

## Consumer Leases

This fact sheet is for information only. You should get professional advice about your personal situation.

### Main ideas

- Consumer leases are usually very expensive in the long run.
- At the end of the lease, after paying for many months, you won't own the item. But you may be able to pay more to buy it.
- There are less expensive options if you can't pay for the items you need right now.
- Financial counsellors can help. Their services are free.

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## Consumer leases are different to buying by instalments

When you sign up for a consumer lease, you are not buying the item, you are renting it. The item could be any household item, such as a fridge, washing machine, laptop, TV, or even a car. You pay each week, fortnight, or month for a fixed time (usually 1–3 years). When the lease ends, you do not own the item, the company you leased it from still owns it.

With a sale by instalments, you eventually own the item – you pay regular instalments to cover the cost of the item and interest. Sales by instalments have been rare in Australia because until very recently (12 June 2023) there were no limits to how much companies

could charge you to rent the item to you.

## **‘Rent to own’ or ‘Rent to buy’ – don’t be tricked**

Sometimes items are advertised as ‘Rent to own’ or ‘Rent to buy’ – but the contract may not give you the right to buy the item when the lease ends. The contract will usually only give you *the option to make an offer to buy the item* at the end of the lease – and the lease company does not need to accept your offer.

If you believe you were misled into a lease (because of deceptive advertising or false statements by the salesperson), **get legal advice**.

## **Consumer leases might look cheap, but can be very expensive**

Consumer leases might look cheap because the weekly or fortnightly payments are usually low, perhaps only \$20 per week. But, if the lease is for 3 years, that’s a total of \$3,120! Your lease must tell you how much all your lease payments will add up to and the cash price of the item/s you are leasing – check this carefully before you decide if it is worthwhile.

Before 12 June 2023, there was no limit to how much a consumer lease company could charge you.

For consumer leases from 12 June 2023 onwards, the most you can be charged under a consumer lease is:

- **If your lease is 2 years or less**, the lease company can charge you the cash price of the item plus  $0.04 \times \text{cash price of item} \times \text{number of months}$ . For example, if you are renting a \$1,000 laptop over 24 months, you can be charged a maximum of the \$1,000 (cash price) +  $0.04 \times 1,000 \times 24 = \$1,960$ .
- **If your lease has no set term**, you can be charged up to 1.92 times the cash price. So, if you are renting a \$1,000 computer with no fixed term, the maximum charge is \$1,920.
- **Plus** reasonable delivery fees and very limited installation or add-on fees.
- **Plus** default and enforcement fees if you miss payments.

If the lease company charges you more than this maximum, you only need to pay the cash price of the item/s (make sure you get legal advice if you think this applies to you).

The person selling you a consumer lease will usually not tell you what the equivalent interest rate is. If you want to work out if a loan or a lease is cheaper, [use this rent versus buy calculator to help you work out whether the lease is worth it](#).

## **Signing up to a consumer lease**

If you are thinking about signing a consumer lease, consider:

– Do you want to own the items? Will you be able to buy the actual item you've been using? How much extra will it cost to buy it? Can the lease company say no to you buying it?

- How much will you need to pay to end the contract early if you can't afford it anymore or decide you don't want it anymore?
- How much will you be paying over the whole lease, compared to the cash price.
- If you are on Centrelink payments, be very careful if the lease company suggests you pay for the lease through CentrePay. If you do this, the lease company will get paid first, before the rest of the money goes into your bank account. Will you have enough money to live on?

A consumer lease must be in writing.

You must be sent a statement at least once a year showing the payments you have made.

### **If you can't keep up the lease payments**

If your situation changes and you can't make your lease repayments, contact the lease provider. You have a right to apply for a financial hardship variation. You could ask to reduce or postpone your repayments (usually for up to 3 or 6 months at a time), and have the lease extended so you can make up the missed payments. (The financial hardship provisions of the National Credit Code apply to consumer leases. [Read our fact sheet about Financial Hardship.](#))

If you could never afford the repayments from the start, get legal advice. Consumer lease companies must comply with responsible lending laws, so the lease company must check that the lease is affordable and meets your needs. From 12 June 2023 onwards:

- the lease company must also ask you for bank account statements for the last 90 days to check you can afford the lease
- the lease company must check that you are not paying more than 10% of your net income towards all your consumer leases
- there are also limits to the lease company sending you offers for more credit (unless you asked them to).

You can also ask a free financial counsellor for help – call the National Debt Helpline on 1800 007 007. If you need legal advice and you are in NSW, you can call our Credit & Debt Legal Advice line on 1800 844 949.

### **If the rental item is lost or stolen**

The item belongs to the lease company, so if it is lost or stolen, you need to negotiate with

them how to pay for it. **The lease company will expect you to continue paying the lease payments even if you don't have the item.** But you may be able to end the lease early.

Do not sell or get rid of the leased items without the lease company's permission. The item belongs to the lease company. If you have done this, **get legal advice immediately**

## Ending the lease early

Check what the contract says about the options you have for ending the lease early.

Often you can terminate a consumer lease early if:

- the item is returned in working order (or you pay the value of the item), and
- you pay a termination fee.

The contract will usually have a formula to calculate the termination fee, often based on how long is left on the lease. If the amount seems too high or unfair, **get legal advice.**

## Ending the lease when the contract finishes

The lease contract will state what happens at the end of the lease. For example:

- You must return the item in working condition. No more payments are made.
- You can offer to buy the item, and the lease provider will tell you how much more to pay to keep it.
- You can upgrade to a new or different model after you return the rented one. You will sign up to a new lease agreement if you choose this option.

90 days before the end of the lease, the lease provider must give you a statement showing:

- the date the lease will end
- when and where to return the leased item
- fees and penalties that apply if the item is not returned by the due date
- whether there is an option to buy the item, and how much this will cost.

When the lease ends and the product has been returned, rental payments stop.

## Better options than a consumer lease

The best thing to do, if you can, is to save up and buy the item outright.

You could also:

- Buy on lay-by – [visit ASIC's MoneySmart website for different ways you can pay.](#)
- [Apply for a NILS loan \(no interest loans scheme\)](#). These loans are available to people on

low incomes for things like a fridge, washing machine, microwave, computer, and other regular household items.

- [Get a Centrelink Advance.](#)
- Apply for a personal loan or low interest credit card.
- Use Buy Now Pay Later. But be **very careful** using these products. [Read our Buy Now Pay Later fact sheet first.](#)

## Need more help?

[For a list of other resources, visit our Useful Links page.](#)

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