

## Negotiating payment with the creditor

You should treat Hire Purchase as a priority debt. Ideally you would pay your normal monthly instalment and offer a sum towards the arrears. If you cannot pay the full instalment due to a temporary difficulty then contact the creditor and explain your circumstances. Offer to pay a sum that you can afford. If your circumstances are unlikely to change and you cannot meet the normal payments then you will need to decide if you can realistically keep the goods.

## If You Need Further Advice

For advice about Hire Purchase or any other debt problem telephone our **Debt Advice Line – 727 8222 (Mon., Weds. and Fri.) between 1.00 and 4.00 pm**

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Debt Advice Service  
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# Hire Purchase Debt



**Advising you**

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## What is Hire Purchase?

Hire Purchase agreements are commonly used to buy cars, computers and furniture. Increasingly they are also being used for electrical household goods paid through a slot machine on your TV.

They are different from most other credit agreements because with Hire Purchase (as with Conditional Sale Agreements) you do not own the goods until you have paid the credit agreement off. With ordinary credit agreements the goods are yours right from the start of the agreement.

The contract is with the hirer of the goods not the supplier. You cannot sell the goods without their written permission. If you sell the goods without permission it can be a criminal offence.

If you are not sure what type of agreement you have – check the contract.

## What if I can't pay?

If you fall behind with the payments the creditor may be able to repossess the goods. They must first terminate the agreement. **If you have paid a third or more of the total price** (a box on the agreement tells you how much this is) then the creditor must go to Court to recover the goods. They cannot just come round and remove them. To recover

the goods, the creditor has to issue an application for a **Return Order**. You will be given a time and date to attend your local County Court.

You should fill in the reply that accompanies the claim and offer as much as you can afford. The Court will either decide that your offer is acceptable, or make a Return Order – you will then have to return the goods.

**If you have paid less than a third of the total price** then the goods can be repossessed without a Court order.

After the goods have been repossessed they will be sold. The proceeds of the sale will be deducted from your balance and you will be liable for the remaining sum.

## Terminating the agreement yourself

If you decide to end the agreement voluntarily and hand back the goods to the creditor you can limit the amount you have to pay back. You can do this at any time provided you have not yet received a default notice. Terminating the agreement should be put in writing and you should keep a copy.

Your liability will be half of the total sum due under the agreement (*see the box on agreement*) LESS payments you have made PLUS arrears owing.