

Determination No. 11 of 1992

EXPLANATORY STATEMENT

This Declaration of Exemption provides that section 13 of the *Credit Act 1985* does not have effect in relation to certain contracts for the hiring of goods.

Section 13 (1) of the *Credit Act 1985* provides as follows:

"A contract for the hiring of goods shall be deemed to be a credit sale contract where -

- (a) the cash price of the goods at the time when the contract for the hiring is made is not more than \$20,000 or the goods are, or include, a commercial vehicle or farm machinery; and
- (b) under the contract the person to whom the goods are hired has a right, obligation or option to purchase the goods."

The type of contracts which are exempted from section 13 by this Declaration of Exemption are those contracts which are genuine rental arrangements. This Declaration of Exemption does not exempt from section 13 disguised credit sale contracts.

Genuine rental arrangements are those arrangements which provide that the hirer may, but is not obliged to, purchase the goods. The test adopted to determine whether a rental arrangement is a genuine rental arrangement is, in essence, to examine whether the minimum hiring period, and therefore the payments, is sufficiently small as to demonstrate that the hirer is at no time obliged to purchase the goods.