



More information on buying a car on finance

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Buying a car on finance - the basics

When you buy a car using the finance (loan) offered by the motor vehicle dealer it can be hard to know whether you are getting a good deal.

You'll want to be sure the car you like is good value for its price, age and condition.

[Visit the New Zealand Transport Agency for tips on buying a used car.](#)

We tell you [here](#) what your rights are if there turns out to be a problem with the car you bought.

You also want to be sure you are not paying more than you need to for the finance. Use our [TrueCost Checklist \[PDF\]](#) to help you get important information about the finance deal before you sign anything.

Use the Truecost Checklist as a guide to asking your own questions or ask the dealer to fill it in with the correct information. Then take time to decide if the finance deal being offered is the best you can get before you sign up to a loan. Talk about it with someone you trust, a law centre or budget advisor before you sign up.

Make sure the car you want comes with a loan you can live with.

[Before you buy a used car from a Registered Motor Vehicle Dealer](#)

Seen a car you like? - Get it checked before you buy

Before you agree to buy a car get it checked over by your mechanic to make sure the car is good quality. If there is something wrong with the car but you still want to buy it, you can ask the car dealer to agree to fix all the things on the mechanical report. This will form part of your contract with the dealer. If the dealer fails to fix the problems you can cancel the contract.

Check the car has a warrant of fitness less than one month old. If it doesn't, ask the dealer to get a new warrant for the car.

[Read more about buying a car from a car yard.](#)

What the window notice (Consumer Information Notice) tells you

There must be a notice in the window of every car for sale in a dealer's yard (called a Consumer Information Notice). This tells you important information like the year the car was first registered, if a previous owner owes money on the car, the name and business address of the car dealer, the cash price, whether the dealer is registered.

The back of this notice must tell you about your rights under the law when buying a car. You must be given a copy of this notice when you buy the car.

If there is no window notice contact the Commerce Commission on 0800 943 600 and tell them as it is their job to make sure all dealers display this notice.

[Read more about the Consumer Information Notice.](#)

Is there any money owing on the car?

Look for a box near the top of the window notice headed "security interest". If this box says "there is a security interest registered over this vehicle" it may be wise not to buy the car because it means a previous owner still owes money on it. You may end up having to pay this money if you buy the car.

If the box has no statement in it, and you are buying from a registered car dealer, you don't have to pay any debts that previous owners owe on the car.

[See here for information on how to check if money is owed on a car.](#)

Is it a good idea to buy an extended warranty?

Not unless you are sure it will be useful. Extended warranties can be expensive, and you often have to pay to make a claim. Extended warranties may not cover lots of problems and may require you to get your car serviced regularly only at certain mechanics. If you miss a service – the whole warranty will be invalid.

The car dealer will tell you an extended warranty offers added protection if there are mechanical problems with the car. But remember that in most situations the law requires the dealer to repair many faults for free. The Consumer Guarantees Act gives you rights when a car is not of acceptable quality.

[Read more about extended warranties.](#)

When may an extended warranty be useful?

If you intend to use the car in your business, for example if you are a taxi driver or a courier, an extended warranty may be useful because you won't have the protection of the quality guarantees under the Consumer Guarantees Act.

If you are buying the car at an auction or by tender an extended warranty may be useful because you won't have the protection of the quality guarantees under the Consumer Guarantees Act.

What does the Consumer Guarantees Act cover?

Under the Consumer Guarantees Act, when you buy a car from a dealer the car must be of acceptable quality. This means it should be free of small faults, safe, durable, do what a car is supposed to do, be acceptable in look and finish and able to take a reasonable amount of wear and tear considering its age, condition and price. The car should also match its description and be fit for any particular purpose you tell the car dealer about e.g. if you said you want to tow a boat, then the cars you are shown should be able to do this.

[Read more about the Consumer Guarantees Act](#)

Getting more information

Call 0508 TRUECOST - 0508 878326 (8.30am – 5pm Monday to Friday) for a hard copy of any of the information you have seen here.

[You can also order publications from us.](#)

Got a problem with the car?

If you have bought a car from a motor vehicle dealer and there is a problem with it here's what to do.

Who to go to first

Take the car back to the dealer and ask for the problem to be fixed. Tell the dealer about the Consumer Guarantees Act. Take along some of our printed information to show the dealer.

[Read more about what to do if you have problems with your car](#)

What if you caused the fault?

If you have caused the problem, maybe because of your driving, you have no rights to get it fixed under the Consumer Guarantees Act. If you have an extended warranty, check whether the problem will be covered.

What rights does the Consumer Guarantees Act give you?

