

ILLINOIS

Rental-Purchase Agreements - Act of December 4, 1987

Illinois Compiled Statutes, 1992.

Added by Laws 1987, P.A. 85-957, certified December 4, 1987, effective July 4, 1988

Sec. 1. Definitions. In this Act:

- (1) "Advertisement" means a commercial message in any medium that directly or indirectly promotes or assists a rental-purchase agreement.
- (2) "Cash price" means the price for which the merchant would have sold the merchandise to the consumer for cash on the date of the rental-purchase agreement.
- (3) "Consumer" means an individual who leases personal property under a rental-purchase agreement.
- (4) "Merchandise" means the personal property that is the subject of a rental-purchase agreement.
- (5) "Merchant" means a person who, in the ordinary course of business, regularly leases, offers to lease or arranges for the leasing of merchandise under a rental-purchase agreement, and includes a person who is assigned an interest in a rental-purchase agreement.
- (6) "Rental-purchase agreement" means an agreement for the use of merchandise by a consumer for personal, family or household purposes for an initial period of 4 months or less that is automatically renewable with each payment after the initial period and that permits the consumer to become the owner of the merchandise.

Sec. 2. Forms.

- (a) A rental-purchase agreement must be written in plain English and clearly and simply in any other language used by the merchant in any oral or written advertisement related to the rental-purchase agreement. Numerical amounts must be stated in figures.
- (b) Disclosures required by this Act must be printed or typed in each rental-purchase agreement in a size equal to at least 10 point bold-face type.

- (c) A rental-purchase agreement may not contain a provision:
 - (1) requiring a confession of judgment;
 - (2) authorizing a merchant or an agent of the merchant to commit a breach of the peace in the repossession of merchandise;
 - (3) waiving a defense, counterclaim or right the consumer may have against the merchant or an agent of the merchant;
 - (4) requiring the purchase of insurance from the merchant to cover the merchandise;
 - (5) requiring the payment of a late charge or reinstatement fee unless a periodic payment is delinquent for 3 days and the charge or fee is in an amount not more than \$5; or
 - (6) requiring a payment at the end of the scheduled rental-purchase term in excess of or in addition to a regular periodic payment in order to acquire ownership of the merchandise. In no event shall the consumer be required to pay a sum greater than the total amount to be paid to acquire ownership, as disclosed in item (3) of subsection (g) of this Section.
- (d) Only one late charge or reinstatement fee may be collected on a payment regardless of the period during which it remains in default.
- (e) A rental-purchase agreement must provide that:
 - (1) a charge in addition to periodic payments, if any, must be reasonably related to the service performed; and
 - (2) a consumer who fails to make a timely payment may reinstate an agreement, without losing rights or options previously acquired, by taking the required action before the later of one week or half of the number of days in a regular payment period after the due date of the payment.
- (f) Notice of the right to reinstate an agreement must be disclosed in the agreement. This Act does not prevent a merchant from attempting repossession of merchandise during the reinstatement period, in accordance with the agreement, and the consumer's right to reinstate an agreement does not expire because of such a repossession. If the merchandise is returned to the merchant during the applicable reinstatement period, other than through judicial process, the right to reinstate the agreement shall be extended for a period of not less than 30 days if the consumer has paid less than 60% of the total amount to be paid to acquire ownership of the merchandise and shall be extended for a period of not less than 60 days if the

consumer has paid 60% or more of the total amount to be paid to acquire ownership of the merchandise. On reinstatement, the merchant shall provide the consumer with the same merchandise or substitute merchandise of comparable quality and condition. If substitute merchandise is provided, the merchant shall also provide the consumer with the disclosures required in subsection (g) of this Section.

- (g) A rental-purchase agreement must disclose:
 - (1) whether the merchandise is new or used;
 - (2) the amount and timing of payments;
 - (3) the total number of payments necessary and the total amount to be paid to acquire ownership of the merchandise;
 - (4) the amount and purpose of any payment, charge or fee in addition to the regular periodic payments;
 - (5) whether the consumer is liable for loss or damage to the merchandise, and, if so, the maximum amount for which the consumer may be liable;
 - (6) that the consumer does not acquire ownership rights unless the consumer has complied with the ownership terms of the agreement; and
 - (7) the cash price of the merchandise, whether the merchandise is new or used.
- (h) Every item displayed or offered under a rental-purchase agreement shall bear a tag or card that clearly and conspicuously indicates in Arabic numerals, so as to be readable and understandable by visual inspection, each of the following:
 - (1) Whether the merchandise is new or used;
 - (2) The amount and timing of payments;
 - (3) The total number of payments necessary, and the total amount to be paid to acquire ownership of the merchandise; and
 - (4) The cash price of the merchandise, whether the merchandise is new or used.

Sec. 3. Advertisement.

- (a) An advertisement for a rental-purchase agreement that refers to or states the amount of a payment or that refers to or states the amount of a payment or the right to acquire ownership of any one particular item under the agreement must clearly and conspicuously state:

- (1) that the transaction advertised is a rental-purchase agreement;
 - (2) the total amount and number of payments necessary to acquire ownership; and
 - (3) that the consumer does not acquire ownership rights unless the merchandise is rented for a specified number of payment periods.
- (b) Every item of property displayed or offered for rental-purchase by a merchant shall have attached to its front or displayed as prominently as if attached to its front a tag disclosing the amount to be paid to acquire ownership of the merchandise.

Sec. 4. Enforcement.

- (a) A consumer damaged by a violation of this Act by a merchant is entitled to recover from the merchant:
- (1) actual damages;
 - (2) 25% of an amount equal to the total amount of payments required to obtain ownership of the merchandise involved, except that the amount recovered under this item (2) may not be less than \$250 nor more than \$1,000; and
 - (3) reasonable attorney's fees and court costs.
- (b) A merchant is not liable under this Section for a violation of this Act caused by the merchant's error if before the 31st day after the date the merchant discovers the error, and before an action under this Section is filed or written notice of the error is received by the merchant from the consumer, the merchant gives the consumer written notice of the error and makes adjustments in the consumer's account as necessary to assure that the consumer will not be required to pay an amount in excess of the amount disclosed and that the agreement otherwise complies with this Act.

Sec. 5. Penalty.

Any person intentionally violating this Act shall be guilty of a petty offense and fined not more than \$500.