



Bills of sale

This topic was suggested for inclusion in our 11th programme. A “bill of sale” is a way in which an individual may use their existing goods as security for a loan. The law in this area – including the Bills of Sale Acts 1878 and 1882 – is complex and arcane, and very difficult for either consumers or businesses to understand.

In practice, bills of sale tend today to be used by “logbook” lenders, who take security on cars and other vehicles. These loans are often sold to desperate consumers, for whom alternative credit has become unavailable. Unlike hire purchase agreements, “logbook” loans are not protected by the Consumer Credit Act 1974. As a result, if a consumer misses one payment, the lender can take possession of the asset and immediately sell it. There is also a lack of protection for buyers. A person who buys a car which (unknown to them) is subject to a bill of sale may find the car repossessed by the lender.

Following widespread academic and judicial criticism, the Department for Business, Innovation and Skills consulted in 2009 on whether to “ban” bills of sale. In January 2011, the Government decided against statutory measures and instead recommended adapting codes of conduct and providing improved information to consumers. However, it also made a commitment to revisit the issue if problems continue.

We wish to know whether problems with bills of sale persist and whether the law on bills of sale should be reformed.