If the problem is because the car is of poor quality and it can be easily fixed, you must give the dealer the chance to fix it. In this case, if you have an extended warranty the car dealer cannot make you use the warranty to fix the problem; they must fix it for free.

[Read more about what to do if you have problems with your car](#)

Can I give the car back to the dealer and get my money back?

If the car is of poor quality and the problems with it are serious, then under the Consumer Guarantees Act you have the right to choose to have the car repaired, replaced or get a refund.

How long do your rights last?

There is no time limit on your rights under the Consumer Guarantees Act, but you should contact the dealer as soon as you realise there is a problem with the car.

What if the dealer told you something about the car that wasn't true?

The dealer must not mislead or deceive you or make false representations about the car. Everything on the window notice (Consumer Information Notice) must be correct and accurate and anything the dealer tells you about the car must be true.

If you have been misled about something then you have rights against the car dealer under the Fair Trading Act. You can report them to the Commerce Commission by calling 0800 943 600.

[Read more about what to do if you think you have been misled about the car](#)

What you can do if the dealer won't fix the car or refund your money

You can go to the Motor Vehicle Disputes Tribunal and ask them to order the dealer to make it right. The Motor Vehicle Disputes Tribunal deals only with problems about vehicles. There is a fee payable. Call 0800 367 6838 for an application form. You can claim for repairs, refunds or extra costs you have had to pay because of the problems with the car.

[Read more about the Motor Vehicle Disputes Tribunal](#)

Rejecting a car that is of poor quality

You have the right to reject a car if it has a serious fault. You can apply to the Motor Vehicle Disputes Tribunal for a refund of the money you paid and for the finance to be transferred to the car dealer.

What is a serious fault?

A serious fault is one where a reasonable person would not have bought the vehicle if they had known the fault existed.

Do you have to keep up payments on the car if it is faulty?

Yes, if you have taken out a loan to buy the car, make sure you keep up your loan payments, even if there are problems with the car. Otherwise you risk adding on extra penalties or having your car repossessed.

What to do if you learn a previous owner owes money on the car

Contact a community law centre for help.

[Read more about what to do if there is money owing on the car](#)

Getting more information

Call 0508 TRUECOST - 0508 878326 (8.30am – 5pm Monday to Friday) for a copy of any of the information you have seen here.

We also have booklet available with detailed information about how to deal with problems with cars you can see this on the website or [order a copy](#).

[Before you buy – check the finance deal first](#)

People buying a car often decide to use the finance deal offered by the motor vehicle dealer to pay for it. The finance deal will be written up in a separate credit contract from the contract to purchase the car. It is important to check the paperwork before you sign a finance contract. These contracts are often long and complicated. Here are some things to check before you sign.

Use the TrueCost Checklist to help you decide

Ask the dealer to fill the Truecost Checklist in or simply use it to ask your own questions about the finance deal. Don't sign anything until you have talked it over with someone. Talk with your friends and family. Think about whether you can afford the car on the terms of the finance deal. If you want help with this, talk to a budget advisor.

To find a free budget advice service near you look under "Budget Advice Services" in the White Pages of the phone book or go to the [Family Budgeting website](#).

Check the part of the paperwork headed "What could happen if you fail to meet your commitments?"

This will tell you what the finance company can repossess (take from you) if you don't keep up with payments. If it says "all personal and after acquired property", or something similar, get advice from a law centre or budget advice service. It means the finance company wants the right to take other property that you own, not just the car, if you do not pay.

Check the cash price

The cash price of the car must be lowest price the car is sold on the day; the car dealer cannot make the cash price of the car higher because you are buying it using finance, and they cannot, for example, add registration on afterwards.

Check the figures written on the contract

Make sure the amount you will end up paying back is the same as what the car dealer said.

Check who you make your payments to

Some car dealers are also the finance company. You need to be clear who you are dealing with so you know who to contact should anything go wrong. The contact details should be in the contract.

Check you are given the right paperwork

You must be given a copy of your loan contract and 'disclosure statement' either when you sign your contract or within five working days of signing it. The loan contract must tell you important information like:

- the total amount you will end up paying
- how much each repayment is
- when each payment is due
- when the last payment will be made
- what the fees are
- what your rights are to cancel the contract
- what the interest is that you are paying on top of the cost of the car.

Check all the fees

It is important that you check all the fees listed in the contract and ask to have them explained to you if you are not sure what some of those fees are for. Fees must be reasonable. If the fees look too high, try another finance company to see if they can offer a cheaper deal. Check that the figures in the contract add up correctly.

Check the penalty fees

Go through each page of your contract to see if there are other fees you may have to pay, e.g. late payment fees, debt collection costs.

