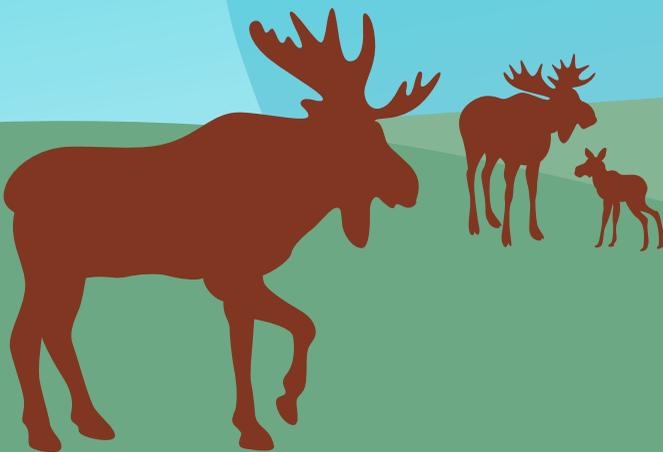


WHAT YOU NEED
TO KNOW ABOUT

DEFERRED PAYMENT PLANS IN ALBERTA





Cheryl was looking for a sofa for her new apartment. She found one she liked for \$800 at a local furniture store.

However, she realized she did not have \$800 to purchase the sofa and stopped the salesperson as she began talking about the unique fabric the sofa was made of.

Cheryl said, "While I really like this sofa, I am not able to afford it right now."

The salesperson smiled at her and said, "Well, it's your lucky day! **We're offering no payments and no interest for 6 months if the sofa is paid for in full.**"

Cheryl exclaimed, "You mean I don't have to give you any money today?"

The salesperson grinned, "Absolutely. You don't pay anything today."

Cheryl couldn't believe her luck and immediately signed the paperwork in the store. The sofa was delivered to her new apartment the same week.

All went well for 6 months and Cheryl did not make a payment or pay any interest during this time. However, **when the sofa was not paid for after 6 months, Cheryl received a bill in the mail for an additional \$250.00 on top of the original amount owing.** The interest she was charged after 6 months was much higher than she'd expected!

She knew she had read about the interest rate that would be charged after 6 months if the sofa was not paid for in full. At the time she had thought she would have no problem paying for it in that time.

This sofa was going to be much more expensive than she thought it would be!

DEFERRED PAYMENTS

WHAT IS A DEFERRED PAYMENT PLAN?

As the scenario to the left shows, a deferred payment plan happens when arrangements are made for a debt to go unpaid until sometime in the future.

The debt may be in the form of a loan, or for merchandise such as furniture or electronics. Some businesses offer deferred interest and/or deferred payments for a period of time.

Depending on the agreement, customers can purchase and leave the store with items they are committed to paying for in full at a later date.

WHO OFFERS DEFERRED PAYMENTS? WHAT ARE THE DETAILS OF THESE AGREEMENTS?

Deferred payments are sometimes used in retail businesses such as furniture or electronics stores.

These businesses may offer deferred payment options to customers in the following language:

1. Buy now and pay later.
2. Don't pay anything for 6 months, 12 months, 24 months, or another term specified in the contract.
3. No interest if paid in full by 6 months, 12 months, 24 months, or another term specified in the contract.

For example, as in the scene shown opposite, some businesses offer a promotional period in which customers make interest-free payments on an item, or no payments at all, for a period of time specified in the agreement.

However, after the promotional period is over, the entire balance must be paid or much higher interest will be charged.

Additionally, there may be other fees customers have to pay up front such as "administrative" and delivery charges.

In these cases, the promotional period where a customer pays nothing is misleading because customers are actually being charged fees they must pay immediately.

LAWS

ABOUT DEFERRED PAYMENT PLANS

LEGISLATION

Section 70 of Alberta's *Fair Trading Act* applies to deferred payments.

This provincial legislation helps protect customers from unfair business practices that may be used when offering deferred payment plans.

