

Layaway: An Alternative Way to Buy

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When shopping, sometimes a consumer does not have the necessary cash on hand and may not want to pay for an item using a credit card and so may ask a business if it offers a layaway plan. Layaway acquisition plans are designed for people who want to buy products without using credit or paying the full price immediately.

A consumer buying on credit can take the goods home without paying the full cost. When a layaway plan is used, the consumer usually puts down a deposit which is a percentage of the cost of the product. The remaining cost is then paid over a period of time. In this transaction the business holds the product in reserve for the consumer and the consumer takes the product home when the total cost has been paid.

Important Matters to Disclose

There are important aspects of layaway acquisition plans that businesses should disclose to consumers in writing. These include: cancellation and refund policies; payment plans; service or layaway charges; and the location, availability, and identification of the layaway product.

Cancellation and Refund Policies

It is always good business practice to inform consumers about your cancellation and refund policies. The absence of cancellation and refund details can be a great source of consumer discontent. Disclosing these policies in writing may significantly reduce consumers' complaints and the possibility of dissatisfied consumers taking their business somewhere else.

If a consumer decides that he/she does not want the product after making some or all the payments, this can create a dilemma for both parties to the layaway contract. The pertinent question that will be in dispute is "Will the business be obligated to provide the consumer with a refund?"

Layaway policies may vary from business to business. Some businesses may refund all monies paid whilst others may charge a service fee and other businesses may opt to give the consumer a credit note for the amount paid.

If a business does not give full refunds, the business should clearly state how much, if anything, the consumer will be charged for the incomplete layaway transaction. If cash refunds are not given but a credit note is given toward a future purchase, this should be made clear to the consumer.

Some businesses have a policy of cancelling the layaway agreement if the consumer fails to make the necessary payment on the specified date or does not complete the transaction within the agreed time. If a business has such a policy, the business should inform consumers in writing to avoid misunderstandings.

Payment Plans and Charges

If the business requires the consumer to pay a specific sum of money at set intervals (for example, every month), or requires payments to be completed within a specified time (for example, within 90 days of the commencement of the layaway contract), the business should inform the consumer of the exact requirements. Disclosure may include:

- the required payment amounts;
- the dates when payments are due; and
- the date of the final payment, if applicable.

Sometimes businesses may let a layaway completion date pass if the payments are almost completed. In cases like this, the business should notify their layaway consumers of their intentions to extend the time and give them a new date stating when all payments must be completed.

Where a business intends to add a service or layaway charge to the purchase price, consumers should be made aware of the charge before they enter into the layaway contract.

Consumers who buy products on layaway may expect that the item will actually be "laid away"; that is, physically separated from stock that is available for sale. However, some businesses may remove layaway products from the sales floor and others may keep large items, such as furniture or major appliances, on the sales floor but mark them "sold". Where layaway products are not removed from the sales floor, it may be prudent to inform consumers that the item will be left on the sales floor since doing so may avoid future complaints.

Availability and Identity of the Product

If the product is not available and must be ordered, businesses should inform consumers when and under what

circumstances the business will order the product.

To help avoid potential confusion about the particular product selected, the business should identify the layaway product on the layaway sales slip. Characteristics of the product should be clearly described, such as colour, size, stock number, model number and trade name or manufacturer. This may prevent misunderstandings when the consumer makes the final payment and is ready to take the layaway item home.

Businesses communicate their layaway terms in different ways. Businesses who post their layaway terms on a sign in the store should ensure that the sign (or signs) be placed in an appropriate and conspicuous location (or locations), and the message should be simple, clear and large enough to be read from a distance.

What Does the Consumer Protection Act CAP 326D Say?

Layaway transactions are not specifically regulated by the Consumer Protection Act (CPA). However unfair or deceptive trade practices are illegal under the CPA, where a consumer has entered into a contract with a business, the business must provide the consumer with accurate and sufficient information which allows the consumer to make an informed decision. Information that is misleading about the product will infringe the CPA. A consumer who has entered into a layaway contract with a business and subsequently changes his/her mind about completing the transaction is not entitled under the CPA to a refund of monies paid.

However, if the product is defective and the business insists that the consumer must accept the defective product, then the issue may fall under the Consumer Guarantees Act CAP 326E (CGA) which is administered by the Office of Public Counsel. This office is a separate entity from the Fair Trading Commission. Under the CGA, where an item is defective, consumers are entitled to redress in the form of repair, replacement or a refund of monies paid.