - you will have some time to bring your account up-to-date. If this is not possible you can contact the creditor with details of your income and expenditure, and try to make an offer for payments that you can afford. Often creditors will agree to reduce payments, especially if your problems are only going to be temporary.

If an arrangement isn't made or isn't kept to you could then receive a Claim Form from the County Court. If the debt is admitted you should return the reply form directly to the creditor with a reasonable offer of payment, and try to arrange payments before the hearing.

If the debt is being defended, or a counterclaim is being made, a form needs to be completed and returned to the court. Defence and counter claim need to be proven in the reply. You should seek advice regarding this.

agreement. With a Credit Sale agreement the goods belong to the purchaser from day one and thus cannot be repossessed by the credit company.

The first thing to think about with HP & Conditional Sale agreements is whether the goods are essential. For example a car under a HP agreement from a garage may be necessary for work, or a cooker under a Conditional Sale agreement may also be a priority. However a stereo system under such an agreement may not be so important.

## At the Court Hearing

You should attend any Court Hearing and take with you a Financial Statement, or goods may be seized.

After hearing both sides the District Judge can:-

- Order the return of the goods
- Make a Suspended Order on terms
- Grant a Time Order

## Time Orders

- Hire Purchase and Conditional Sale agreements are regulated under the Consumer Credit Act 1974 and as such the court may grant a "Time Order" if it appears just to do so.
- A Time Order is usually appropriate if you can only make small payments, even less than the contractual repayments, and your financial problems are of a temporary nature.
- The court can extend the period for the arrears to be cleared; it can also order reduced payments and/or reduced interest rates for a set period.
- Seek advice if you think a "Time Order" may be appropriate for you.

If you have not kept up with the payments ordered by the court or the court ordered return of the goods the creditor can ask that Bailiffs be appointed i.e. **Warrant for Delivery**. This is a letter from the court bailiffs giving you a date and time when they will come to repossess the goods.

If the creditor won't agree to stop action you can apply to court to suspended execution. However, the court is only likely to agree to this in limited circumstances.

If an Order for the Return of goods is made against you, or you receive a Warrant for Delivery you should seek advice immediately.

[Further help and advice regarding these issues can be obtained from the CAB.](#)