Bill of sale

Fact sheet no. 44 EW Bill of sale

This fact sheet tells you what a bill of sale is and how it works. It describes how a credit agreement can be secured on goods (usually a car) by a bill of sale. It explains how the goods can be taken and sold if you don’t keep up with payments. It describes what options for action you have if you want to deal with your debt and gives advice about how you can try to keep your goods.

Use this fact sheet to:

- find out what a bill of sale is and how it works;
- understand what options you have if you fall behind with payments on a credit agreement secured by a bill of sale;
- find out if the bill of sale is valid; and
- help you to challenge the lender’s right to take the goods.

**How a bill of sale works**

A bill of sale agreement uses a car or other goods as security for a loan. It is sometimes called a log book loan when a car is used for security. The lender will own the goods until the loan has been paid off. If you do not keep up to date with payments, the lender can take and sell your goods. They do not have to go to court to do this.

Before taking out a bill of sale, the lender should give you the key facts about the agreement, so that you can understand the kind of agreement you are taking out. They should also give you a Customer Information Sheet. This describes what a bill of sale is, how you can expect the lender to behave and your responsibilities. When taking out a bill of sale agreement, the lender should give you both the bill of sale document and the credit agreement at the same time.

**Important:**

**cannot sell the goods**

You cannot sell goods that are secured by a bill of sale agreement because you do not own them until the debt has been paid off.

**CCTA code of practice**

Most lenders who offer bill of sale agreements are members of the Consumer Credit Trade Association (CCTA). The CCTA has a code of practice on its website covering bills of sale. Members of the CCTA should follow its rules about how to treat you. The code sets out what information they must give you about the agreement and the lender’s obligations. Lenders should make sure that you can afford the agreement and that you understand the risks involved in a bill of sale agreement.
The main points of the code are outlined below.

- If you are in arrears you may be able to hand over the car in full settlement of the debt. If so, you will not have to pay any more money, even if the value of the car does not cover the amount you owe. [4.8.11]
- The lender must register the bill of sale with a reputable vehicle registration organisation within 24 hours of making the agreement, so that anyone who might buy the car can check whether it has a bill of sale registered against it. [3.14]
- Before you sign the agreement, the lender must tell you about any charges that they will add if you miss payments. These charges must only be enough to cover the lender's costs. [4.8.4]
- If you get into difficulty paying the loan, the lender must look at options with you to see how you can repay the debt. The lender should only repossess the car if they cannot agree a repayment arrangement with you to clear the arrears. [4.8.6]
- Lenders should not take your car away unless you owe an amount equal to at least the last two monthly payments. If you are paying weekly, they should not take your car away unless you owe an amount equal to the last four weekly payments. [4.8.7]
- If a money adviser is helping you, the lender should hold action on your account for at least 30 days while you come to a payment arrangement. [4.7.5]
- If they take your car away, the lender should not try to sell it for 14 days. This is to give you time to make an offer to try to keep the car. [4.8.8]
- Lenders should try to sell your car for the highest possible market price. [4.8.8]
- The lender can ask the court to secure any debt left after the car has been sold to your home through a 'charging order'. If the lender gets a charging order, they will not use it later to try to force a sale of your home to recover the money you owe them. [4.8.10]
- Balloon payments should only be offered to business customers who can show they will have funds to make the final repayment. [4.2.2]

Extra advice: complaint
If you feel a CCTA member did not follow the code when giving you a loan, see the later section How to complain.
Missed payments
If you miss payments, there is a risk that the goods will be repossessed and sold to pay the debt unless you can come to a payment arrangement with your lender. The lender does not have to go to court to repossess the goods. You can still negotiate with the lender to stop this happening. See the later section Keeping the goods.

Ending the agreement yourself
You may be able to end the agreement yourself if the lender has not already issued a default notice. If you are currently up to date with the agreement and the lender is a member of the CCTA, you may be able to hand the goods back and not owe any further money, as long as the goods are in a reasonable condition. It is a good idea to take photos to record the actual condition of the goods when you return them. However, if you are not able to end the agreement and you do owe money to the lender, you can treat this as a non-priority debt if the goods have been repossessed.

When the lender can take the goods
Before your lender can end the agreement and take your goods, they must send you an arrears notice and a default notice under the Consumer Credit Act 1974. The default notice gives you 14 days to make up any missing payments. If the lender is a member of the CCTA, they must follow two rules from their code of practice before taking the goods back.

- They must try to reach a realistic repayment agreement with you.
- You must also have missed paying an amount equal to the last two monthly payments (or the last four weekly payments if you pay weekly).

