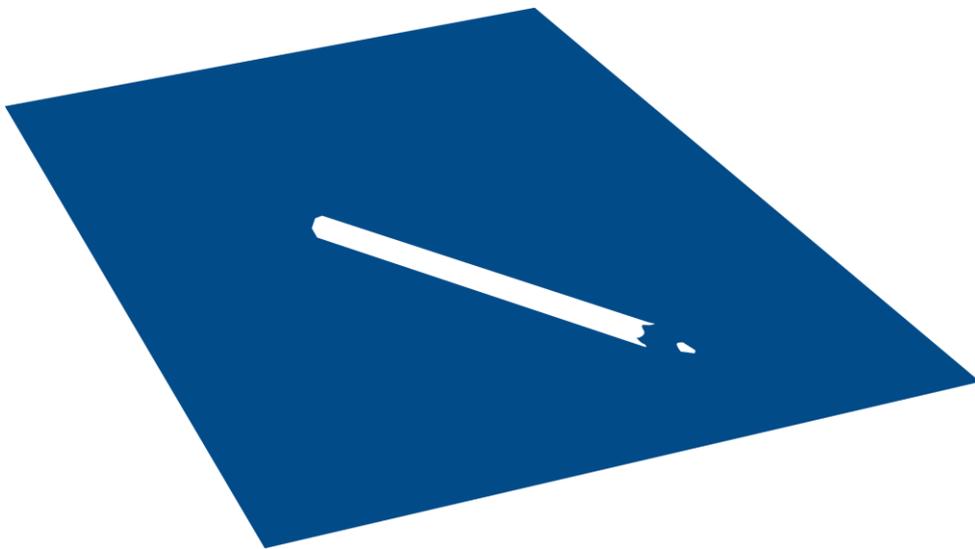


Contracts

Understanding different types of contracts and what is involved when signing up to a consumer contract.



**citizens
advice**

**Consumer Education trainers notes for
contracts (advanced) pack**

This session pack has been produced for the consumer education section by the financial capability team.

Although care has been taken to ensure the accuracy, completeness and reliability of the information provided, Citizens Advice assumes no responsibility. The user of the information agrees that the information is subject to change without notice. To the extent permitted by law, Citizens Advice excludes all liability for any claim, loss, demands or damages of any kind whatsoever (whether such claims, loss, demands or damages were foreseeable, known or otherwise) arising out of or in connection with the drafting, accuracy and/or its interpretation, including without limitation, indirect or consequential loss or damage and whether arising in tort (including negligence), contract or otherwise.

Copyright © 2018 Citizens Advice All rights reserved. Any reproduction of part or all of the contents in any form is prohibited except with the express written permission of Citizens Advice.

Citizens Advice is an operating name of the National Association of Citizens Advice Bureaux, Charity registration number 279057, VAT number 726020276, Company Limited by Guarantee, Registered number 1436945 England. Registered office: Citizens Advice, 3rd Floor North, 200 Aldersgate Street, London, EC1A 4HD

Content

Session aims and objectives	3
Session specific guidance	4
Session plan	9
Activity 1 Different types of contracts Discussion to identify different contracts and positives and negatives to engaging in a contract	10
Activity 2 Contract Terminology. What does it mean? Looking at common terms found in contracts and establishing what they mean.	11
Activity 3 The importance of where the contract is made. Researching consumer rights made in different places, including in a shop, online at home	12
Activity 4 Ways to access advice before signing a consumer contract Discussion to establish who can help with a consumer problem	14
Summary of activities	15
Evaluation guidance	16
Reference section	17

Session aims and objectives

The education pack is designed to assist advisers (and also for campaigns) by providing a number of activities that can be used to:

- generate discussions on the topic
- awareness of contract information
- empower participants to be more aware of how contracts work
- raise awareness of the consumer service and how to get advice

The aims of the resources are to:

- help prevent people getting into difficulties with entering consumer contracts (for goods and services) they do not fully understand,
- understand a contract and whether or not it's affordable
- know what to do if information in a contract is unclear or misleading

The objectives are that by the end of the session learners will be able to:

- understand the importance of reading terms and conditions
- understand terminology within contractual agreements
- understand the implications of signing a contract, including consumer responsibility and financial risks
- know how to get advice or guidance to understand a contract or if there are problems with the contract
- be aware of the differences in legal consumer protection depending on when and where the contract was formed.

