

“As Is” Merchandise

A seller who wishes to make no warranty for repairs may offer goods for sale “AS IS”. Ordinarily, if you accept an item “AS IS”, you forfeit any claim against the seller for a defect. Thus, if the contract for the sale of an automobile is stamped “AS IS” and you accept it that way, no warranty takes effect. However, you can refuse to buy an automobile or any other item that is designated “AS IS”, and should do so, if you wish to protect your legal rights.

Door-to-Door Sales

A sales transaction, for cash or credit, ordinarily is binding upon you and the seller and can only be canceled if both you and the seller agree. However, the law does provide that you may cancel a contract within 3 days in instances where the sale was in your home and unsolicited provided you follow the proper notice procedure for cancellation. In the event of cancellation, any payment you made must be returned to you and any goods you received must be returned to the Seller.

Limits on Finance Charges

There is a limit to the finance charges which a seller in Illinois may add to the price of goods purchased on the installment plan.

Any charge in excess of the limit is illegal and the contract may be canceled at your option. The finance charge must be disclosed on the face of the contract. Do not sign any sales contract until you have satisfied yourself that you can afford the finance charge and that it is not illegal. If you have any doubts, do not sign the contract until you have consulted your lawyer. It is wise to treat a purchase on credit with the same caution and care you would exercise in obtaining a loan from a bank or other financial institution. Your lawyer can provide the advice you may need to avoid entering an unfavorable contract. Remember, whenever you contemplate signing a binding contract, be sure you understand the terms of the agreement. An ounce of prevention is always worth a pound of cure.

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For the most current information, please consult your lawyer. If you need a lawyer and do not have one, call Illinois Lawyer Finder at (800) 922-8757 or online www.IllinoisLawyerFinder.com

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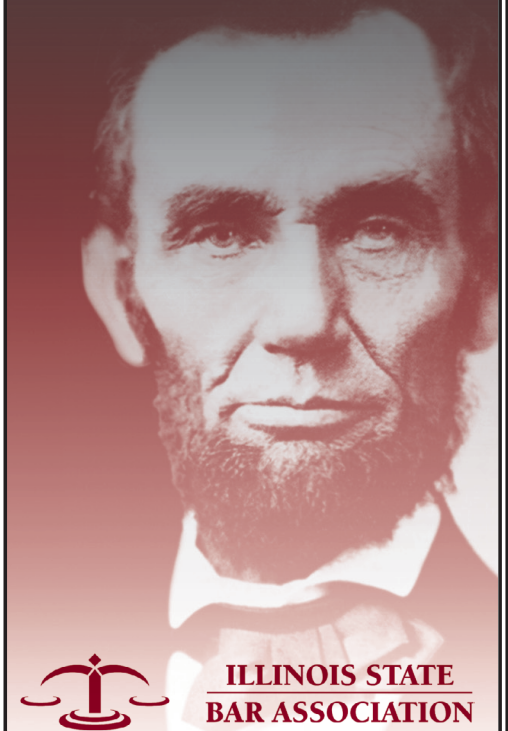
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Consumer Legal Guide

Your Guide to Buying on Time



BUYING ON TIME

Buying on credit has become so commonplace today that we often take it for granted without fully understanding the legal consequences. However, you should never accept the invitation to “buy now and pay later” without being fully informed of what is involved. For one thing, you will pay more money since interest charges and other costs are added to the cash price of the merchandise. Moreover, usually you will be asked to sign a contract of sale, known in legal terms as a security agreement. Among other things, a security agreement will set forth when and how the seller or finance company can repossess the merchandise if you should fail to make the payments.

There are four simple steps you should follow to protect your best interests before you buy on credit. First, shop and compare. The interest rates and terms of payment can vary depending on where you make your purchase. Second, always deal with an established and reputable company which will stand behind its merchandise. Third, read and understand all documents before you sign them. Fourth, if you have questions, call your family lawyer. In many cases, your questions can be answered without an office consultation.

