

OHIO

Lease-Purchase Agreements

OH Rev Code § 1351.01 et seq.

Section 1351.01 | Lease-Purchase Agreement Definitions.

As used in this chapter:

(A) "Advertisement" means any written, visual, or oral communication made to a lessee or prospective lessee by means of personal representation, newspaper, magazine, circular, billboard, direct mailing, sign, radio, television, telephone, or other means of communication, that aids, promotes, or assists, directly or indirectly, a lease-purchase agreement.

(B) "Cash price" means the price at which a lessor in the ordinary course of business would offer the property that is the subject of a lease-purchase agreement to the lessee for cash on the date of the lease-purchase agreement. It may include sales taxes.

(C) "Lessee" means an individual who leases personal property pursuant to a lease-purchase agreement.

(D) "Lessor" means a person who, in the ordinary course of business, regularly offers to lease or arranges for personal property to be leased pursuant to a lease-purchase agreement.

(E) "Personal property" means any property that is not real property under the laws of the state where it is located when it is offered or made available for a lease-purchase agreement.

(F) "Lease-purchase agreement" means an agreement for the use of personal property by an individual primarily for personal, family, or household purposes for an initial period of four months or less that is automatically renewable with each lease payment after the initial period and that permits the lessee to acquire ownership of the property. It does not include any of the following:

- (1) A lease for agricultural, business, or commercial purposes;
- (2) A lease made to an organization;
- (3) A lease of money or intangible personal property;
- (4) A lease of a motor vehicle as defined in section 4501.01 of the Revised Code.

(G) "Lease-purchase property" means personal property that is owned by the lessor at the time it is physically displayed and offered for lease-purchase to the consumer, and prior to execution of any lease-purchase agreement.

Section 1351.02 | Disclosures Required in Connection With Lease-Purchase Agreement.

(A) A lessor shall disclose all of the following in a clear and conspicuous manner:

- (1) A brief description of the leased property, sufficient to identify the property to the lessee and lessor and a statement as to whether the property is new, used, or previously leased. If a lease is for multiple items of property, a description of each item may be provided in a separate statement incorporated by reference in the lease-purchase agreement or primary disclosure statement.
- (2) The total amount of any initial payment, including any advance payment, delivery charge, or any trade-in allowance to be paid by the lessee at or before consummation of the lease-purchase agreement;
- (3) The amount and timing of lease payments;
- (4) The amount of all other charges, individually itemized, payable by the lessee to the lessor, that are not included in the lease payments;
- (5) The party who is liable for loss, damage in excess of normal wear and tear, or destruction of the leased property;
- (6) The right of the lessee to reinstate as set forth in section 1351.05 of the Revised Code and the amount or method of determining the amount of the delinquency charges, reinstatement fee, or delivery charge for reinstatement;
- (7) The party responsible for maintaining or servicing the leased property and a brief description of the responsibility;
- (8) The conditions upon which the lessee or lessor may terminate the lease prior to the expiration of the lease term;
- (9) The total of all initial payments, all lease payments, and all other charges necessary to acquire ownership of the leased property;
- (10) That the lessee has the option to purchase the leased property during the lease term and at what price, or by what formula or method the purchase price will be determined;
- (11) The cash price of the personal property that is the subject of the lease-purchase agreement;
- (12) That if any part of a manufacturer's warranty exists on the leased property when a lessee acquires ownership of the property, the warranty will be transferred to the lessee;
- (13) That the lessee is not required to purchase insurance for the property that is the subject of the lease from the lessor or from any insurer owned or controlled by the lessor;

(14) A notice in a prominent place in at least twelve-point type or in legible print with letters at least one-eighth inch in size, in substantially the following form:

"NOTICE: THIS LEASE-PURCHASE AGREEMENT IS REGULATED BY STATE LAW AND MAY BE ENFORCED BY THE ATTORNEY GENERAL OR BY PRIVATE LEGAL ACTION."

(B) Every lease-purchase agreement shall be in writing. The information required by this section shall be disclosed by the lessor prior to the signing of the lease-purchase agreement by the lessee and shall be disclosed either in the lease-purchase agreement or on a dated, separate piece of paper that identifies the lease-purchase agreement and the parties to it.