If you are limited with time you may wish to focus on one or two activities to cover the objectives you feel most important.

Materials

- Participant handouts
- Access to the internet if possible
- Research materials for activity 3 using links in reference section

Session specific guidance

Introduction

For many goods and services we buy we have to sign up to a contract between ourselves and the seller/ provider of the item.

Contracts can be very complicated so it is essential that we know what we are signing up to. It is unreasonable to expect every consumer to understand every bit of a contract but we should help them develop the skills and confidence to ask what the contract entails.

It is important that people know

- the full cost of the contract
- the length of the contract
- additional fees
- consumer rights when buying through different channels

Consumer Contracts Guidance

Overall we want trainers and learners to develop a greater awareness of terminology in contracts, the importance of where contracts are made and how the consumer can access important contract information.

By the end of the session, learners should be able to,

- recognise common terms in a contract
- identify where they can get help or advice
- signpost to other advice and support organisations
- know how to report concerns over unfair contracts
- understand their consumer rights when signing contracts and be aware of the importance of where the contract was made – i.e. at a distance or on the premises
- understand the financial risks of signing unfair or misleading contracts
- be confident about not being rushed into agreeing terms and conditions in a contract.

Basic guidance for trainers

This training pack provides some basic information on the **Consumer Rights Act** and the **Consumer Contracts Regulations** but some of the activities may require further investigation by participants, time and resources will need to be determined by the trainer.

Further information on consumer rights can be researched on the Citizens Advice website with relevant weblinks in the reference section. This will allow for more detailed learning provision in formal education.

The trainer may also wish to contact their local Trading Standards or Citizens Advice to see if they can support the session.

Consumer Rights Act (CRA) 2015

The Consumer Rights Act is the piece of law that says:

- what should happen when there's a problem with goods or digital content are faulty
- terms in consumer contracts and notices must be fair
- there is a clear right to repair or replacement of faulty digital content such as online films and games, music downloads and e-books.
- what should happen if a service is not provided with reasonable care and skill or as agreed. For example, the business that provided the service must bring it into line with what was agreed with the customer or, if this is not practical, must give some money back.

Consumers will have rights when they buy goods or services from an official trader, these rights do not apply to buying from a private seller. The CRA covers rights when purchasing and also repairs, services and maintenance.

The CRA states that products must be,

- Of satisfactory quality (SQ)
- Fit for purpose (FFP)
- As described

It doesn't matter if the item is new or second hand the consumer will still have rights to redress if there is a problem. These include a range of remedies, such as:-

- a 30-day time period to return faulty goods and replacement rights
- clear and honest information before they buy
- goods being fit for purpose, and services being performed with reasonable care and skill
- faults will be put right free of charge or a refund or replacement provided.
- There are clear rules for what should happen if a service is not provided with reasonable care and skill or as agreed.

(Specific criteria applies to each one, it is not a list the consumer can choose from.) Consumers should be referred to the consumer service or consumer pages for guidance.

When a problem does occur, the CRA also make disputes easier to settle. Alternative Dispute Resolution, for example through an Ombudsman, can offer a quicker and cheaper way of resolving disputes than going through the Courts.

Alternative Dispute Resolution

If the consumer is struggling to resolve the dispute with the seller, whether a private seller or trader they can try to use alternative dispute resolution or small claims process. More information about ADR can be found here,

www.gov.uk/government/publications/alternative-dispute-resolution-for-consumers/alternative-dispute-resolution-for-consumers

www.citizensadvice.org.uk/consumer/get-more-help/Solve-an-ongoing-consumer-problem/

Consumers can also use Online Dispute Resolution (ODR) but must have tried to resolve the problem with the trader before this point. More information about the ODR process and consumer rights when buying across Europe can be found on the European Consumer Centre website.

www.ukecc.net/consumer-topics/online-dispute-resolution.cfm

A complaint can be generated via the ODR platform

<https://ec.europa.eu/consumers/odr/main/?event=main.home2.show>

The Consumer Rights Act provides remedies however **information requirements** are provided for in the regulations known as **Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013**. These requirements only apply where businesses are dealing with customers who are consumers, not other sellers.

Businesses must provide the consumer with information before they buy goods or services. Some contracts allow the chance to hand back the goods or not have the service within a short period of time after the consumer has bought the goods or agreed to have the service. How much businesses will have to follow these rules will depend on where or how the contract was made.