When the goods are taken and sold
The lender must wait a minimum of five days before selling the goods. If the lender is a member of the CCTA, they must wait 14 days before selling. CCTA members are also supposed to try to get the highest market price for the goods. If you still owe money to the lender after the sale, you can treat this debt as a non-priority debt and make an offer of payment using your budget. See our self-help pack for advice on how to do this. You may find the Pro-rata offers sample letter in our sample letters suite helpful. If the lender does not accept your offer, they can apply for a county court judgment for the amount you owe.
Keeping the goods

You will need either to make an arrangement to pay off the arrears to keep your goods or find a way to stop the lender repossessing your goods.

Making an offer to repay arrears

Section 4.7.3 of the CCTA code states that members should be sympathetic and positive when dealing with people in financial difficulties. You may be able to get the account suspended for 30 days if you can show you are in contact with a debt adviser who is helping you to work out a repayment plan.

Use your budget to show what you can afford and make sure you pay what you can. It is likely that the lender will want you to pay your contractual monthly payment plus an additional amount on top to start reducing the arrears. Your lender may agree to lower payment if the amount you owe will still be cleared within a reasonable time.

The terms and conditions of your agreement should include information on what extra charges the lender can ask you to pay. You may be able to challenge extra charges if you feel they are too high, or if they are different to what you were told about when you took out the agreement. Get legal advice if you decide to do this. If you challenge charges in court and you are unsuccessful, you might have very high extra court costs added to your debt. See the later section Pro bono legal advice for information about where to get legal help.

Preventing recovery of the car

If you cannot get the lender to agree a repayment arrangement with you, you have several options to try to stop the lender taking your car.

- You can check to see if the bill of sale is in the required form. If it is not, the lender has no right to take the car. See the later section Checking a bill of sale agreement.
- You can apply through the High Court to strike out the bill of sale from the register. You will need legal support to do this. If you are successful, the lender will not have the right to take the car away. See the later section Striking the bill of sale from the register.
- You can apply for an injunction through the County Court to stop the lender taking the car. You will need legal support to do this. See the later section Applying for an injunction.

See our fact sheet: County Court - replying to a claim form.

Extra advice: challenging charges

You may be able to challenge any extra charges if you feel they are too high, or if they are different to what you were told about when you took out the agreement. Get legal advice if you decide to challenge charges in court. If you are unsuccessful, you might have very high extra court costs added to your debt. See the later section Pro bono legal advice for information about where to get legal help.
You can apply for a time order to give you more time to pay in the County Court on an **N440 form**. You may have to pay a large court fee to make the application. If successful, the court can reschedule and reduce your payments, as well as stop the lender from taking the car away. This is a complicated application and you may need legal support, since there may be extra court costs added to the debt if you are not successful. If you would like to know more about this option, contact us for advice.

### Checking a bill of sale

A bill of sale needs certain items included in it, set out in the correct way, in order for it to be effective. If they are missing or wrong, the bill of sale will not have been made properly. This means that the lender will not have the right to take the goods away, even if you are not up to date with the payments.

#### Check the content

**Consideration**
The ‘consideration’ is the total amount of money the lender gave you. This is also known as the ‘amount of credit’. Some lenders use the ‘amount of credit’ figure from the agreement. You should check that this figure is just the money loaned. If the figure is different, because it includes extra things like interest, it will mean the bill of sale is not stating the correct amount.

**Schedule of items**
This should set out the goods that the bill of sale is secured against. It will usually include the details of your car, such as the registration number. Make sure that the information is correct.

**Restatement of consideration**
This must be the same figure as the amount of money the lender gave you, the ‘amount of credit’. The figure should be the same as the one stated in the ‘Consideration’.

**Statement of interest**
The statement of interest needs to be set out as a simple percentage rate. This is not the same as the ‘APR’ or Annual Percentage Rate. If you think that the figure is not correct, ask your local trading standards office to check it for you.

**Repayment instalments**
The bill of sale must set out an accurate statement of the instalments you must pay under the agreement.

**Witness to the bill of sale**
An agent or employee of the company must witness the bill of sale.

See the later section **An example of a bill of sale** for how this might look on paper.
**Check the registration**

The lender must register their bill of sale in the High Court within **seven days** of the agreement being made or it will not be valid. If the loan term is longer than **five years**, the bill of sale must be re-registered every **five years** to remain valid.

You can make a written application to the Royal Courts of Justice in London to check if a bill of sale has been put on the register. There is a fee to pay. If you go to the court, you will be charged for the time that you spend examining the register. See the **Useful contacts** section at the end of the fact sheet for information about the Royal Courts of Justice.

