



Tax & Legal News Flash

KPMG in Thailand



Issue 43 : August 2018

New regulation governing private car and motorcycle hire-purchase contracts

A new Notification of the Committee on Contracts re: Prescribing Hire-Purchase for Car and Motorcycle Business as Contract-Controlled Business B.E. 2561 (2018) (“**Notification**”) has been issued and become effective from 1 July 2018.

Objectives

Similar to the previous notifications which have been cancelled by the new Notification, the new Notification aims to control private car and motorcycle hire-purchase contracts for consumer protection purpose. All the hire-purchase contracts made under the previous notifications would still be valid and enforceable.

Key changes under the new Notification

Most of the requirements under the previous notifications are still included in the new Notification while the new Notification provides more protections and rights to the individual hirer who is the customer, which include the following matters:

- The contracts must contain a schedule showing all the obligations of the customer in details such as the number of installments, payment due dates, each installment amount describing principal, interest, value added tax, and remaining hire-purchase payments.
- Fees and expenses for the hire-purchase payment collection and calculation methods must be specified in the contracts.
- For early debt settlement, an interest discount of at least 50% must be provided.
- The default interest rate must not exceed the effective interest rate plus 3% per annum, provided that it must not exceed 15% per annum.
- If a guarantor for the hire-purchase contract is required, a guarantee agreement must be made with a clear warning title and other details as prescribed by the Notification.
- The customer has the right to buy the vehicles at the remaining price within 7 days after the vehicles have been seized. If the customer does not exercise such right, the guarantor (if any) will be entitled to exercise the same right within 15 days after the end of such 7-day period.

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- In case of auction, a notice of at least 7 days in advance must be provided to the customer and guarantor.
- The hiree is not allowed to charge some prohibited expenses such as vehicle seizure expenses.

We welcome any opportunity to discuss the relevance of the above matter upon request.

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