Laws about deferred payments in Alberta

Companies offering customers deferred payments must follow specific rules in Alberta. These include:

1. A company offering a deferred payment plan must inform the customer whether interest will accrue on the amount during the time payment is deferred.
2. If the company does not inform the customer of interest accrued during the time the payment is deferred, they must waive the interest that would have accrued.

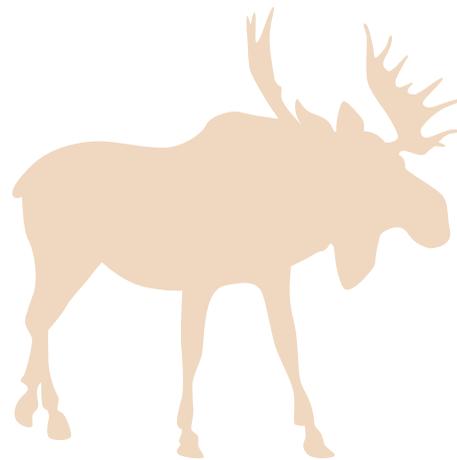
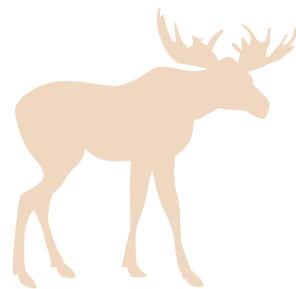
THE COMPETITION BUREAU

This independent federal law enforcement agency helps make sure that business in Canada is fair and benefits both the business and consumer. It also investigates related complaints.

The *Competition Act* is supposed to protect customers to ensure they are given competitive prices and product choices.

This legislation applies to deferred payment plans.

For example, if a company uses marketing techniques meant to deceive customers such as hidden costs that must be paid immediately (i.e., taxes and shipping and delivery charges), the company can be held accountable.



TYPES

OF DEFERRED PAYMENTS

There are various types of deferred payments, including:

1. Rent-to-own services

- Rent-to-own services are one way a customer can defer a payment for a good or service.
- In many cases, a customer can immediately purchase an item by signing a rental agreement.
- In the rental agreement or contract, the customer agrees to pay the fees, but usually does not have to start making payments until a future date.
- If they pay all the fees, they own the item. However, they do not own the item if all fees are not paid.
- Many retail companies, such as furniture and electronics stores, will offer deferred payments on items in their stores. However, there are also exclusive rent-to-own companies.
- Some companies offer a “same as cash” option. This means that you have a specific period of time to pay the full “cash price.” If you pay the full amount in this period of time, you will not be charged a rental amount on top of the purchase price.

- **Beware of the “same as cash” option** because the price of the item is usually much higher than the standard price of the item elsewhere.
- With some rent-to-own agreements, if you can't make payments, you can return the item and not be penalized.

2. Lease-to-own services:

- Unlike rent-to-own services where customers have a specified time before they have to make payments, lease-to-own services give customers the *option* to purchase the item at some point in time.
- So with a rent-to-own plan, there is a **requirement** to purchase the item. But for a lease-to-own plan there is an **option** to purchase it at some point.

Similarities between rent-to-own and lease-to-own options:

1. Both rent-to-own and lease-to-own plans require consumers to pay a monthly minimum payment to “buy down” the item. This is usually in addition to paying an upfront sum known as a “down payment.”
2. Most, but not all, of these agreements have a “locked-in” price.

TERMS OF DEFERRED PAYMENT PLANS

WHAT ARE THE TERMS OF DEFERRED PAYMENTS?

The specific terms of deferred payment plans vary depending on the wording of the agreement.

Some loans, or deferred payments, must be paid in full by a certain date. However, some customers agree to pay installments until the loan, or deferred payment, is paid in full.

Some businesses offer deferred payment plans to preferred or long-standing customers who have proven they can make payments.

However, credit checks are often used to determine if new customers have a history of missing payments.

There is always the possibility that an agreement for a deferred payment plan could use language that says if payments are not made according to the plan, the creditor can take the goods back.

