



Educational Software Packages- How much will it cost me?

This factsheet contains information about companies that provide educational software, generally maths and English software programs and DVDs for children and young people.

Educational Software packages

Many maths and other education programs cost around \$3000 to \$7000, which does not include interest, fees or charges.

Often you are required to purchase programs covering several years of schooling in one package, say 3, 6, or even 12 years. If you cannot pay the purchase price upfront, the education companies may offer you a linked credit contract, with an interest rate as high as 24%.

The credit company may charge you a loan establishment fee, sometimes around \$100. They may also charge you account keeping fees (say \$4.00 per month), late payment fees when your account is not paid in full every month (say \$25.00), dishonoured payment fees (say \$9.00), fees for not using direct debit to pay (say \$2.50), or a collection letter fee (say, \$15.00 per letter) if they have to send you a letter to remind you to pay.

All these fees will add to the balance of your loan and will increase the amount of interest that you have to pay. In addition, the finance company will generally reserve the right in its contract to change the amount or frequency of payment of any credit fees, charges or rates of interest without your consent.

Below are some examples of how much it will cost you to pay off a loan of \$3500, \$5000 and \$6500, at 20% interest. **Note:** Some companies charge a higher rate of interest than this. These are interest-only calculations and do not include ongoing or default fees or interest and so don't reflect the total cost of the loan.

Make sure you read and understand any contract before you sign it.

Don't feel under pressure to sign straight away. There are more reasonably priced products on the market, so shop around.

How much am I really paying?

Below are some examples of the total cost of these educational software packages on a credit contract.

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Example 1:

Loan Amount	Interest rate	Monthly payment	Loan term	Interest paid	Total cost
\$3500	20%	\$178.14	2 years	\$ 775.25	\$4275.25
\$3500	20%	\$106.51	4 years	\$1612.30	\$5112.3
\$3500	20%	\$ 73.34	8 years	\$3540.28	\$7040.28

Example 2:

Loan Amount	Interest rate	Monthly payment	Loan term	Interest paid	Total cost
\$5000	20%	\$254.48	2 years	\$1107.50	\$6107.50
\$5000	20%	\$152.15	4 years	\$2303.29	\$7303.29
\$5000	20%	\$104.77	8 years	\$5057.54	\$10 057.54

Example 3:

Loan Amount	Interest rate	Monthly payment	Loan term	Interest paid	Total cost
\$6500	20%	\$330.82	2 years	\$1439.75	\$7939.75
\$6500	20%	\$197.80	4 years	\$2994.27	\$9494.27
\$6500	20%	\$136.20	8 years	\$6574.80	\$13 074.80

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Quality of the product

Often education companies make claims to be able to achieve amazing results for your children and some people have found that some of the computer programs do not achieve what was promised for their children.

The success of the program for your child will largely depend on whether the program complies with your child's school syllabus and in the case of maths programs, whether maths is being taught in the same way at your child's school as in the program.

Often similar programs can be obtained which offer the same services for a much lower price. *Choice* magazine has reviewed a number of maths software that cost around \$10 to \$100.

After reviewing 9 maths tutorial programs, *Choice* found:

- that claims on the packaging were somewhat exaggerated;
- standard of maths for year/grade level varied widely between programs; and
- price was no indication of educational value.

High pressure sales tactics

Often, you will be approached in a shopping centre and asked for your contact details. A sales consultant will then contact you to make a presentation in your home. Once in your home, the salesperson will often use high pressure sales tactics to convince you to buy the program or software. Some of the tactics that may be used include:

- implying that you are neglecting your children or damaging their chances at future success if you do not purchase their products;
- testing your child and telling you that they are underperforming and will suffer without the assistance of the program (despite the salesperson not being a teacher);
- asking you a series of questions where the answers are obviously 'yes' and which make you feel that you need the product for sale;
- praising the amazing yet unrealistic benefits of the product;
- trying out your sympathy by claiming that they are one sale short of either losing their job or winning a prize;
- claiming you have wasted their time and money by listening to their sales presentation, if you say that you are not interested in buying the product;

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- calculating the price, then offering a discount if you sign that day;
- spreading the cost over 12 or more years of schooling, and emphasising the weekly cost of the product; and/or
- after the demonstration, you may be contacted by sales representatives numerous times.

Often the salesperson will not discuss the price of the software, or the terms of the credit contract to purchase it, until after you have signed the contract.

Avoiding the hard sell - what to do

- Don't feel under pressure just because the seller has come to your home - you can ask the seller to come back another time or you can simply tell the seller that you are not interested and ask them to leave. You have no obligation to buy their products.
- Before you sign anything, even if they offer you a discount for signing that day, contact your child's teacher and see what they think about your child's skills and progress. Your child's teacher is the best person to know about your child's progress. Investigate other options if their teacher thinks they need assistance.
- Make sure you know the full cost of the sale, including the cost of the credit, interest, fees and charges if you need a loan to purchase the programs.
- If you want the salesperson to leave, they have to leave immediately.
- The salesperson cannot stay in your home longer than one hour – unless you give them written permission to stay for longer.
- Don't sign anything that you can't read or don't understand.
- Make sure you don't agree to pay more than you would if you shopped around.

What if I have signed a contract and have changed my mind?

If you change your mind, if you live in Victoria and you signed the agreement in your home, you have 10 days (including the day that you signed the agreement) to cancel the agreement. This is called a cooling off period.

You will need to write a letter to the trader stating that you want to cancel the agreement. Also write a letter to the finance company, advising them that you wish to cancel your credit contract. Date the letters and keep a copy of them. In some limited circumstances you may have up to 3 months or 6 months to cancel your contract.

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For more information, see the '*Door to Door Sales*' factsheet on the Consumer Action Law Centre's website www.consumeraction.org.au. If you decide to cancel the contract, you should do so as soon as possible.

The program does not do what they said it would. What can I do?

If you buy the program and you are not satisfied with the program and what it is doing for your child, it may be difficult for you to get out of the contract. Many contracts state that they will only offer a refund in certain circumstances, for instance if the child uses the computer three times a week for a minimum of 30 minutes for a full 12 month period. If your child does not use the program for these times, according to the contract, you may not be eligible for a refund. Ask the education company what you will need to do to obtain a refund if you are unsatisfied with the product.

Under the *Fair Trading Act 1999* you may be able to argue that the program is not fit for its purpose, if it does not assist your child, despite their attempts at using the program.

It is possible that requiring your child to use the program for a certain number of times, for a set period, say half an hour, over an extended period before the company will give you a refund, may be considered to be an unfair contract term.

Should you require further advice or information on consumer matters, you can contact the Consumer Action Law Centre on (03) 9629 6300. You can also visit our website at www.consumeraction.org.au.

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