Check how much money you will end up paying back in total

Once you buy your car you are stuck with it, unless it is poor quality then you may be able to get a refund. If you find later on down the track you can't make your car loan repayments the finance company may repossess your car. If this happens, you may still end up having to pay money back if the finance company sells the car for less than you owe on the car.

Check the insurance

When you're getting your loan you may be asked to take out insurance on the car you're buying or to cover your loan repayments. Ask yourself whether you actually need this insurance.

There are two types of insurance,

- insurance on the car, e.g. in case of accidents
- insurance to cover your payments, e.g. in case you are made redundant.

Think about whether you really need the insurance to cover your future repayments. For example, if you are not in paid employment insurance against redundancy may not be any use to you. Finance companies can't make you buy this insurance.

But you do have to have the insurance on the car. Some finance companies will repossess the car if you don't have it.

If you are paying for insurance as part of your loan, you should be given a separate paper from the insurance company telling you what you are paying for.

Check - are the 'free' extras really free?

If there are special offers on the car finance, i.e. cash backs or gifts, make sure you are not actually paying for them somewhere in your loan. Cash backs and gifts sometimes get added to the cost of your loan.

Get advice if you are unsure about your contract. Take your contract to a lawyer or get some free advice from a law centre before you sign.

Got a problem with the finance?

If you take out a loan to buy a car, the finance company will usually put in the contract that have a security interest in the car until you finish paying the loan. That means you can't sell the car or give it away. Also, the finance company may be entitled to repossess the vehicle if you attempt to do this.

[Find out more about security on loans.](#)

If you signed a contract to buy a car, then changed your mind

You can change your mind about buying the car if you haven't taken the car home. You have three working days from the day you get your contract to cancel the whole deal.

If you have taken the car home, you have three working days from the day you get your contract to cancel the finance, but you still have to buy the car. If you cancel the finance you have 15 working days to come up with the cash price.

[Read more about your rights after you have signed the contract](#)

What if you can't keep up with the repayments?

If you can't keep up your repayments because something unexpected happened such as illness, injury or losing your job, you must contact the finance company as soon as you realise you can't make the repayments.

If you are up to date with your repayments, you can ask if you can apply to spread the payment over a longer period of time, or you can apply for "Hardship". This lets you change your contract to give you more time to make your repayments. Or, you could ask the finance company to take back the goods.

[Read more about what to do if you have problems with credit](#)

The car dealer didn't provide all the paperwork

If you didn't get a copy of your loan contract and your 'disclosure statement' or you were not told the correct information about the loan, the finance company cannot enforce the contract against you and you may be able to have some money taken off the amount you owe on the loan.

[Read more about what to do if you didn't get a copy your contract documents](#)

The finance company is being unfair

You can take a claim to the Disputes Tribunal if you think your contract, or the way you have been dealt with, is oppressive. 'Oppressive' means harsh, unfair or unreasonable.

You can also apply to the Disputes Tribunal to have an amount wiped off your loan if the finance company didn't follow the law.

The Disputes Tribunal can deal with claims up to \$15,000 (or \$20,000 if both parties agree). There is a fee to apply, the amount of the fee depends on the amount of your claim. It may be wise to see a lawyer or go to a law centre for more help on making a claim.

[Read more about what to do if you think the contract terms are 'oppressive'](#)

The car is faulty - can you stop making repayments?

No, keep making repayments. If you do not keep up your repayments you risk losing the car through repossession. There are set rules the finance company must follow for repossession so try and sort the problem out as soon as you get the first letter giving you 15 working days to bring your account up to date.

If the car is faulty contact the car dealer and ask them to fix it otherwise you might end up paying for something that doesn't work. If the car dealer doesn't help take a claim to the [Motor Vehicle Disputes Tribunal](#) for either a repair or refund.

The car is being, or has been, repossessed

A finance company must stick to the rules before and after they repossess your car. If they do not you have rights.

[Check your rights here - more about repossession](#)

The car has been repossessed and sold

After a repossessed car has been sold, you will still have to pay the balance owing. The amount will be shown on the 'account after sale' notice that the finance company must send you. The finance company should not add on any extra amounts – no interest, no penalty interest and no further collection costs.

[Read more about repossession](#)

Getting more information

Call 0508 TRUECOST - 0508 878326 (8.30am – 5pm Monday to Friday) for a copy of any of the information you have seen here.

[For more information on credit go to the Credit and Debt section of our website.](#)

We also have a booklet available with detailed information about borrowing money or buying goods on credit.

[Order the booklet "Credit: What you need to know when borrowing money or buying goods on credit".](#)