

Advice for when you can't afford hire purchase repayments

What happens if I can't pay for my hire purchase agreement?

Before anything else, make sure you let the creditors know that you're struggling with payments.

It can be tempting to just stop paying but this has an adverse effect, and they won't know that you can't afford to pay.

Things you can do if you're having trouble paying, include:

- Ask the creditors if they can temporarily accept reduced payments.
- Ask if they could extend the loan repayment term.
- Find out if they could give you a payment break.
- Apply to court for a time order.

Don't sell the car without the creditor's permission.

As it's not technically your property, they may seek to repossess it from wherever you sell it to. If the car is parked on your premises, it can't be taken without your consent. In the rare occasion that this happens, you'd be entitled to all the money you have already paid.

But, if you've repaid less than a third (33%) of the amount you owe, the creditor can repossess the vehicle without going to court and without your consent if it isn't parked on your premises.

The creditors will then sell the car, but you'll still be liable for the amount left outstanding on the agreement after the sale and the creditor's costs.

For example, if you have £20,000 left to pay for the car but can't afford to pay. The creditor repossesses the car and sells it at auction for £10,000 and has to pay £1,000 in costs.

In this instance, you'd be responsible for £11,000 that needs to be repaid.

Value of car £20,000	+	Creditor's costs £1,000	=	£21,000
£21,000	-	Car sale price at auction £10,000	=	Left to Pay £11,000

What if I've paid more than a third of my agreement?

The vehicle becomes what's known as 'protected goods.'

This means that the creditor must go to court for an order to repossess the vehicle, unless you provide consent to the repossession.

If you can't afford to make the monthly repayments, it may be cheaper to provide consent in order to avoid being liable for court costs.

If it does end up going to court, you can apply for a time order to help manage future payments.

What if I've paid back over half?

If this is the case, you can do what's called a voluntary termination.

This is where you simply return the car with nothing more to pay. You should do this in writing before the creditor terminates the agreement and at any time before the last payment is due.

If you go down this route, you only need to repay half of the amount set out in the contract when you bought the car, which is why it's only feasible to do this after you've paid back 50% or over.

You'll also need to take into account any arrears or missed payments due at the time you terminated the agreement, and you'll owe for any damages if you failed to take reasonable care of the car.

What's a time order?

A time order is where the court allows you to either ask for more time to repay an agreement, reduce the interest rate, or lower payments if you've fallen behind.

To apply for a time order, you will need to have started court proceedings or have been issued with a [Default Notice](#) or [Arrears Notice](#).

You'll then need to complete and send a [form N440](#), along with an income & expenditure sheet and a detailed explanation of how the arrears came about.

This will then need to be submitted to your local County Court.

Remember, if you're unable to keep up with repayments, our team are here and ready to help.