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## **CREDIT CONTRACTS & BUYER'S REMORSE**

It has now become common for retail stores to advertise hire purchase deals and more and more New Zealanders are purchasing goods and services using some form of 'credit' (or deferred payment of goods or services).

The Credit Contracts and Consumer Finance Act 2003 and the Credit Contracts and Financial services Law Reform Bill provide protection and creates rights for consumers purchasing using credit contracts such as hire purchase agreements. While the Act provides a right to cancel a credit contract in certain circumstances, it does not protect everyone from buyer's remorse.

Let's take the example of Suzie Shopper who while out having a coffee with some friends noticed her favourite furniture store was having a sale. While Suzie entered the store with the intention of only having a look, she couldn't help but notice the large posters advertising 18 months interest free. Spotting a luxurious brown leather suite and seeing as she was tired of her worn fabric couch at home she decided that the deal was too good to refuse. So Suzie Shopper brought the leather suite and signed up to the hire purchase contract on the spot. Suzie was provided with a copy of the contract and terms and conditions to which she didn't take much notice and shoved in her handbag.

The leather lounge suite was delivered to Suzie's house the following day and Suzie set up her weekly payments in line with her pay day. Suzie's pay day came and went and by the end of that week she had no money left for entertainment.

After reviewing her budget Suzie decided that regretfully she couldn't afford the weekly payments the lounge suite required. The following day Suzie went back to the store to arrange for them to pick up the lounge suite she no longer wanted. Suzie was upset to find that they refused retrieve the suite.

Under the Credit Contracts and Consumer Finance Act a creditor must provide you with full disclosure of all key information in writing. After you receive this information, you have a 'cooling off' period of 5 working days if disclosure was handed or emailed to you or 7 working days from the date disclosure was posted, to which you can cancel the contract in writing.

If you have taken the goods home and you wish to cancel, you can only cancel the credit part of the agreement, you will still have to purchase the item by paying the cash price. You have 15 days to pay from when you give the creditor notice of cancelling. You may need to pay cancellation fees but these have to be reasonable. You may also have to pay interest for the time you had the credit.

However if you do not receive full disclosure you can cancel the contract at any time and return the goods as the contract is unenforceable.

The law says that if you have experienced 'unforeseen hardship', you can ask the creditor to change the terms of your credit contract. Hardship covers things like illness or injury, loss of employment or a relationship breakdown. You can only apply for this if you couldn't have expected the hardship situation you are in at the time you entered the contract and for this reason it wouldn't apply to Suzie Shopper.

As Suzie was handed full disclosure more than 5 working days ago she can only cancel the credit part of the contract and pay the cash price, she cannot however return the lounge suite.

### **20 MINUTE FREE**

**WANT to review your Family Trust structure?  
 THEN call us and take advantage of our 20 Minute Free interview**