- In a shop, garage or business – this is called an ‘on-premises’ contract.
- In the home, on the street or away from the business address – this is called an ‘off-premises’ contract.
- Over the telephone, online or by mail order – this is called ‘at a distance’ contract.

Before the consumer buys goods or services they should be given clear and easy to understand information especially about their rights to cancel the contract, made at a distance, and not have the goods or services if they change their mind.

The regulations put more responsibility on the consumer's part to return items in a good condition. There is an onus on the consumer to check the contract, ensure that goods are returned within the time frame, returned in suitable packaging and good condition. This applies to distance and contracts not all types of contracts.

The regulations clearly layout what is the consumers' responsibilities and what are the traders' responsibilities, so consumers should be encouraged to check what is involved before entering into contracts. Information can be found via the Citizens Advice website, local Citizens Advice and the Citizens Advice consumer service.

Key notes for contracts

For a consumer contract to be made, there are certain things which must happen:

- someone must make an offer, for example to carry out work or buy an item
- another person must accept the offer
- each party must give something or promise to give something to the other, such as payment. This is known as consideration
- each party must be legally capable of making a contract. You might not be legally capable if, for example, you're under 18.
- both parties must intend to make a contract by which they are legally bound
- both parties must have a shared understanding of what is agreed. This is known as consensus
- the contract must be legal

The CRA covers the rights and remedies available in respect of goods, services and digital content, the fairness of the terms in consumer contracts for these products and consumer guarantees for goods

Unfair terms may include:

- Excessive fees
- Terms that are not transparent or clear to understand
- Unreasonable clauses in a contract
- Hidden terms in a contract
- Unreasonable time frames
- Preventing access to remedies and right to redress
- Terms that are classed as Blacklisted and therefore subject to the fairness test.

A copy of the Competition and Markets Authority (CMA) fairness test can be found here

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/450429/Unfair_terms_flowchart.pdf

CCRs - provides consumers with a cooling off period of 14 days. (This doesn't apply to on-premises and there are some exemptions)

Depending what they sign up for, the right to cancel starts from the day after you sign up, or the day after you receive the first item. The company must provide the consumer with certain information about the contract, including,

- Details of the company including its geographical address and telephone number,
- Accurate description of the goods or service,
- Total price payable
- Minimum duration of the contract and
- Cancellation rights. Failure to give details about cancellation rights could allow the consumer to cancel the contract. Failure to give info about cancellation rights on an online contract extends the cancellation period to 12 months 14 days.

Further information on the right to cancel can be found here:

<https://www.citizensadvice.org.uk/consumer/changed-your-mind/changing-your-mind-about-something-youve-bought/>

Consumer Protection from Unfair Trading Regulations 2008 - Consumers should be able to make informed choices; if ads or offers are misleading or there are deliberate omissions of details within a contract the consumer may be able to undo the contract.

Consumer Advice

Ensure that participants are given details of how to contact the **Citizens Advice consumer helpline** 03454 040506, Textphone: 18001 03454 04 05 06. Welsh-speaking adviser: 03454 04 05 05, textphone 18001 03454 04 05 05

Or visit the website www.citizensadvice.org.uk/consumer/

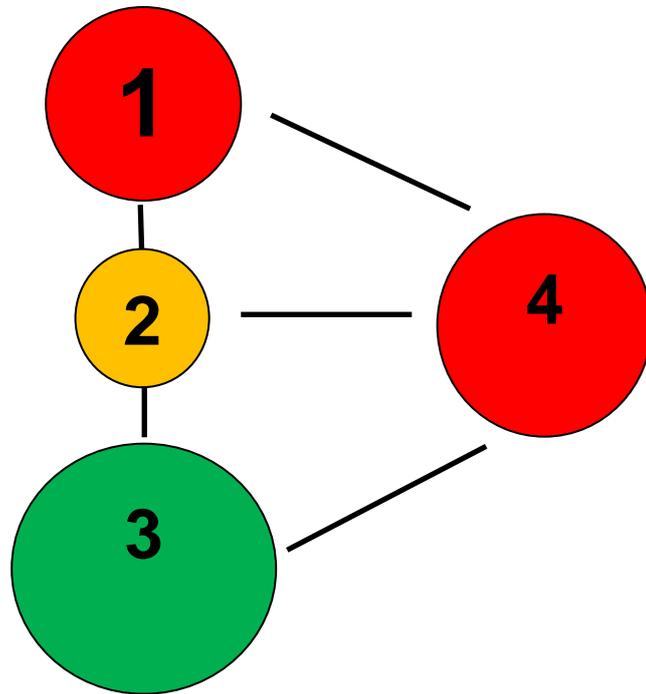
Session Plan

The session plan has been designed to show trainers how they can use and manage the resources within the pack.

