

## Want to terminate your Hire Purchase Agreement (HPA)?

Hire Purchase Agreements (HPA) are commonplace when buying expensive items such as vehicles or furniture. A HPA is a debt, and you (the debtor) do not own your goods until the debt is fully paid off and the ownership of the goods have been passed to you. Until then, they belong to the person you entered into the HPA with (the creditor).

If you have entered into a HPA with a finance company, the full amount will normally be the amount of finance specified, plus extra charges such as interest. The full amount should be clearly set out in your HPA.

It may be the case, especially in these challenging financial times, that you decide that you no longer wish to incur the repayments under your HPA and you wish to terminate it.

Under Sections 99-100 of the Consumer Credit Act 1974, the debtor can terminate the HPA at any time before the final payment to the creditor is due, providing they have paid to the creditor at least one half of the total price payable.

This general rule is the first part of what is commonly known as the "halves and thirds rule" ("thirds" refers to the fact that a creditor cannot repossess the goods specified in the agreement without a Court Order if one third of the total price has been repaid).

It must be noted however, that every HPA can be different; the HPA may provide for different terms and you should read your HPA thoroughly and take legal advice before purporting to terminate. Your HPA will also likely specify whether it is an agreement regulated by the Consumer Credit Act 1974 and you should check to make sure that it is regulated, either by again taking legal advice, or simply speaking to the creditor and asking that very question.

In order to terminate the HPA under Section 99, the debtor does have an obligation to take "reasonable care" of the goods. If the creditor can show that damage has been caused then they may be entitled to increase the sum required to recompense them for such damage. However, the creditor must take into account "fair wear and tear" when damage is alleged.

In conclusion, it is the general rule that a HPA can be terminated by the debtor at any time before the final payment is due, providing the debtor has paid half the total sums due under the agreement. It must be stressed that

this general rule may not be available to everyone – it is vital that you check the terms of your HPA, especially for any clauses relating to termination, and take independent legal advice before purporting to terminate such an agreement.

For further information and advice regarding HPA's please do not hesitate to call Ewan Carr on 01159 597 140 or email [ecarr@fraserbrown.com](mailto:ecarr@fraserbrown.com).

