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Feature

Why reading your contract is important

As a consumer, we often come across 'contracts', when buying items on hire purchase or securing a home loan with your bank or moving into a new flat.

The primary question to ask is – how many of us read the document before we sign on the dotted line?

Going by the consumer complaints, we handle at the Council, we find that some consumers sign up contracts without reading them.

A contract is a binding agreement between two parties that should benefit both sides. Contracts often contain complex language and small print, tempting many people to simply sign and hope for the best. *But don't!* It's essential you read and understand every term - without relying upon a salesperson's summary - before you sign.

Always read through any contract you sign to make sure you are not agreeing to conditions which may concern you later. Once you have signed the contract, you will have trouble getting out of it if things go wrong.

Many consumers we deal with have expressed dismay over the use of fine prints in the contracts, this being one of the reasons why some of them don't attempt to read the contracts.

No doubt, with this fine print, there are some pitfalls it is worth looking out for:

- **What are the exclusions or limitations?**

Exclusion or limitation clauses are the "get-out-clauses" that try to restrict or limit the liability of the trader/seller. These clauses may try to let the *seller* get out of refunding or replacing goods and services that are faulty or not as described, or give unreasonable time limits on returning goods. Watch out for certain items that may not be covered in insurance deals or types of damage, for example, warranties such as liquid damage, which is generally not covered when purchasing mobile phones and other gadgets

- **How much interest/default fee is charged?**

It is important to know how much interest you will be charged. Check whether the interest is variable or fixed. Ask the lender to show calculations for different variable rates to help you better understand your financial capability and obligation. Check whether your contract clearly states the default fee that will be charged if you do not make your payments on time

Some consumers are in dark about the interest rate they are expected to pay simply because they fail to read the contract

- **How and when can you opt out?**

The small print may tie you into a minimum contract term or lock you into a continual payment. You may have to opt out of a contract when it comes to an end to stop it being renewed automatically

- **What action will the lender take if you miss payments?**

It is important for you to understand what action the lender will take when several payments are missed. If you are not making payments, your products can be repossessed or your property will be placed for mortgagee sale

- **What are the other fees you are being charged?**

You must know exactly what fees and charges you are paying for the money you are borrowing or when you are taking goods on credit. Ask for itemised fees or charges if the lender is making reference to fees and charges schedule.

- **What to do if you don't understand part of the contract?**

Always ask if there is something you don't understand in the contract. If you don't like a term, it may be worth querying it with the salesperson.

The Council is continuing with its "Read Before you Sign" Australian Government funded campaign.