Credit Cards

The most common method of credit buying is use of the credit card. Generally, when using a credit card, you are taking advantage of an arrangement called “revolving credit.” In such an arrangement, the issuer of the credit card is loaning you the money for the purchase and charging you a stated interest rate. The interest rate, as well as a usual service charge, is regulated by law. These regulations vary depending upon the type of credit arrangement - for example, whether the loan is to be repaid in a lump sum at the end of the billing period, or whether repayment is made on an installment basis.

In any case, the issuer of your credit card must inform you, in writing, of the various requirements of the credit arrangement. Clauses which permit the issuer, without your consent, to change the date on which payment is due or to require collateral for an amount due, are unenforceable.

If someone wrongfully uses your credit card without your permission, he or she has committed a criminal offense. However, if you lose your credit card or it is stolen, your responsibility for unauthorized purchases is limited, even for unauthorized purchases made before you notify the issuer of the credit card of the loss, theft, or unauthorized use of the card. Once you have notified the issuer of a credit card of the loss, theft, or possible unauthorized use of the card, you are no longer responsible for subsequent unauthorized uses of the card.

If you receive a credit card that you have not requested, you are not liable for any use of that credit card unless you have indicated your acceptance of the card by signing it or using it. The mere failure to destroy or return an unsolicited credit card does not automatically make you responsible for unauthorized charges made with that credit card.

The Promissory Note and Security Agreement

A security agreement is a contract used in a credit sale transaction whereby the seller retains some interest in the goods you have purchased in order to protect himself in case you fail to make the payments. Usually the law protects you when you enter into a security agreement by requiring the seller to spell out in writing all terms of the sales contract including interest and service charges, the actual cost of the purchased goods and other costs.

The seller may wish to receive payment for the merchandise immediately, rather than wait for you to make the installment payments. To obtain payment immediately, the seller may sell the security agreement to a bank or finance company and receive immediate payment from them. In such a case, you will then be advised in writing to make your payments to that bank or finance company rather than to the seller.

A promissory note is attached to or made a part of the security agreement. You will be required to sign both documents. The promissory note is a statement whereby you promise to make the required payments to the holder of the note. You, as buyer, are responsible to make the payments, and the seller of the merchandise may sell the promissory note or security agreement to another lender.

Rights of Seller upon Default

If you sign a security agreement and fail to make the payments as set forth in the sales contract, the seller may sue you to protect his or her interest. Often the seller will attempt to repossess the item sold. You will receive written notice of a seller’s intention to repossess and you may prevent repossession by paying, in full, what you owe before the date of repossession. Notice of repossession is required and even after repossession without notice, you may reclaim the goods if you pay off your debt promptly.

Once an item is repossessed and you fail to make prompt payment of the balance due, the seller may resell the goods and credit the money received from that resale to what you owe on the contract. If the goods are sold for more than what you owe, you get the extra money back. However, if the resale results in less than the balance you owe, you may have to pay the difference.

Defective Goods

Ordinarily, if you find that merchandise you have purchased is defective, you may require the seller to replace the item or fix the defect. If you have received defective goods, you may withhold payment on a security agreement and/or promissory note, but you must also notify the holder of the note that the goods are defective. Defects in merchandise you have purchased do not in and of themselves release you from your promise to make payments under the sales contract, but do give you a defense if the seller or the person to whom the security agreement has been assigned or sold tries to sue you for non-payment. If the seller assigns or sells the security agreement to a new lender, the seller remains responsible to repair or replace the defective item. If you discover a defect in a purchased item, you should protect yourself by immediately notifying the seller and the new lender, if there is one. It is always best to give this kind of notice in writing and to keep a copy for your records.

In Illinois the laws pertaining to purchases of automobiles differ somewhat from the purchase of other merchandise. Automobile dealers are usually responsible for defects and repairs as are described in the automobile warranty issued when the automobile is sold new.