All activities can be delivered separately or as part of a longer session depending on the time resource available to the facilitator.

It is for the facilitator to determine which activities will be most relevant for their participants.

Activities will require some of the session specific guidance content.



Red activities – Are **essential** to any session on this topic

Amber activities – Are **highly recommended** but not essential

Green activities – Are **optional** activities, if time allows

Activity 1 - Different types of contracts

Ask participants to list the different types of goods or services. Also discuss what might be unfair terms in contracts?

Identify the participant's understanding and experience of entering into contracts; record the discussion notes on flip chart paper.

Ask participants to list different types of goods or services contracts raised in the conversation. Participants should identify positive and negative aspects of entering into consumer contracts.

What types of contracts are you familiar with? <i>Examples</i>	What are the positive aspects of engaging in the contract? <i>Include legal consumer protection</i>	What are the negative aspects of engaging in the contract? <i>Include legal consumer protection</i>
Rental agreement	Security and renter's rights CRA letting agents	Additional costs, need to find large deposits
Mobile phone	Lower tariffs CRA on unfair terms	Locked in time period
TV and broadband	Better access to online CRA on digital content	Length of term, hidden costs etc...
Hire purchase goods	Can have goods quicker than saving for them CRA on contracts, rights and remedies	Cost is higher overall
Monthly energy bills	More choice than meters or keycards	DD can change, hard to keep account of us
Car rental schemes	CRA unfair terms	It can be expensive

Provide participants with the Citizens Advice consumer service contact details
03454 04 05 06, Welsh-speaking adviser on 03454 04 05 05

Activity 2 - Contract terminology - what does it mean?

Ask participants to look through some of the common terms or abbreviations in contracts and explain what they mean.

T&C	Terms and conditions
STC	Subject to contract – This tends to be on paperwork or terms and conditions that indicate there are negotiations in place. It indicates that the contract has not at this point been agreed.
Breach of contract	Where one of the parties involved in the contract does not keep to the agreement. This can result in the party who has caused the breach being responsible for providing a remedy and/or paying damages to the other party.
Ownership	This refers to who owns the goods and when the transfer of ownership between a trader and consumer is made.
Liability	In a contract this means the party who is responsible for something eg transporting goods, selling goods or if there is a breach of terms.
Acceptance	Acceptance means that the seller has agreed to the buyer's offer.. Once acceptance is in place the contract is legally binding.
HP	Hire Purchase agreements – goods are hired to the consumer who pays regular instalment with the opportunity to own goods at the end of the contract.
FFPMK and SQ	Fit for Purpose made known and Satisfactory quality. The Consumer Rights Act will consolidate rights around FFPMK and SQ. (relating to goods and digital content)
Off premises	Agreements/ contracts usually made in your home, on the street or away from the business address

Provide participants with the Citizens Advice consumer service contact details
Telephone 03454 04 05 06, Welsh-speaking adviser on 03454 04 05 05

Activity 3 - Where the contract is made and your consumer rights

It is important for participants to know that their rights and responsibilities vary depending on where and how the contract was formed (how they bought the goods or services.)

This is a research activity for participants to identify:

- 1) Which pieces of legislation can apply to contracts made in each place?
- 2) What rights they have to return goods or cancel services?
- 3) What redress is available if there is a problem?

The three scenarios are:



At home - doorstep selling via cold calling methods



In a shop or business premises



Online

This activity can be set as an activity to do in a session with support from the tutor, internet access will be required. Alternatively it can be set as a piece of investigation work, set over a couple of weeks in agreement with the participant to return with their findings.

