



## Payments and Refunds

There are a variety of ways for a business to accept payment other than paying by cash such as lay-by or credit. The more flexible you are with the ways a customer can pay, or by offering refunds and exchanges, the more likely it is you will make a sale and start an ongoing relationship.

### Lay-by

Businesses must provide a lay-by statement which clearly sets out the terms and conditions of the lay-by transaction, under the *Fair Trading Act 1999*. They include:

- a description of the goods purchased
- a date when payments are due
- any cancellation charges which may be payable
- conditions outlining when each party may cancel the lay-by transaction
- a date when the cancellation charge is payable
- restrictions on such a charge

### Customer cancellation rights

Your customers are entitled to cancel a lay-by at any time before they receive the goods or if the goods are damaged or faulty. If the lay-by statement carries notification of a charge for cancelling the agreement, you can keep the amount stated as long as:

- it's reasonable
- you haven't breached the terms of the lay-by
- the goods are readily available

A business can cancel a lay-by if:

- the goods are no longer available
- your customer has broken the terms of the lay-by and hasn't rectified the breach within 14 days of notice
- you intend to stop trading - you must then give your customers seven days notice to complete the lay-by transaction

### Credit

You may be providing credit, which is covered by the Consumer Credit Code, if you provide money to purchase goods, services or land; or lease goods.



The Consumer Credit Code applies if:

- you provide the credit as part of any business
- you charge for the credit you provide
- your customers are individuals or residential strata corporations who use it mostly for personal, household or domestic purposes

Specific parts of the Code apply to different types of credit contracts and leases, but they are all covered by the Code's principles of disclosure and fairness in the marketplace. Some examples of transactions covered by the Code include:

- credit cards or hire of goods
- personal loans or overdrafts
- pay-day or housing loans
- related guarantees and mortgages
- continuing credit accounts

Under the Act, credit providers whose activities are regulated by the Code must register with the Business Licensing Authority.

The federal Consumer Credit Code website has more details on what sort of credit is and isn't covered by the Code.

### **Refunds and Exchanges**

Businesses that willingly refund customers who return faulty goods build up goodwill and a loyal client base. There are some rules to follow to ensure your customers clearly understand your refund and exchange policy.

It's important to know the following:

- be specific when advertising your refund and exchange policy to your customers
- make sure your staff are clear about the policy
- you don't have to refund if a customer simply changes their mind about a purchase
- 'No refund' signs are illegal because they mislead customers about their legal rights



There is an implied warranty in all contracts for the supply of goods under the *Trade Practices Act 1974*. If goods are not of sellable quality, fit for the purpose or are faulty from the time of purchase, the customer has the right of a refund.

### **When do you have to refund?**

A customer can seek compensation under certain circumstances, commonly referred to as the 'right to repair, replacement or refund'.

Cases in which a refund is required include those where the goods:

- have a fault the customer could not have known about at the time of purchase
- do not do the job the customer was led to believe they would
- do not match a sample they were shown
- aren't as they were described
- are defective

However, you can not:

- unreasonably charge for freight on returned defective goods
- refuse to replace goods where consumers have valid claims, or
- limit the period in which a consumer can make a claim

Sometimes you may offer to repair, replace or exchange the goods or provide a credit note. However, the customer does have the right to insist on a refund.

### **Your rights as a trader**

You don't have to provide a refund if:

- no proof of purchase is offered
- the customer simply changes their mind
- the customer bought them for someone else who doesn't want them
- the goods have been damaged after the purchase
- the customer knew, or should reasonably have known, about any faults when buying the goods (e.g. if they were purchased as seconds). However, if a second has a fault the customer was not made aware of when the item was bought, the customer would be entitled to a refund, repair or exchange



For customer goodwill, you may choose to offer an exchange or credit note when the customer has changed their mind or bought an unsuitable gift.

### **The customer's obligations**

If a customer asks for a refund, he or she should:

- report the fault and return the goods as soon as possible
- provide details of the fault and their chosen remedy
- provide proof of purchase
- stop using the faulty goods until they can be returned
- look after the goods until they are returned

Having bought on credit, a customer can ask for a refund of deposit, any trade-in value, any payments made, and cancellation of any balance. If the goods had been used for a reasonable time, the customer may have the right to only a part refund or repair.

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