IS INTEREST CHARGED ON A DEFERRED PAYMENT PLAN?

Some deferred payment plans charge interest, while others do not. It depends on the agreement the customer makes with the company.

Interest may start to accrue immediately after a customer agrees to a deferred payment plan. Other agreements may say that interest begins some time later in the future.

Some agreements say that, as long as the payment is made on time, no interest will be charged.

It is important to review the wording of a deferred payment plan agreement **before** signing it. Reading the agreement carefully before will tell you if the company can take back the item if you do not follow the payment plan, the date interest begins, and the date you have to pay it.

THE REAL COST OF DEFERRED PAYMENT PLANS

If you obey the terms agreed to in a deferred payment plan, you may end up saving money on an item, especially if there is no interest accumulated.

However, if you do not follow the terms in the agreement, you may end up paying a lot more for the item or loan.

HIDDEN COSTS

Before agreeing to a deferred payment plan, it is important to know about all potential costs. These costs include:

1. *High interest if you have a remaining balance after your term is over.*

- Once the no-payment term ends, if you still have a balance owing, the interest may increase.
- Also, you may have to pay all the back dated interest that you did not pay during an interest-free term.
 - For example, if you get a store credit card from some furniture and electronics companies, and do not pay off the balance before the end of the term (i.e., 6 months, 12 months, etc.), you will be charged interest from the date you purchased the item.

WHAT TO CONSIDER BEFORE SIGNING AN AGREEMENT FOR A DEFERRED PAYMENT PLAN

You have rights and responsibilities when using credit, including deferred payment plans.

CREDITOR'S RESPONSIBILITIES:

1. A lender must give you detailed information about
 - **Complete cost to borrow.** This includes the interest rate/year and **any** fees or penalties they charge. (*Cost of Credit Disclosure Regulation, Alta Reg 198/1999*)
2. To tell you about repayment privileges such as paying the money owed before it is due without penalty.
3. To inform you that you do not have to carry a minimum credit balance. You only have to carry a minimum credit balance if you agree to do so.
4. Creditors must give you a copy of the loan agreement once you have been approved for and agreed to the payment plan.

Your responsibilities:

1. Timely and full repayment of debts.
2. Make sure you do not borrow more than you can repay.
3. Carefully read any statements of account you receive from a creditor and report any mistakes to the creditor immediately.
4. Always keep every document (including agreements, Cost of Credit Disclosure, correspondence, etc.) that you receive from the creditor.

Also, consider the following before agreeing to a deferred payment plan:

1. **Understand the offer.** Make sure you understand what you are being offered in advertisements, whether in store, online, or other media such as TV, radio, or the newspaper.
2. **Ask questions.** Do not be afraid to ask questions and get answers to them before making your decision.
3. **Always read a contract before signing it.** Even though it is tempting to believe what you are being told by a salesperson, always read through the contract before signing it. You may even want to have a third party you trust read through the contract to confirm the details.
 - When you read the contract, make sure all terms and conditions are listed.
 - Also make sure that any verbal statements made by salespeople are included in the written contract.
 - **NEVER** sign a blank contract.
4. If you decide to agree to a deferred payment plan, make sure you keep all information related to the agreement, including the signed contract and the Cost of Credit Disclosure in a folder.”

WHAT HAPPENS IF I CANNOT MAKE MY DEFERRED PAYMENTS?

As with any creditor, if you default on making payments you agreed to make, they can take action to recover the money they are owed.

COLLECTION AGENCIES

Creditors can hire collection agencies to help them collect money they are owed, including debts as a result of deferred payment plans.

Collection agencies are the most common tools for debt collection.

However, there are rules they must follow. This includes when a payday loan company is trying to collect debts.

All debt collection must follow the same rules:

- i. The collection agency may only contact you between **7 am and 10 pm** Alberta time.
- ii. The collection agency must use the name shown on their license in all contact and correspondence related to their collection activities.
- iii. They may also contact your spouse or common-law partner, relative, neighbor, friend, or acquaintance to confirm your residential address, telephone number, or employment number.
- iv. They may contact your employer to confirm your employment status, business title, or address of business to prepare for legal proceedings.
- v. They can contact you at work to discuss repayment of the loan **unless you ask them not to**.
 - If you ask them not to call you at work, you must agree to have them contact you elsewhere and abide by that arrangement.