For this activity the trainer will need to provide resources for participants to study:

- The Consumer Rights Act 2015
<http://www.legislation.gov.uk/ukpga/2015/15/section/3>
- The Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 (the CCRs.)
www.citizensadvice.org.uk/consumer/different-ways-of-buying/buying-by-internet-mail-order-or-phone/how-a-distance-sale-contract-is-made/
www.citizensadvice.org.uk/resources-and-tools/Languages/advice-in-bsl/consumer-advice-in-bsl/
- Citizens Advice
<https://www.citizensadvice.org.uk/consumer/protection-for-the-consumer/consumer-contracts/>
<https://www.citizensadvice.org.uk/consumer/somethings-gone-wrong-with-a-purchase/return-faulty-goods/>
- Misleading and Aggressive practices
www.citizensadvice.org.uk/consumer/protection-for-the-consumer/unfair-trading/unfair-trading-practices-what-you-can-do-if-you-ve-been-misled-or-harassed/

Prompts for tutors – refer to guidance and Citizens Advice consumer pages for more detailed information

At home

Consumer Contract Regulations, Misleading and Aggressive practices/ Consumer Rights Act
Information should be given including 14 days cooling off period and opportunity to change your mind and cancel the contract/ goods
Different remedies available

At a business premises

Consumer Rights Act, Misleading and Aggressive practices
Timescale for full refund for faulty goods is 30 days. 14 days is time for seller to provide a refund

Online

Consumer Contracts Regulations, Consumer Rights Act, Misleading and Aggressive practices
If goods are faulty, entitled to repair or replacement.
Refunds must be paid within 14 days
Provide proof of returning the goods

Activity 4 - How to access advice

Information about the goods or service should be made available by the trader:

- Before the consumer buys
- When the consumer buys
- Details about refunds

However, it is also important that consumers take time to understand how to look for this information and also which organisations can offer advice and support if there is a consumer problem. Ask participants to look at the scenarios below and tick which organisation can provide information, advice or help. Spend some time establishing how to contact these organisations.

Consumer Contract issue	The Trader	Citizens Advice consumer service	Local Trading Standards (via CACS)	The Police
A consumer has been pressured to sign a contract in their home for goods they do not want.	✓	✓	✓	✓
A consumer wants to know if their mobile phone is compatible with digital software they wish to download.	✓ suggest researching this online			
A consumer wants to know what their rights are if they wish to return an item.	✓	✓	✓	
A consumer wants to know if a trader is part of an approved membership body before they contract with them.	✓	✓	✓	
A consumer has signed a contract which they feel has some unfair terms included.	✓	✓	✓	

Provide participants with the Citizens Advice consumer service contact details
Telephone 03454 04 05 06, Welsh-speaking adviser on 03454 04 05 05

Summary

Summarise the importance of understanding a contract before agreeing to the terms and conditions. Ensure that the participant knows how to look for reputable traders who provide information required by law. Ask participants to create a short list of things they have learnt from the session.

Ensure that the participant can:

