Financial Rights
LEGAL CENTRE

KNOW YOUR RIGHTS CHECKLIST

CALL THE CREDIT & DEBT HOTLINE ON 1800 007 007

Financial Rights Legal Centre Inc.
ABN 40 506 635 273

We provide FREE legal and financial advice about loans, debts and money problems.

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GETTING A CAR LOAN

Buying a car on finance is a BIG DECISION Take your time to work out what you really need and don't let a pushy salesperson pressure you into making an on-the-spot decision.

☐ **Is your loan SECURED by your Car?**

Remember the lender can repossess your car if you fail to make repayments!

☐ **If you want to OWN your car, get a LOAN (NOT a Lease!)**

A lease only gives you the right to use the car for a short time. You will have no right to buy a car at the end of the lease.

☐ **Cars generally depreciate in value.**

The loan could be more than the value of the car! If the car is repossessed you could still owe money. To manage this we recommend you repay the loan as quickly as possible.

☐ **BEFORE you sign up you MUST ask for the following documents:**

☐ Key Facts Sheet (KFS)

☐ Credit Guide

☐ Your Contract (Particularly look at the summary on the front page)

These documents contain critical information that the lender must disclose about the total cost of your loan, including interest, fees, penalties, etc.

READ THESE DOCUMENTS and confirm that this loan is right for you.

☐ **Dealer Finance: Remember You have OTHER OPTIONS!**

It can be cheaper to get a car loan elsewhere!

Many lenders will give you "in principle" approval for a loan before you find your car, so you know exactly how much you can spend at the dealership.

Warning about business purpose declarations

Only sign a 'business purpose declaration' if you are really using the loan for business or you could lose valuable rights under the National Credit Law.

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☐ ## Comprehensive Car Insurance

It is usually a term of the contract that you must have comprehensive car insurance. This insurance covers damage to your car and damage caused by you to other cars or property.

- Shop around for the best value comprehensive car insurance!

☐ ## Are there any ADD-ON INSURANCE policies?

You don't have to take up any extra insurance options (Dealers usually receive commissions for selling them). These costs make the loan a lot more expensive and are usually <u>poor value</u>.

☐ Always check the terms and conditions of any additional coverage, and weigh up any benefit versus the cost. Remember, if you have to borrow more to buy these additional products, you will pay more interest and probably have higher repayments also.

☐ **Loan Protection**: (eg Consumer Credit Insurance) These products purport to cover payments in the event of unemployment or illness, but the quality of coverage varies between products greatly. If you decide you need this, shop around!

☐ **Gap Cover** (Shortfall): If you have a total loss claim, it's the difference between the car value and your comprehensive cover. You're unlikely to need this if you have a small loan or pay a large deposit.

☐ **Extended Warranties**: Does the extended warranty offer more protection than the warranty that comes with the car? When does the extended warranty start? Are there any important restrictions or conditions?

☐ ## Balloon Payments

Do NOT sign a loan contract or lease with a large payment at the end of the loan, unless you want this and expect to be able to pay it.

☐ ## Co-borrowers

If you are borrowing money with another person you will BOTH be liable for the ENTIRE debt (it's called joint and several liability)

If you aren't getting a benefit from the loan, DON'T be a co-borrower!

☐ ## Guarantee

If you are considering guaranteeing a loan, get legal advice. *If the borrower doesn't repay the loan, YOU WILL!*

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