(C) The disclosures required by this section shall be printed or typed in at least ten-point boldface type, and numerical amounts and percentages shall be stated in figures. All information required by this section shall be stated in a clear and coherent manner, using words and phrases of common meaning. The information shall be appropriately divided and captioned by its sections.

(D) A lessor may disclose information that is not required by this section if the additional information is not stated, used, or placed in a manner that will contradict, obscure, or distract attention from the required information.

(E) With respect to matters specifically governed by the "Consumer Credit Protection Act," 15 U.S.C. 1667, 90 Stat. 257, as amended, compliance with such act satisfies the requirements of this section.

Section 1351.03 | Provisions Prohibited in Lease-Purchase Agreement.

(A) A lease-purchase agreement shall not contain a provision that requires a lessee to do any of the following:

- (1) Execute a warrant of attorney to confess judgment;
- (2) Authorize the lessor or an agent of the lessor to commit a breach of the peace in the repossession of property that is the subject of the lease-purchase agreement;
- (3) Waive a defense, counterclaim, or any right the lessee has against the lessor or an agent of the lessor.

(B) No lease-purchase agreement shall provide that mere failure to return property constitutes probable cause for a criminal action.

Section 1351.04 | Terms That May Not Be Required.

A lessor shall not require any of the following from a lessee:

- (A) The purchase of insurance from the lessor for property that is the subject of a lease-purchase agreement;
- (B) Any payment in addition to the number of lease payments specified in the lease-purchase agreement other than the payment described in division (B) of section 1351.06 of the Revised Code, that is required in order for the lessee to acquire ownership of the leased property;
- (C) Lease payments that in the aggregate exceed the maximum permissible amount set forth in section 1351.06 of the Revised Code;
- (D) A penalty for early termination of a lease-purchase agreement or for the return of any leased property at any time;
- (E) A fee for in-home collection of a lease payment unless the amount of the fee is disclosed and the lessee expressly has agreed to pay the fee.

Section 1351.05 | Reinstatement of Agreement After Default.

- (A) A lessee who fails to make timely lease payments has the right to reinstate the original lease-purchase agreement without losing any rights or options previously acquired under the lease-purchase agreement within three lease terms after the expiration of the last lease term for which the lessee made a timely payment if the lessee surrenders the leased property to the lessor when the lessor or its agent requests him to surrender the leased property.
- (B) Before reinstating a lease-purchase agreement, a lessor may require a lessee to pay any unpaid lease payments, delinquency charges, a reasonable reinstatement fee of not more than five dollars, and a delivery charge if redelivery of the leased property is necessary.
- (C) If reinstatement occurs pursuant to this section, the lessor shall provide the lessee with either the same property leased by the lessee prior to reinstatement or substitute property that is of comparable quality and condition. If substitute property is provided, the lessor shall provide the lessee with all of the disclosures required by section 1351.02 of the Revised Code.
- (D) A lessee who fails to make a timely lease payment shall, before such lessee is determined to be in default, be allowed a grace period of not less than two days if payments are made in weekly installments and not less than five days if payments are made in monthly installments; however, no lessee shall be entitled to more than three such monthly grace periods per year.

Section 1351.06 | Acquiring Ownership When 50% of Payments Equals Cash Price.

- (A) No lessor shall offer a lease-purchase agreement in which fifty per cent of all lease payments necessary to acquire ownership of the leased property exceed the cash price of the leased property. When fifty per cent of all lease payments made by a lessee equals the cash price of the property disclosed to the lessee pursuant to division (A)(11) of section 1351.02 of the Revised

Code, the lessee shall acquire ownership of the leased property and the lease-purchase agreement shall terminate.

(B) At any time after tendering an initial lease payment, a lessee may acquire ownership of the property that is the subject of the lease-purchase agreement by tendering an amount equal to the amount by which the cash price of the leased property exceeds fifty per cent of all lease payments made by the lessee.

Section 1351.07 | Advertisements - Mandatory Information to Be Supplied.

(A) No advertisement for a lease-purchase agreement shall state that a lease of any specific property is available at specific amounts or on specific terms unless the lessor will lease the property at those amounts or on those terms.

(B) No advertisement shall state that a payment or a lease payment is due upon origination of a lease without disclosing all of the following:

(1) The payment due upon origination of the lease;

(2) The lease payment;

(3) The total number of lease payments necessary to obtain ownership of the property that is the subject of the lease-purchase agreement.

