

Buying a car

What do I need to know?

The car

What does a car contract look like?

There are specific forms and requirements a car yard must follow by law when they enter into a contract with you.

Remember, you do not have to sign a contract straight away. It is important you read the entire contract before signing it.

If you are not sure what something in the contract means, you should ask questions. Do not sign the contract unless you are happy with the answers.

You can also take the contract away and get advice about it if you are uncertain about what is in it.

Is there a cooling-off period?

A cooling-off period is a period of time when you can cancel a contract after signing it without being penalised.

There is no cooling-off period when you buy:

- a new car
- from a private seller
- a car at an auction.

There is a one business day cooling-off period when buying a second hand car from a licensed car yard. You'll lose your cooling-off period if you take the car from the car yard straight away.

Read your contract carefully before signing it as all contracts will require you to pay the car yard money if you end a contract without buying the car.

If you have signed a car contract and want to end the contract, it's important to get legal advice as soon as possible.

Should I get an independent inspection of the car done?

Yes, it is always important to get an independent inspection done for the car.

What is the Personal Properties Securities register (PPSR)?

When buying a car it is important to search the PPSR at www.ppsr.com.au which shows if anybody else, such as another lender, has an interest or security in the car you want to buy. It may also show if the car is stolen, if the car has been written off, or if it is part of the compulsory Takata airbag recall.

If you buy from a licensed motor dealer, you don't have to do this as they must guarantee the car is free from unpaid debt.

Is there a difference between buying a car through a car yard or private sale?

Generally, the law provides greater protection when something goes wrong if you buy a car through a licensed motor dealer in a car yard.

What other expenses come with buying a car?

Before buying a car it is important to consider whether you can afford the other expenses with buying a car which include:

- registration
- servicing
- tyres
- insurance.

What else do I have to think about?

You should also make sure:

- the car ownership is transferred to you
- the car is registered
- the toll account for the car is in your name.

For more information about our services call 1300 65 11 88 or visit legalaid.qld.gov.au

or phone our Indigenous Hotline on 1300 650 143.

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The finance

How do I pay for a car loan?

You must make weekly or fortnightly payments for the loan contract's term.

How much interest can a lender under a car contract charge me?

For loans above \$5000 the lender can charge a maximum of 48 percent each year.

Do loan companies have to assess whether I can afford to pay the money back?

Yes, they must look at your income and expenses to make sure you can afford the loan payments.

What happens if the lender gives me a car loan I can't afford to pay back?

The lender has made an irresponsible loan.

An irresponsible loan does not mean you get to keep the car and not pay the loan. It usually means you return the car and have to pay a reduced amount on the loan or nothing further on the loan. It will depend on your individual circumstances. Get legal advice if you can't afford the loan.

Do I have to pay the loan if the car breaks down?

Yes, you do. The contract for the car and the loan contract are two separate contracts.

It is the car yard's responsibility to fix the car if you have a statutory warranty or they have breached a consumer guarantee.

If you purchased a warranty, then it depends on the policy as to what will be fixed and who is responsible for fixing it.

What happens if I don't pay?

There is a risk the company could take you to court and list a default on your credit report.

If your car is secured against the loan, the lender can repossess and sell your car. If, after the car is sold, there is still money owing on your car loan, you will still have to pay it.

If your car is not secured against the loan, the lender may take you to court to try and recover the money you owe them.

The insurance

What types of insurance are there for cars?

Car yards and insurance companies offer a wide range of insurance that apply to cars.

Before agreeing to buy any type of insurance, it is important you ask questions about what kind of protection the insurance provides to you and whether the protection given to you is worth the money.

It is important to ask questions and shop around.

Lenders cannot require you to buy insurances as a condition of giving you a loan. There are a few exceptions to this such as comprehensive insurance for the motor vehicle.

What is compulsory third party insurance?

When you register a car you must buy compulsory third party insurance as part of your registration. This insurance covers the costs of a compensation claim if you or somebody driving your car kills or causes injury to anybody else on the road.

It does not pay the costs of damage to your car, another car or things you damage in an accident like power poles.

What is comprehensive car insurance?

This type of insurance covers damage to your car, to another car involved in the accident or any other damage to property.

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What other types of insurance are available?

Car yards and insurers sell other insurance known as 'add on' insurance when you buy a car.

This includes:

- consumer credit insurance
- tyre and rim insurance
- loan protection insurance
- unemployment insurance
- gap insurance.

When buying a car, you don't need to buy any of these extra insurance products. But it is important you research whether any of these insurance products would give you a benefit. Many consumers who have bought these insurance products find it hard to make a successful claim because of the exclusions in the policy.

It is also important to consider:

- Car yards typically receive high commissions from an insurer when they sell you these policies.
- Do you have to pay an excess when you make a claim?
- Are there any limits to a payout under a claim?
- These policies are often more expensive than if you buy them directly through an insurer.

Where can I get help if I have a problem with one of these contracts?

You can get help by calling:

- a financial counsellor on 1800 007 007
- Legal Aid Queensland on 1300 65 11 88.

For the car contract

You can lodge a:

- consumer and trader dispute with the Queensland Civil and Administrative Tribunal at www.qcat.qld.gov.au
- complaint with the Office of Fair Trading at www.qld.gov.au/law/your-rights/consumer-rights-complaints-and-scams/make-a-consumer-complaint

For the finance or insurance contracts

You can lodge a complaint with the Australian Financial Complaints Authority at www.afca.org.au or call 1800 631 978.

For more information about buying a used car, read Legal Aid Queensland's Buying a used car from a motor dealer guide at www.legalaid.qld.gov.au

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