

CHAPTER - 3

HIRE PURCHASE SYSTEM

HIRE PURCHASE SYSTEM

- Hire purchase system refers to the system wherein, the seller of goods delivers the goods to the buyer without transferring the ownership of goods. The payment for the goods will be made by the buyer in instalments. If the buyer pays all the instalments, the ownership of the goods will be transferred, on payment of the last instalment.

FEATURES OF HIRE PURCHASE

1. Hire purchase is an agreement between two parties called Hire vendor and Hire purchase.
2. The hire purchaser becomes the owner of the asset after paying the last instalment.
3. The hire vendor has the right to repossess the asset in case of difficulties in obtaining the payment of instalment.
4. Payment will be made in instalments.
5. The instalments in hire purchase include interest as well as repayments of principal.
6. Usually, the hiree charges interest on flat rate.

CONTENTS OF HIRE PURCHASE AGREEMENT

- The date of commencement of the agreement
- The hire purchase price of the goods
- The cash price of the goods.
- Number of instalments by which hire purchase price is to be paid.

MEANING OF INSTALMENT PURCHASE SYSTEM

- Instalment payment system (also called the deferred instalments) is a system where the buyer is given the ownership as well as the possession of the goods at the time of signing the contract. The buyer has the facility to pay the price in instalments.

HIRE VENDOR DEFINITION

Hire vendor is a person who delivers the goods to the hire purchaser with intention to sell the goods under hire purchase agreement.

CASH PRICE MEANING

- Cash price refers to the price at which goods are sold under the contract of sale.

MEANING OF DEPOSIT

- Deposit means any sum payable by the hire purchaser under the hire purchase agreement by way of deposit or other initial payment or credited under the agreement

MEANING OF RE-POSSESSION

- Repossession refers to taking back of assets by the hire vendor from the hire purchaser on the event of default in payment of instalments by the hire purchaser.

TERMINATION OF HIRE PURCHASE AGREEMENT

- The hire purchaser can terminate the agreement at any time giving 14 days notice to the owner.

RIGHTS OF HIRE PURCHASER

- To receive a copy of the hire purchase (HP) agreement.
- To obtain any information regarding the account.
- To settle early the full outstanding amount.
- To terminate the agreement at any time.
- Know your rights and obligations under the HP contract
- Keep all documents pertaining to the HP financing such as agreement, receipts, etc. in a safe place.

MEANING OF REBATE

- The hire purchaser can claim rebate from the owner in case he decides to remit the balance of the purchase, without continuing the hire purchase agreement till the last date stipulated. However, for such a charge in terms of agreement he has to give 14 days' notice to the owner.

HIRE PURCHASE SYSTEMS

- The parties to the contract are called hire-purchase and hire-vendor.
- It is a hiring goods agreement
- Ownership of goods is transferred after the payment of final instalment
- The hire purchaser can terminate the contract.
- The buyer cannot sell, destroy or transfer the goods

INSTALMENT PURCHASE SYSTEM

- The parties to the contract are called buyer and seller.
- The parties to the contract are called buyer and seller. It is an agreement of sale
- Ownership of the goods passes to the buyer just signing the agreement
- The buyer cannot terminate the contract
- The buyer can sell, destroy or mortgage or transfer as his/her wish

SALE

- property in the goods is transferred to the buyer immediately at the time of contract
- the buyer cannot terminate the contract and is bound to pay the price of the goods.
- the seller takes the risk of any loss resulting from the insolvency of the buyer.
- Ownership is transferred from the seller to the buyer as soon as the contract is entered into.

HIRE PURCHASE

- hire-purchase, the property in the goods passes to the hirer upon payment of the last installment.
- hire-purchaser can terminate the contract
- hire purchase, the owner takes no such risk
- Ownership is transferred from the seller to the hire-purchaser only when a certain agreed number of installments are paid