(C) All lease-purchase property displayed or offered under a lease-purchase agreement shall have stamped upon or affixed to the property, or otherwise disclosed as provided in division (D) of this section, and clearly and conspicuously indicated in Arabic numerals that are readable and understandable by visual inspection, all of the following:

(1) The cash price of the property;

(2) The amount of the lease payment;

(3) The total number of lease payments necessary to acquire ownership of the property that is the subject of the lease-purchase agreement.

(D) For any lease-purchase property displayed or offered online and for which a consumer can enter into a lease-purchase agreement online or remotely through electronic commerce, a lessor may, in lieu of stamping or affixing the disclosures required by division (C) of this section to the property, provide the same information electronically so long as such information is clearly and conspicuously indicated in Arabic numerals that are readable and understandable by visual inspection and the disclosure is provided prior to any disclosure required under section 1351.02 of the Revised Code.

(E) When personal property that is not lease-purchase property is displayed or offered for a lease-purchase agreement, the lessor shall provide the information described under divisions

(C)(1) to (3) of this section electronically, in the same manner described under division (D) of this section, rather than stamping or affixing such information to the property.

(F) With respect to matters specifically governed by the "Consumer Credit Protection Act," 15 U.S.C.A. 1667, 90 Stat. 257, as amended, compliance with such act satisfies the requirements of this section.

Section 1351.08 | Liability of Lessor for Noncompliance.

(A) A lessor who fails to comply with the requirements of this chapter with respect to a lease-purchase agreement is liable to the lessee in an amount equal to the sum of the following:

(1) The costs of the action and reasonable attorney's fees as determined by the court;

(2) The greater of the following:

(a) The actual damages sustained by the lessee as a result of the failure of the lessor;

(b)

(i) In the case of an individual action, twenty-five per cent of the total amount necessary to acquire ownership of the property that is the subject of the lease-purchase agreement, but not less than two hundred dollars or more than one thousand dollars;

(ii) In the case of a class action, an amount the court determines to be appropriate except that as to each member of the class no minimum recovery is applicable. The total recovery under division (A)(2)(b)(ii) of this section in any class action or series of class actions arising out of the same failure to comply cannot be more than the lesser of five hundred thousand dollars or an amount equal to one per cent of the net worth of the lessor.

(B) If a particular lease-purchase agreement has more than one lessee, only one recovery of damages is allowed under division (A)(2) of this section for a violation of this chapter. Multiple violations in connection with a single lease-purchase agreement entitle the lessee or multiple lessees to only one recovery under this section.

(C) No action under this section may be brought more than two years after the occurrence of the violation that is the subject of the suit, or more than two years after the lessee made his last lease payment, whichever is later. This division does not bar a lessee from asserting a violation of this chapter as a matter of defense by recoupment or set-off in an action brought by a lessor more than two years after the date of the occurrence of the violation on an obligation arising from the lease-purchase agreement.

(D) A lessee may not take any action to offset any amount for which a lessor is potentially liable under division (A)(2) of this section against any amount owed by the lessee, unless the amount of the liability of the lessor has been determined by a judgment of a court of competent

jurisdiction in an action in which the lessor was a party. This division does not bar a lessee in default on an obligation arising from the lease-purchase agreement from asserting a violation of this chapter in an original action, or as a defense or counterclaim to an action brought by the lessor to collect amounts owed by the lessee pursuant to the lease-purchase agreement.

Section 1351.09 | Limits on Lessor's Liability.

(A) A lessor is not liable under section 1351.08 of the Revised Code for any violation of the requirements of this chapter if, within sixty days after discovering an error, and before an action for damages is filed against him pursuant to section 1351.08 of the Revised Code or written notice of the error is received from the lessee, the lessor notifies the lessee of the error and makes adjustments to the account of the lessee that are necessary to assure that the lessee is not required to pay an amount in excess of the amounts actually disclosed. This division applies whether the error was discovered through the lessor's own procedures or by any other means.

(B) A lessor is not liable under section 1351.08 of the Revised Code for damages in excess of the actual damage sustained by the lessee if the lessor shows by a preponderance of the evidence that the violation of this chapter resulted from a bona fide error notwithstanding the maintenance by the lessor of procedures reasonably adopted to avoid the error. As used in this division, "bona fide error" includes, but is not limited to, clerical, calculation, computer malfunction and programming, and printing errors.