

FTC Consumer Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Division of Consumer & Business Education

Layaway: Another Way to Buy

If you don't want to pay with plastic and you don't have the necessary cash on hand, you may want to ask a merchant about a layaway plan. Layaway purchase plans are designed for people who want to buy products and services without using credit or paying the full price immediately.

When you buy an item on credit, you take the merchandise home with you. When you use layaway, you typically put down a deposit — usually a percentage of the purchase price — and pay over time; the retailer holds the merchandise for you in reserve. You take the merchandise only when you have paid for the item in full.

The Federal Trade Commission (FTC), the nation's consumer protection agency, says it's important to ask questions about how particular layaway plans work. Doing a little research on the front end can help you avoid problems later.

Online Layaway

Layaway purchase plans are not limited to brick-and-mortar retail outlets; some online merchants use them, as well. Some layaway sites operate like a combination shopping search engine and online shopping mart: The companies have hundreds of merchants and online retailers selling name brand items. First, you select a product. Then, you pay: some sites require electronic debiting from your checking account; others require that you pay by check or money order through postal mail. Still others allow you to pay with credit or debit cards, or use online payment services. Once you've paid the balance, the online layaway service pays the merchant, and the merchant sends you the product.

Some sites offer layaway plans for non-retail items like travel, tickets to sporting events — even surgery. For example, if you're planning a vacation to the Bahamas in six months, or scheduling a certain medical procedure like plastic surgery in nine months, there are websites to handle your payment plan.

Layaway Tips

Get the merchant's layaway policy in writing. Look for details on:

- **the terms of the layaway plan:** how much time you have to pay for the merchandise or service; when your payments are due; the minimum payment required; and possible charges for using the plan, like a service fee. Find out if there is a fee or a penalty for missed or late payments: Will your contract be cancelled? Will the merchandise be returned to inventory?
- **the refund policy:** If you decide you don't want the merchandise after you've made some or all the payments, can you get a refund? Retailers' policies may differ: some give you all your money back; others may charge a non-refundable service fee; still others may offer a merchant credit for the amount you paid.

Check out the business. Contact your state Attorney General's Office (www.naag.org), local consumer protection agency (www.consumeraction.gov), and your local Better Business Bureau (www.bbb.org). They can tell you if consumers have filed complaints against the retailer or online service.

Keep good records of the payments you make on layaway merchandise. They may come in handy if you have a problem with the seller.

What Laws Protect You?

Layaway plans are not specifically governed by federal law, but unfair or deceptive sales practices are illegal under the FTC Act. Check with your state attorney general (www.naag.org), local consumer protection agency (www.consumeraction.gov), and your local Better Business Bureau (www.bbb.org) to find out if state or local laws cover layaway purchases.

The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

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