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GENERAL SECURITY AGREEMENTS AND THE PPSR

The PPSR is the Personal Property Securities Register. It is an online database service provided by the Government. Parties often enter into General Security Agreements to allow registration of security interest on the Personal Property Securities Register.

The purpose of the PPSR is to allow people (or companies) who lend money to others to register that debt by way of taking security over that person's possessions. It is similar to a mortgage over land, but it is a mortgage over other assets such as cars, televisions or computers.

For example, Samantha is a university student. For her studies as a design student, Samantha needs an expensive top of the line computer and printer. Money-4U lends \$4,000.00 to Samantha to purchase a computer and printer. Money-4U takes a security over the computer and printer. If Samantha does not make her loan repayments, Money-4U can take possession of the computer and printer.

When may the PPSR be relevant to you?

1. When you buy items on hire purchase;
2. When you loan money to a friend, family member or company;
3. When you borrow money and the Bank wants security, but you do not own your own home;
4. When your business wants to borrow money but the business assets do not include land.

Why is using the PPSR a good idea?

The PPSR notifies people who are looking to buy items (such as cars) that there is money owing on that item and that it may be repossessed.

If you have lent someone money and

registered a security for that loan on the PPSR, you are deemed to be a secured creditor. If the person you loan money to gets into financial trouble you are in a better position to get your money back.

Registration on the PPSR is not limited to one specific item. Certain companies require a security over all present and future acquired property.

For example, when Samantha buys her computer she signs a General Security Agreement and agrees that Money-4U has a secured interest over all her present and future acquired property. One night when there is a rowdy university student party at Samantha's flat, her computer and printer are destroyed following a beer keg incident. Samantha did not have insurance. Samantha defaults on the loan repayments for the computer. Samantha does however have a car worth \$3,000.00. Money-4U repossess her car pursuant to the General Security Agreement to recoup their money.

We recommend discussing with us the idea of having a General Security Agreement or secured interest on the PPSR if you are contemplating lending money to family members, or between your businesses, or from your Trust to your Company. We also recommend that when borrowing money, you read the fine print to see whether or not you are signing a document that allows the lender to register their interest on the PPSR.

If you have any queries in regards to General Security Agreements or the PPSR, please feel free to contact us.

- ***The next newsletter covers the topic of Landlords' Obligations under Residential Leases—by Amy Haste***