

Layaway Purchase Plans¹

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Layaway is a purchase plan designed for customers who want to buy merchandise without using credit or paying the full price immediately. Layaway plans are offered by many stores that sell durable or non-perishable merchandise, for example, department, discount, jewelry, appliance and electronics stores.

Layaways are different from credit purchases. When you buy on credit, you take the merchandise before you pay. Credit also involves extra charges. When you use a layaway plan, you pay in full through installments before getting the merchandise, and there are no, or very low, additional charges.

Terms of layaway plans vary from store to store. With most plans, you make a deposit, usually a percentage of the purchase price. The remaining amount due is paid over a period of time. Payments are made weekly or monthly until you have paid for the item in full. The retailer holds your selection during that time.

Avoid Problems

Get specific information about a store's layaway policies before you participate in its program. Many stores have their policies prominently posted near the layaway department. If a store does not have this information posted, ask the sales clerk for a written description of the store's layaway policies. If that is not available, ask the salesperson for details regarding policies and keep a record of the salesperson's name in case there is a problem. If any of the store's conditions are not acceptable to you, shop elsewhere for layaway merchandise.

Terms of the layaway policy. Get answers to questions such as:

- When are payments due? How often must payments be made?
- How much time do you have to pay for the merchandise?
- What are the charges, if any, for using the layaway plan? Are these charges added to the cost of the merchandise?

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- What happens if a payment is made late? Is there a penalty; does the merchandise go back to regular stock; will you lose part or all of your investment?
- Do you have any recourse if the merchandise goes on sale before you finish paying for your layaway?
- What types of identification are required to take your purchases out of layaway? Some stores require no identification thus anyone can remove your layaway by completing the payments. Other stores require identification or receipts.
- What types of records or receipts are given to you upon payment? Some stores give receipts. Others issue payment cards on which each payment is recorded. It is important to keep these to verify payments and ensure your payments are credited to the correct account. Keep good records of the payments you make on the layaway merchandise. These records may be useful later, if you have any disputes with the store.
- *Refund policy.* If you are unable to complete payments on your layaway or decide that you do not want the merchandise after making some or all of the payments, will you receive a refund? Retailers' policies differ about this. Some will give you all of your money back, but others may charge you a penalty so that you receive only a part of your money back. Others may give you credit to apply only to a future purchase made in their store. Ask about a store's refund policy before you buy, and, if possible, get it in writing.
- *Location, Availability, and Identification of Layaway Merchandise.* Stores often carry two kinds of merchandise — items that are available for immediate sale and items on display that will be ordered upon request. If you are buying an item the store keeps in stock, ask if it will be set apart physically from the other merchandise when you begin payments. For example, many stores have a separate area or section of their stockrooms where they store merchandise being purchased on layaway.
- If the item you want must be ordered, ask the sales clerk if the item will be ordered in advance so it will be available to you when you make your final payment. This is especially important when you are ordering merchandise needed by a particular date. To ensure that you receive the exact item you are purchasing, ask the clerk to identify the merchandise in writing. For example, the merchandise could be described as: "One (1) blue 2-piece suit, Size 10, XYZ Manufacturer, Style No. 123."
- *Shop with reputable merchants.* Remember, until you finish paying for the layaway item, the retailer has your money and the merchandise. If the store goes bankrupt while you are still paying, your money and the merchandise may be lost. To help avoid this, and to find out if there are complaints against the store, check the store's reputation with your local Better Business Bureau or consumer protection agency before you buy merchandise on layaway. In addition, if you have not shopped in that store before, you might start out by purchasing a relatively inexpensive item on its layaway plan.
- *What laws protect you?* There is no law that governs layaway plans specifically. The state of Florida and the Federal Trade Commission, however, do have laws governing unfair or deceptive sales practices.
- *Layaways are a convenience for many people.* They make it easier for many people to save enough money to buy needed merchandise. To some, they are a form of "informal budgeting." For others, layaways are a convenient way to keep merchandise until it is needed. For example, instead of hiding a gift in a small apartment, it can be placed on layaway and taken out just in time for that special event.
- *To avoid problems* become familiar with a store's policies and carefully abide by them. Keep accurate records.

Reference

Federal Trade Commission, *Facts for Businesses: Offering Layaways*. Retrieved September

19, 2007.

<http://www.ftc.gov/bcp/conline/pubs/buspubs/layaways.shtm>