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Feature Article

Risks of having Joint Accounts

Reshma and her sister-in-law, Mamta were residing together when they set up a joint account with a hire purchase company. Mamta used the joint account to buy a brand new Samsung Galaxy phone worth \$1884.68 for herself and the understanding was that she will make repayments for her newly purchased phone every month.

Unfortunately, Mamta's phone was stolen and she stopped making repayments to the account. It was during this time that Mamta also moved out. In the meantime, the Hire Purchase company tried contacting Mamta to discuss the arrears which was piling up. Her whereabouts was not known to Reshma for her to discuss the matter when the hire purchase company demanded Reshma to pay off the debt.

This unexpected turn of events caused Reshma her worst nightmares. She had her own account with the same hire purchase company where she has been prudently making payments. It was difficult for her to pay additional \$105 per month to clear Mamta's debt. Reshma had her own family to look after including her dependent elderly parents. With no additional income, Reshma was struggling to clear the debt left by Mamta.

She decided to seek help from the Council's Debt Management and Consumer Credit Advisory Services, requesting for an account restructure with the hire purchase company.

The Council mediated with the hire purchase company and they agreed to bring the monthly repayment to \$72 which was of some relief to Reshma.

This issue clearly indicates that the convenience of a joint account also comes at a price. Reshma with good intention was trying to assist her sister-in-law who could not qualify to buy items on hire purchase on her own.

Consumers must think smartly and not commit to the setting up joint accounts with their loved ones.

It is not advisable to enter joint account but if you do decide to enter into such arrangement, then both parties must understand each other's financial position and also assess their individual income because you could be asked to repay the full debt if the other person fails to do so. It is important that consumers understand the risk of joint accounts to avert what Reshma had to go through.

You may think that when you take out a joint account with someone that you're only responsible for your 'half', but that's not the case. It doesn't matter who spent the money, or

who actually owns the item bought with the joint account. The hire purchase company will recover its losses when regular repayments are not made.

When two or more people set up a joint account, trust plays a crucial part. But placing trust on the wrong person will not only cause disappointment but money as well when you will be held responsible to clear the arrears.

Over the years, the Council has come across cases where one joint account holder disappears leaving the financial burden on the other account holder. The downside of having a joint account is when you are threatened by the hire purchase company that they will upload joint account holders name on the Data Bureau database when debt is not cleared.

Remember, any joint account with hire purchase company simply means joint responsibility and liability. And if the other person doesn't pay up, you could end up with a lot of debt on your hands.

So do not sign up for a responsibility if you are not ready to commit. If you can, decline such requests from families/friends if you have any doubt.