

AT THE STORE



CONSUMER CREDIT AND PROTECTION

Purchase of goods and services with a credit card is a part of modern life. As you may know, credit is easy to get. You may be required to have your mom or dad “co-sign” with you on your first application. The important thing to remember is that the way you use the credit you get will have a lasting impact on your credit record in the future, as well as your ability to get additional credit. A bad credit incident can keep you from getting that new car loan or even getting a loan on your first home.

A “security interest” is placed on every purchase made with a credit card. A security interest works like this: If you buy a television or stereo with a store credit card, the company who loans you the money to pay for the item, through the use of the credit card, retains the right to take the item back if you fail to pay the bill for the credit card purchase. Also, the company can charge interest on the unpaid portion of the bill. Be aware that if they do take the item back and don’t sell it for the full amount, the company can come after you to pay the rest of the bill.

Sometimes products or services purchased with a credit card may cost more or be assessed service charges above the original cost. For example, gasoline purchased with a credit card may cost more than gasoline paid with cash or by check.

The Colorado Consumer Protection Act and the Federal Unfair Trade Practices Act prohibit the use of any unfair or deceptive act, practice, or any unfair method of competition in trade or commerce within the state of Colorado. Just a few of the practices that are prohibited under the law are:

- misrepresenting the value of goods and services being purchased
- misrepresenting goods as new or original, when the seller knows they are used, altered, or reconditioned
- falsely advertising goods, services, or property without intention to sell them as advertised
- advertising more items or different items than what are actually available
- making false or misleading statements concerning the price of goods and services
- attempting to sell by telephone or in person without identifying within thirty seconds the company being represented.

This list does not include all the actions prohibited under the law. If you feel a merchant has cheated you, first complain to the merchant. If the merchant does not satisfy your concerns, you may want to contact an attorney, the Colorado Attorney General's Office (Consumer Protection Division), or the Consumer Fraud Division of your District Attorney's Office for guidance. You may want to file a claim in Small Claims Court (more about this below). If you feel you have been unfairly dealt with, the worst thing to do is nothing. The law limits the time you have to complain about your treatment. Registering a complaint after a lengthy time makes it much harder to prove the facts. Additionally, registering a complaint to the Better Business Bureau ("BBB") may help others avoid similar problems. But just registering your complaint with the BBB will not get your money back or solve your problems, because the BBB has no legal authority to take any action.

Let's use an example: You purchase a new CD player on credit, and it quits working after three days. Neither you nor any of your friends or family did anything to the player to make it quit working. In this case, the store may or may not be guilty of violating one of the above "deceptive trade practices." If you return the item to the store, they should repair or replace it, if you have your receipt of purchase. If the store refuses to repair or replace the unit, you should make a formal written demand for either repair or replacement. Use certified mail with a return receipt to show that your written demand notice was received by the store (and keep a copy of the letter for your records).

If the store ignores your request or responds to the request by refusing to repair the item, you can go to Small Claims Court, (as long as the cost of the item or repair cost does not exceed \$7,500), and have the court rescind the agreement or make the store pay for repairs to the unit, plus pay your costs to go to court.

Do not just stop payments on the unit. This will create more problems, as the store will claim that you are in default on your obligations and may sue you for the price of the item plus attorney fees and costs. Remember, stores sometimes get treated unfairly, and the court will listen to evidence presented by both sides before trying to make a fair decision.

That is why it is important to realize that if you go to Small Claims Court, no matter whether you are the plaintiff or the defendant, you must be prepared to prove your case. Although the rules are simplified, you can't leave your evidence at home, and you can't tell the judge what other people would say if they were there; you need to present your evidence then, and your witnesses need to be there to say their own testimony. You must present your evidence and witness testimony in a concise, logical order for the judge or magistrate to understand your position. Too many people go to small claims court without preparing their cases, and the judge or magistrate is not allowed to guess. If you don't present your side, the court will have only half the evidence on which to decide, or will determine that because you did not present evidence you are admitting liability or accepting the other side's position.

DISCRIMINATION

Merchants or lenders may not deny you credit on the basis of your race, marital status, gender, religion, nation of origin (or nationality), or age, as long as you are 18 or older.

The lender must tell you in writing if your application for a loan was accepted or denied. If it was denied, the lender also must explain why it was denied. If they don't, you should request an explanation. The lender must respond to your request. This allows you to identify any mistakes or correct inaccurate information that the credit reporting agencies may have about you, so that similar errors will not recur in the future. However, just because you find errors and get them corrected does not mean you automatically will get the loan. Once a lender has chosen not to lend, even if the reason was based on an error in your credit report, the chances of that lender granting you credit are not very good.

If you are 18, it may appear that you are being denied credit because of your age. Often, it is because you have little or no credit history. A merchant or lender can deny credit on the basis of insufficient credit history. Denial based on lack of credit history is a valid reason under the law. This is the most common reason young people are denied credit. The only way you can change that is to take the time and expend the effort to develop a good credit history. It will not happen over night. It also is important to realize that you can destroy your efforts to develop good credit very easily, simply by not paying a bill on time.

There are various ways you can develop a good credit history. Talk to your bank and see if they will provide you a credit card with a limited credit line based on savings you place in the bank. For example, if you keep \$500 dollars in a savings account, a bank may allow a credit limit of \$500 on a credit card. The savings cannot be withdrawn as long as the credit card is valid, but it does help to develop a credit/payment history. Telephone companies and other utilities will set up an account for you, but may require a deposit. As long as you pay your account, either at the bank against the credit card or with the telephone company, you begin to establish good credit history.

HIGH PRESSURE SALES AT YOUR HOME

Door-to-door salespersons have a knack of ringing your doorbell at very inconvenient hours. These sales people are trying to get you to buy products that may or may not be a good buy. If you get “talked into” buying the product on credit, and if it is primarily for personal, family, or household use, you have the right to rescind the sale until midnight of the third business day after the day on which you signed any such credit agreement. The salesperson must notify you of your right to cancel the agreement or the right does not expire until after the notice is given and three days have past. There are exceptions. You can’t cancel and refuse to pay for work that has already been done; or you can’t consume the goods (a case of chocolate chip cookies) and then cancel the agreement on the basis of the three-day period or lack of notice. The three-day period applies only to sales at your home that you did not invite. In other words, you can’t invite a company to send a representative and then claim a three-day right to rescind any contract that you might sign while the representative is there. The three-day period also does not apply to business property or goods, even if you buy it at your home.



COLLECTION PRACTICES

If you don't pay the credit card bill when it comes due, the company can take back the property. This is called repossessing the "collateral." A debt collector cannot use force to collect the property, or use any unlawful action, such as breaking into your home or garage. You have to be given the opportunity to pay the debt, plus costs, before the item can be sold. If you do pay, you can get the property back. This is called "redeeming" the property.

If the creditor sells the property to pay the bill, the creditor must sell the property for the best possible price available under the circumstances. This usually means that the item is sold at auction. If it sells for enough to pay the complete bill, and if it is sold for more than is owed (this includes the costs of selling it and attorney fees in most cases), you get the excess. However, it often sells for much less than what is owed. In this case, you still owe the balance. That balance also includes the expenses the company incurred, including attorney fees in most cases.

