

RENTAL-PURCHASE AGREEMENT ACT

Comments

The Rental-Purchase Agreement Act represents an exception to other Illinois laws such as the Retail Installment Sales Act and the Illinois Uniform Commercial Code.

A rent-to-own business, in order to take advantage of the benefits provided by the Rental-Purchase Agreement Act must strictly comply with the Rental-Purchase Agreement Act; otherwise a failure may result in other statutory provisions such as the Retail Installment Sales Act and the Illinois Uniform Commercial Code provisions becoming applicable.

The Rental-Purchase Agreement Act applies to merchandise used for personal, family or household purposes for an initial period of four (4) months or less that is automatically renewed with each payment after the initial period and the customer is permitted the opportunity to own the merchandise.

The Act sets forth the required disclosures for inclusion in the rental agreement. The disclosures must be printed or typed in the agreement in at least 10-point bold-face type.

The required disclosures are:

- 1) whether the merchandise is new or used;
- 2) the amount and timing of payments;
- 3) the total number of payments necessary and the total amount to be paid to acquire ownership of the merchandise;
- 4) the amount and purpose of any payment, charge or fee in addition to the regular periodic payments;
- 5) whether the consumer is liable for loss or damage to the merchandise, and, if so, the maximum amount for which the consumer may be liable;
- 6) that the consumer does not acquire ownership rights unless the consumer has complied with the ownership terms of the agreement; and
- 7) the cash price of the merchandise, whether the merchandise is new or used.

The Act provides for enforcement provisions specifying the liability. In addition, the Act also provides for a penalty as a petty offense and a fine not to exceed \$500.