If you think that the bill of sale is not made correctly, is not effective as a security and the lender is threatening to take your goods, you should challenge the bill of sale. Send a letter to the lender by either registered post or recorded delivery. Explain why you think that the bill of sale is not effective. Ask the lender to confirm that they understand that the bill of sale does not secure the goods. Ask the lender to confirm that they will not attempt to take your goods.

If the lender agrees that the bill of sale is not effective, ask them to confirm this in writing. You should give the lender the opportunity to tell you they will not take the goods before taking any further action through the court.

**Striking the bill of sale from the register**

You can ask the court to remove (‘strike’) the bill of sale from the High Court register. We recommend that you get legal advice if you are thinking about this option. You risk having to pay for the lender’s costs if you are not successful. See the later section **Pro bono legal advice** for information about how to get legal help.

**Important:**

**late registration**

A lender can apply to register a bill of sale after the seven-day time limit. You may be able to challenge this with legal support. If you do challenge a late registration in the High Court and lose, you may have to pay very high extra costs. **Contact us for advice.**

**Important:**

**you still owe the money**

Even if the bill of sale is not valid, you will still have to repay the money you owe on your credit agreement, assuming that the credit agreement has been made correctly.

**Applying for an injunction**

You can ask the court to grant an injunction to stop the lender taking your goods. This stops the lender from acting. This is a complicated application and you must get legal advice first, as you will need support to complete the process. See the following section **Pro bono legal advice** for information about how to get legal help.

**Pro bono legal advice**

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**My Money Steps** is our free, independent and confidential online debt advice service. My Money Steps will help you work out a budget and give you a personalised action plan setting out practical steps to deal with your debts.

[www.mymoneysteps.org](http://www.mymoneysteps.org)

**Freephone 0808 808 4000**

[www.nationaldebtline.org](http://www.nationaldebtline.org)
Pro bono' legal advice or representation is the name given to free legal help where you cannot afford to pay for legal help and you do not qualify for legal aid. Help is given by volunteer lawyers but none of the providers can guarantee that they will be able to help you. They have their own rules for deciding who they can help and whether they have a suitable lawyer available. The following two organisations provide pro bono help in this area:

- The Bar Pro Bono Unit
- LawWorks Clinics

See the Useful contacts section at the end of the fact sheet for more information.

**How to complain**

If you feel your lender is being unreasonable, or is not treating you fairly, you may wish to complain. If the lender does not deal with the complaint to your satisfaction, after eight weeks you can complain to the Financial Ombudsman Service (FOS).

See the Useful contacts section at the end of the fact sheet for contact details. Even if the lender is not a member of CCTA, you can use the CCTA’s code of practice to identify the lender’s poor behaviour because the code is industry best practice.

**An example of a bill of sale**

Your bill of sale document may be slightly different to this example. The words used on your bill of sale document do not have to be exactly the same. Your lender can add some extra content, but this must not change the basic bill of sale. If you would like to discuss your bill of sale agreement, contact us for advice.

This Indenture made the ___ day of ________ 20__ between Mr A.N Other of the one part, and Jacks Cars Ltd of the other part, witnesseth that in consideration of the sum of £____ now paid to Mr A.N Other by Jacks Cars Ltd, the receipt of which the said Mr A.N Other hereby acknowledges, he the said Mr A.N Other doth hereby assign unto Jacks Cars Ltd, his executors, administrators, and assigns, all and singular the several chattels and things specifically described in the schedule hereto annexed by way of security for the payment of the sum of £____, and interest thereon at the rate of ____ per cent per annum. And the said Mr A.N Other doth agree and declare that he will duly pay to the said Jacks Cars Ltd the principal sum aforesaid, together with the interest then due, by equal payments of £____ on the first day of the month. And the said Mr A.N Other doth also agree with the said Jacks Cars Ltd that he will insure, maintain the car and keep secure at all times.

Provided always, that the chattels hereby assigned shall not be liable to seizure or to be taken possession of by the said Jacks Cars Ltd for any other cause other than those specified in section
seven of the Bills of Sale Act (1878) Amendment Act, 1882.

In Witness

Signed and sealed by the said Mr A.N Other in the presence of me Mr A.N Employee of Jacks Cars Ltd, 13 High Street, Anytown, West Midlands.

Useful contacts

Bar Pro Bono Unit
www.barprobono.org.uk

Consumer Credit Trade Association
Phone: 0127 471 4959
www.ccta.co.uk

LawWorks Clinics
National Pro Bono Centre
www.lawworks.org.uk/clinics

Royal Courts of Justice
Queen’s Bench master’s support section
Royal Courts of Justice
Strand
London
WC2A 2LL
Phone: 020 7947 6000
www.gov.uk

The Financial Ombudsman Service
Exchange Tower
London
E14 9SR
Phone: 0800 023 4567
www.financial-ombudsman.org.uk

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