- vi. They must provide a receipt for all cash transactions and payments made in person or at your request.

When companies are collecting debts, they cannot:

- i. Make unauthorized withdrawals from your account.
- ii. Use threatening, profane, or intimidating language.
- iii. Discuss your debt with anyone but yourself, a guarantor of your debt, or someone you have chosen as your representative.
 - You **MUST** give consent to have them contact someone else regarding your debt.
- iv. Call you, or anyone else connected to you, so often that it amounts to harassment.
- v. Threaten you or tell you they are pursuing legal action when they have no legal authority to do so.
- vi. Give you misleading or false information.
- vii. “The exception to this is if you signed a wage assignment with a payday loan company **when you first got your loan**.”
- viii. Publicly declare, or threaten to publicly declare (for example, by posting something on Facebook), your failure to pay your loan.

DEBT REPAYMENT

DEBT REPAYMENT AGENCIES

Debt repayment agencies are different than debt collection agencies.

Instead of collecting outstanding debts for another party like a collection agency, debt repayment agencies charge a fee to help people arrange payments with creditors. They act on behalf of people who owe money to creditors.

A debt repayment agency will work with you to create a proposed debt repayment arrangement to present to your creditors. Creditors have the option to accept or reject the repayment agreement.

If a creditor accepts the repayment arrangement, and you do not keep the terms of the agreement, they may cancel it at any time. After this, they can continue to collect your debt through debt collectors.

A debt repayment agency is responsible to tell you within 30 days if the creditor has decided not to accept the repayment arrangement, or has withdrawn from a debt repayment program.

As with collection agencies, there are some things a debt repayment agency can and cannot do.

What CAN/MUST a debt repayment agency do?

1. They CAN charge you a **one-time administration fee**. The administration free cannot be more than the total of:
 - a. The average monthly payment to your creditor; plus

- b. a charge of 15% of the gross amount of the payments received from you to give to your creditors.

2. In the case of a one-time payment to a creditor or creditors, or an agreement to negotiate on your behalf with a creditor, they CAN charge a fee of no more than 10% of the debt owing.
3. They **MUST** give you a copy of the signed contract before services are provided. If they do not give you this signed copy, they cannot charge any fees.

What does a debt repayment agreement between a debtor and the debt repayment agency have to include?

1. It **MUST** be in writing, and signed and dated by you and the debt repayment agency.
2. It **MUST** include your name, address, and telephone number and the same for the debt repayment agency, including their fax or email contact information.
3. It **MUST** describe ALL services that will be provided.
4. It **MUST** itemize ALL fees that you are required to pay.
5. It **MUST** list ALL creditors to be paid under the agreement.
6. It **MUST** include the total amount owed, the amount of the payments, the schedule of the payments, and the total amount of payments per creditor.

DEBT REPAYMENT/ SMALL CLAIMS COURT

There are some things a debt repayment agency can't do.

1. They CAN'T charge an NSF fee unless they have discussed it with the debtor prior to the fee being charged.
2. They CAN'T convince you to accept a sum of money as a final settlement that is less than the balance owing to a creditor without the creditor's consent.
3. They CAN'T provide any false or misleading information.
4. They CAN'T lend you money to pay debts.
5. They CAN'T offer to compensate you or provide you a gift in exchange for entering into a debt repayment agreement.
6. They CAN'T collect a fee for helping you get an extension from a creditor.
7. They CAN'T fail to give you a receipt for all cash transactions or payments made in person when you request it.
8. They CAN'T discuss the existence of your debt or any details about it with anyone else except you, a guarantor of the debt, the creditor of the debt, or those you designate with your express consent.

