

## **How to deal with Hire Purchase debt?**

### **What is Hire Purchase?**

- A method of paying for the item in installments and eventually owning the item once the payments have finished.
- Commonly associated with cars but can now be seen with items of furniture or white goods.
- The item does not belong to you meaning it is a criminal offence to sell on the item without the creditor's written permission.
- A creditor can ask for the item to be returned if the payments are missed.

### **What happens if my circumstances change and I am unable to make the payments?**

- The creditor may be able to repossess the item.
- In the agreement it should state how much you would have to have paid for the creditor not to be able to take back the goods.
- In most cases this is usually a third of the total amount.
- If you have indeed paid over a third, the creditor will need to receive a court order for the item to be returned.
- The creditor cannot simply turn up at your house and take the item.
- If that does happen, you will be therefore entitled to have all the money contributed so far to the payments, returned.
- The creditor if you have paid under a third still does not have the right to simply take the item from your premises. This includes driveway or garage but not simply the roadside.

### **What will happen at the court hearing?**

- The court will give you a chance to keep the items if you can arrange new and reasonable payments with your creditor.
- If an arrangement is not made and a third or more of the total figure has been paid, the creditor will ask the court to send you a claim form, which will state the goods need to be returned.
- This is also known as a Return Order, where you will have to attend a further hearing with a district judge at your local county court.
- The form you are presented with will need to be completed and returned to the court within 14 days.
- The court may well then suspend the order to return the goods but an arrangement must again be made that you can afford to pay the debt.
- The form should be returned to the court and the court in turn will forward a copy to the creditor.
- The creditor then has a choice to accept or decline the offer and the hearing will take place only if the creditor rejects the proposal.

### **Do I need to attend the hearing?**

- It is vital you attend the hearing.
- The court will make a decision on the monthly payments that will need to take place from this point on.
- If you do not attend the hearing the court will grant the creditor the order to repossess the goods and you will need to return them.

### **What happens if I have paid under a third?**

- If you want to keep the items, you may be able to come to an agreement with your creditors to continue making payments at a different rate.
- This will likely be accepted if you are able to continue paying the previous rates in addition to contributing to paying any outstanding balances previously.
- It may be an option to go to court for a time order where you can ask for the payments to be reduced and the time period for payment extended.
- This is usually granted in the case where your financial situation has changed for unforeseen circumstances.
- In the case your income change is permanent, it is wise you look whether you can realistically keep making the payments or if it is worthwhile in keeping the item.

### **What are the overall payments if the agreement is terminated?**

- If you terminate the agreement and the goods are returned in good faith the amount may be less.
- If the creditor is the one to terminate the agreement, the overall fee to be paid could be much larger.

### **Can I terminate the agreement myself?**

- You can do this at any point before the last payment is due.
- You will no longer be able to terminate the arrangement if the creditor has terminated the arrangement or the full amount is already liable to be settled.
- If goods are voluntarily returned to the creditor, the fees that usually will need to be paid is half the total amount payable under the original agreement. Any payments that are already made will be taken away as well as sums that are payable from that total figure.
- Any missed payments will need to be settled as will any damages to the items.
- Make sure any additional charges that the creditors may add are reasonable and fair.
- Any termination you decide to make should be done in writing to be sure that it is confirmed that the termination was voluntary.
- You should keep a copy of any confirmation of terminations just in case you need evidence at a later point.

### **Will my creditors charge me for collection of any items?**

- It is not unusual for a creditor to do so but the Consumer Credit Act does not permit this.
- You have the right to complain to your Trading Standards Department if any added charges are incorporated.
- It is also not expected of you to return any items to a place that is unreasonable in terms of cost or distance.

**Can the creditor terminate the agreement?**

- In the case of missed payments, the creditor can terminate the agreement by sending you a default notice.
- Within the notice, the payments remaining will be portrayed and a date they should be settled by.
- You will also have to return the items.
- If the balance is not settled by the date, the total amount will become payable and the agreement officially terminated.
- The fees remaining will be the total original amounts take away what you have paid and what the creditor receives from selling the item on.
- In addition, the option to purchase fee, may well be deducted.

**Will the creditor still come after me once the item is returned?**

- All the creditor will do is try and recover any outstanding balances.
- You can offer a payment plan to the creditor.
- If the offer is rejected you could be subject to the creditor suing you at the county court for the outstanding balance.
- If you disagree with the balance that the creditor says you are indebted to pay, you should write and tell them.
- If a hearing takes place to determine the debt, the judge will make a decision.
- A county court judgment will then arise and you will have the chance to offer a payment plan.