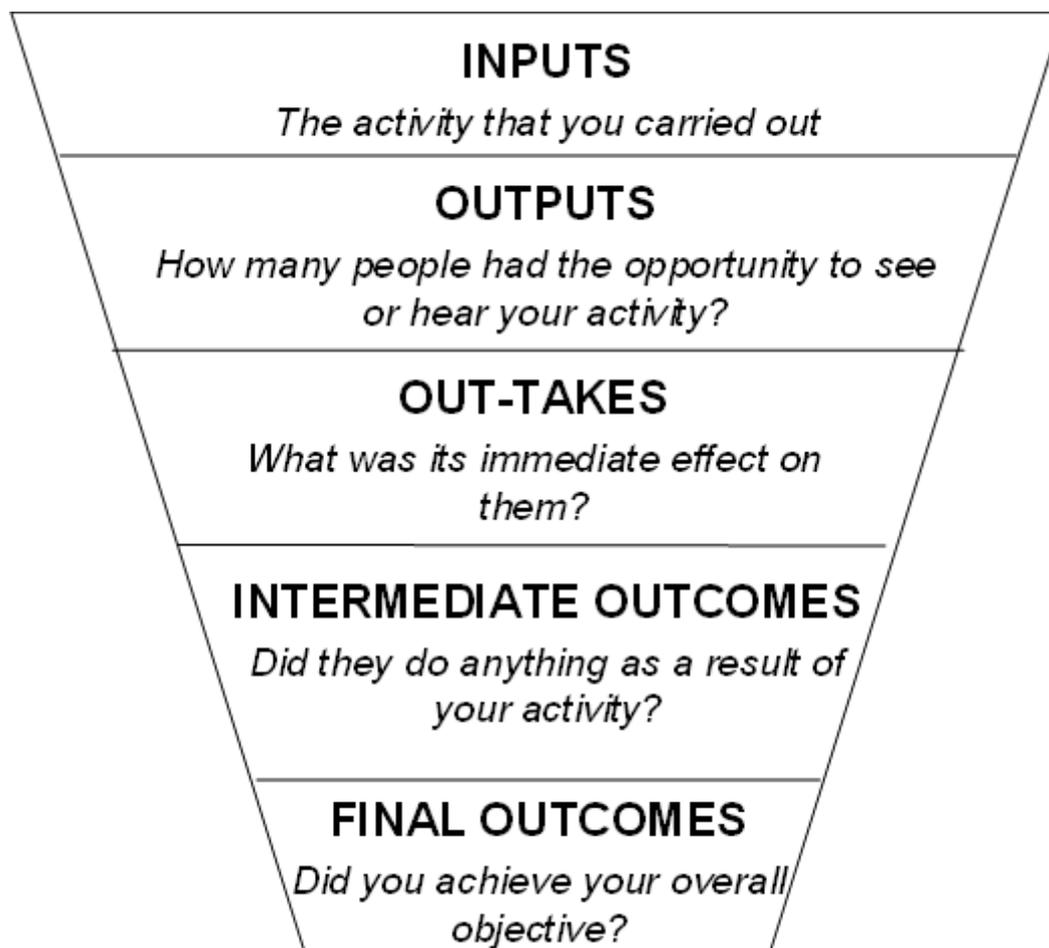
- offer at least three points of learning.
- understand what information should be provided before they enter into a contract.
- know they have different rights depending on where the contract was agreed to
- understand the importance of knowing their consumer rights and responsibilities under the Consumer Rights Act.
- know who to get advice from and has recorded the Citizens Advice consumer service number.

A list of topics that the participant is interested in should have evolved naturally out of the themes covered in the activities. The participant can choose from the list to decide what they would like to discuss next time. This not only provides very useful information for Citizens Advice, it also increases the likelihood that the participant will return.

If you have concerns about a participant entering into a potentially risky contract, strongly encourage them to visit their local Citizens Advice or contact the Citizens Advice consumer service.

As with many consumer issues it may be useful to signpost the participant to the Citizens Advice **financial capability offer**, to get more information topics such as budgets, payment options, debt.

The framework offers the facilitator questions that will enable a more in-depth analysis of the session. This can be done as a post-session analysis by the trainer or can be discussed with the participants. This will be dependent on the timescale available and also the engagement of the participants.



The facilitator should feedback their experience of the resources with specific comments about:

- o the ease of use of the materials
- o the effectiveness of the activities
- o any recommended top tips
- o any other recommendations for the resource
- o any interest from participants for other resource topics

Reference section

Alternative Dispute Resolution

<https://www.citizensadvice.org.uk/consumer/alternative-dispute-resolution/settling-out-of-court/using-alternative-dispute-resolution-adr/>

BSL Sign Language Consumer Rights Buying at a distance

<https://www.citizensadvice.org.uk/resources-and-tools/advice-in-bsl/consumer-advice-in-bsl/>

Business Companion <http://www.businesscompanion.info/en/quick-guides/consumer-contracts/alternative-dispute-resolution>

Business Companion, Trading Standards law explained – Consumer Contracts

<http://www.businesscompanion.info/en/quick-guides/consumer-contracts>

Citizens Advice Consumer Contracts information – advice and guidance on the process of understanding, agreeing to and resolving issues with contracts
<https://www.citizensadvice.org.uk/consumer/protection-for-the-consumer/consumer-contracts/>

Competition and Market Authority Unfair terms flowchart

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/450429/Unfair_terms_flowchart.pdf

Consumer Contracts Regulations (Information, Cancellation and Additional Charges) 2013 (the CCRs.)

www.citizensadvice.org.uk/consumer/different-ways-of-buying/buying-by-internet-mail-order-or-phone/how-a-distance-sale-contract-is-made/

Consumer Rights Act – full detail of the Consumer Rights Act

<http://www.legislation.gov.uk/ukpga/2015/15/introduction/enacted>

Misleading and Aggressive practices

<https://www.citizensadvice.org.uk/wales/consumer/changed-your-mind/if-you-were-misled-or-pressured-into-buying-something-you-didnt-want/>