Small Claims Court

Creditors also have the option of suing you for unpaid debts. Debts under \$50,000 can be pursued in small claims court. If a creditor gets a judgement against you they can enforce it in a number of ways, including seizing your assets or garnisheeing your wages.

If you have a dispute with a payday loan company, you may want to take it to Civil Court, commonly called small claims court.

This court hears all civil claims.

However, if a debt you owe a payday loan company is unpaid, you may not want to take them to Civil Court to resolve any dispute you have with them. If they get a judgment against you, they may garnish your wages, or take other measures to collect the debt.

Claims filed in small claims court must be for \$50,000 or less.

However, there are some restrictions. If you are unsure about whether you can file your claim in this court, contact the court to confirm.

Important information about small claims court

- a. It was created to help regular citizens settle their legal disputes without a lawyer. However, if you choose, you can hire a lawyer to help represent your problem to the judge and question the other party and witnesses.
- b. You must be 18 years or older to sue someone in this court. If you are not 18 years or older, you have to find someone who will accept all the responsibilities of the case, including the costs. This person is called a "next friend."
- c. When you sue, you bring your legal problem before a judge for a decision.

To learn more about the specifics of filing a civil action (or suing someone) in small claims court, go to <https://albertacourts.ca/provincial-court/civil-small-claims-court/civil-claim-process/the-basics>

RESOURCES FOR MANAGING DEBT

Credit Counselling

Credit counselling agencies can help you organize your debt and make a plan to pay it.

No matter what sort of debt concerns you have, credit counselling is a helpful way of being supported on your journey toward becoming debt free.

There are many organizations that can help you solve debt, including:

1. Credit Counselling Society

- *This is a non-profit agency that helps consumers across Canada*
 - *Solve their debt*
 - *Manage money*
 - *Use credit well*
- *You will be given information to make informed decisions about your debt and finances.*
- *When you contact the agency, you will be connected with a Counselor who will help you review your budget, income, expenses, and debt repayments.*
- *Once the Counselor knows more about your situation, they will explain available options to help you pay your debt in a way that works for you.*
- *During the time spent with the Counselor, you will learn ways to organize and pay your debt, manage your money, stay out of debt, and save for the future.*
- *These appointments are free and confidential.*
- *They have extended business hours so their services are more accessible.*

Contact Information:

Toll-free phone: 1-888-527-8999

Local Edmonton contact information:

Suite 201 - 10612 124 Street NW
Edmonton, AB T5N 1S4
Phone: 780-701-0083

Local Calgary contact information:

Suite 210 - 1935 32 Avenue NE
Calgary, AB T2E 7C8
Phone: 403-263-9905

HELPFUL TOOLS AND RESOURCES

My Money Coach

The My Money Coach website was created by the Credit Counselling Society and is dedicated to giving people financial guidance. The link is: <http://www.mymoneycoach.ca/>.

The website is easy to navigate and has a vast amount of information and tools, including

- Budgeting tools.
- Various online calculators, such as loan calculators, budget calculators, and savings calculators.
- Free online live webinars about a wide range of topics such as budgeting, relationships and money, teaching your kids about money, credit and debt, eating healthy while not overspending, and savings, to name a few.

Every Dollar

This unique website allows you to develop a quick online monthly budget. It takes the hassle out of creating a budget by automatically calculating every item you enter and uses bright and colorful graphics to display results.

With its simple spreadsheet, this website also allows you to clearly see how you are paying your debts monthly and helps you set and achieve financial goals.

<https://www.everydollar.com/>

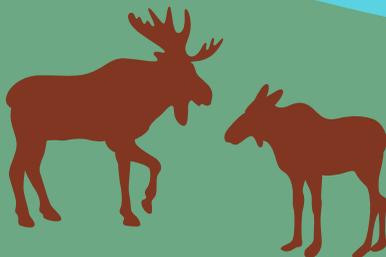
Acknowledgements

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Every Dollar. <https://www.everydollar.com/>

My Money Coach. <http://www.mymoneycoach.ca/>

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Native Counselling
Services of Alberta