

HEAD OFFICE

4 Carnavon Street
Private Mail Bag
GPO, Suva

Phone - General Office: 3300792, 3310183
Chief Executive Officer: 3305864
Fax: 3300115 | Email: complaints@consumersfiji.org

LAUTOKA/West

Suite 4 Popular Building
Vidilo Street

PO Box 5396, Lautoka
Phone: 6664987 | Fax: 6652846
Email: consumerltk@connect.com.fj

LABASA/North

Level 1, Lot 41 Raza Properties Ltd
Nasekula Road

PO Box 64, Labasa
Phone: 8812559 | Fax: 8812559
Email: colbs@connect.com.fj

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Feature Articles

Part I

Dealing with Pawnbrokers

Every now and then consumers need quick cash to cater for daily needs and unforeseen circumstances such as medical costs, funeral arrangement, damages caused by cyclones and floods. For this reason, consumers turn to banks, financial institutions, moneylenders and even pawnshops to obtain cash.

However, the amount of paper work and requirements such as referees and guarantors demanded by these institutions puts consumers in a tight situation. As a result, consumers opt for either moneylenders or use the service of a pawn shop. Pawn shops can turn your personal property such as electronic goods/white goods, jewellery, motor vehicle spare parts, carpentry tools, mats, *tabua*, safety shoes and bags into cash instantly with no unnecessary paperwork.

These items act as collateral to the Pawn shops where loan is given with an interest charged per month and once paid back, these items are released. If one fails, they are resold to recover the loan amount. It is as simple as this. With this process in place most consumers feel that getting cash from Pawnshop is easy with no risk to your credit history even if you default loan amount.

However, this is not always the case. There are pawnbrokers who prey on people who face tough times, and offer a pittance for pawned items. Pawnbrokers use unfair contract terms such as printing disclaimers, terms and conditions on their receipts that limit consumer's rights to redress. For instance, one disclaimer read as: *"No responsibility is taken if the article is lost, destroyed or damaged ..."*

The legislation (Second Hand Dealers Act Cap 238) which governs Pawnshop business does not mention the rights of the consumers who pawn their items. In absence of a clear law, unfortunately, Pawnbrokers hide behind such disclaimers and thrive on their business riding on the backs of poor consumers who end up paying more than what they had taken.

The Council in recent years has received complaints against pawnbrokers who sold pawned items well before the repayment period had ended, and for charging high interest rate. Some consumers also raised concerns about the poor response that Pawnbrokers gave when items were

damaged, went missing or stolen while in their possession. Mr. Ram Pratap's case is a good example.

Case Study

Ram Pratap, a casual labourer, was in dire need of cash. Hence, he decided to pawn his wristwatch worth \$269 in exchange for \$30 loan. After he had received the cash, he was given a receipt with all terms/conditions written on it. In addition, he was told that if he wants the item back he had to pay \$41.40 to the Pawnshop within one month.

However, Pratap was not able to pay the full amount within a month, and, since he needed the watch back, he paid the interest of \$11.40 to get monthly extension for nine months. In nine months, he paid \$102.60. When Pratap finally cleared the loan amount, he was told that his watch was stolen in a break-in.

Poor Pratap had exchanged his watch worth \$269 for \$30 cash but suffered a loss of \$371.60 (\$269 plus \$102.60) in return.

This was an unfair deal and what made it worse was the disclaimer on the receipt from the pawnbroker - "*No responsibility taken in case of fire or burglary, no repayment will be done*".

Should consumers rest their case because of such disclaimers or should they demand for evidence such as police report from the pawnbroker to show if at all, there was a break-in and his watch was stolen. Even if there was a break-in, why should consumer suffer losses?

The other question is why was he not informed about the loss earlier?

Read our series of articles on Pawnshops if you are planning to pawn your valuables.