



## Motor Finance Wizard – the experiences of Consumer Action clients

Below are a few of the many cases Consumer Action has undertaken on behalf of clients who have entered into contracts to purchase vehicles and obtain finance from Motor Finance Wizard and Kwik Finance.

Consumer Action represented vulnerable clients in more than 20 cases in 2007, and we had numerous other inquiries to our telephone advice line. The consumers we advised were usually low-income earners, relied on social security as their sole or main source of income, were single parents and/or spoke English as a second language.

The sales representatives of Motor Finance Wizard commonly took advantage of our clients and often misled them about the true purchase price and the terms and conditions of the contracts. Many of the cars sold also had serious mechanical errors. In all cases, the prices clients paid for their cars were grossly inflated, being many times its market value.

It is clear that these very high prices incorporated an interest component (despite Motor Finance Wizard's claims of being interest free) so that could seek to avoid consumer protections under the Uniform Consumer Credit Code. Often, sale and finance contracts were executed where it was clear that the client had no prospect of repaying the loan. Also, Motor Finance Wizard repossessed cars when repayments were not kept up and this, together with trade-ins from customers, meant that Motor Finance Wizard had a ready supply of sub-standard vehicles to sell to other unsuspecting consumers.

### **Case study 1**

Our client was a 21 year sole parent of 2 children, whose only source of income was the Sole Parent Pension. She entered into a contract with Motor Finance Wizard for the purchase of a 1995 Mazda 121 hatchback for \$12,990 (when fees, charges and tax were paid, the total price of the vehicle came to \$15,234.60). According to 'Red Book' values, the car was in the order of \$3,000. The client paid a \$500 deposit up-front and the remainder was provided by so-called 'interest free' finance from Kwik Finance. While the car the client inspected had a stereo, this had been removed before she took possession of the car. Soon after the client started driving the vehicle, a number of defects with the car emerged and in fact it was quickly rendered unusable due to brake failure. After Consumer Action intervened on behalf of the client, Motor Finance Wizard and Kwik Finance repaid all the money that the client had paid and released the client from all liability and the client returned the vehicle.



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### Case study 2

Our client was a single mother caring for a disabled child whose only source of income was social security. The client purchased a vehicle from Motor Finance Wizard financed by so-called 'interest free' finance from Kwik Finance. The total cost was \$17,315.30 for a vehicle that, according to 'Red Book' values, was worth at most \$4000. The client has paid approximately \$4000. Consumer Action is representing the client in this matter which is not yet resolved.

### Case study 3

Our client, a low income earner who spoke little English, attended a Motor Finance Wizard yard after he saw a television advertisement for Motor Finance Wizard. The client purchased a 1998 Ford Falcon Forte Sedan for \$14,990 and was provided with so-called 'interest free' finance from Kwik Finance to finance the purchase. According to 'Red Book' values, the vehicle was worth between \$4,400 and \$7,700. The Motor Finance Wizard representative falsely told the client that the a Form 6 'Loss of Right to Cool-off' notice gave the client 3 days to cancel the contract. The client signed the notice. The client was not given copies of the contracts which he had signed and which, in any event, he was unable to read as they were in English. After Consumer Action intervened Motor Finance Wizard released the client from all liability and returned his deposit and the client returned the vehicle.

### Case study 4

A 19 year old woman suffering from an intellectual disability, our client receives a Disability Support Pension, and supplements her income with casual work selling vacuum cleaners. Her credit report listed defaults. She was sold a 1995 Holden Sedan by Motor Finance Wizard for \$12,990 (when fees, charges and tax were paid, the total price of the vehicle came to \$15,294.80). According to 'Red Book' values, the car was worth a maximum of \$3000. After being given \$800 for a trade-in by Motor Finance Wizard, Kwik finance financed the remaining \$14,434.60 under a so-called 'interest free' loan. Within two months of its purchase, the vehicle had been repaired three times, and had chronic problems with its breaks and lights. After Consumer Action represented the client Motor Finance Wizard and Kwik Finance repaid to the client all money she had paid and released her from all liability and the client returned the vehicle.



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### Case study 5

Our client, an unemployed single parent whose sole source of income was Centrelink benefits, went to Motor Finance Wizard car yard after seeing a television advertisement. She entered into a contract to purchase a 1992 Mazda 121 for \$12,990 (with the total price, including warranty, stamp duty and transfer fee, being \$15,098.60). Kwik Finance financed the loan through a so-called 'interest free' finance. The 'Red Book' value for the vehicle was \$1500-\$3900. The client was required to make repayments of \$110 per fortnight. Before entering the contract the client told the Motor Finance Wizard representative that she needed the car to attend a new job because otherwise her Centrelink benefits would be cut-off. The client was not given the opportunity to read the contract and other documents she signed but was instead directed to the signature boxes and instructed to sign. After Consumer Action intervened Motor Finance Wizard and Kwik Finance released the client from all liability and repaid \$1250 and the client returned the vehicle

### Case study 6

The client, a single mother whose sole source of income was Centrelink benefits, entered a contract to purchase a 1993 Holden Commodore from Motor Finance Wizard for \$11,990 (total price including warranty, stamp duty and transfer fee \$14,195.30). The vehicle's 'Red Book' value was between \$1,600 and \$3,600. The client paid \$660 up-front, with the remainder being financed by a so-called 'interest free' finance from Kwik Finance. The client was told by MFW's representative that repayments would be \$105 per fortnight, whereas they were in fact \$220 per fortnight (she did not read the contract). The client's fortnightly income at the time of entering the contract was only \$710 and Motor Finance Wizard's representative was aware of this. After Consumer Action intervened on behalf of the client M released the client from all liability under the contract of sale and finance and the client returned the vehicle.

### Case study 7

Our client, whose sole source of income was Centrelink benefits and who had difficulty understanding English, entered into a contract to purchase a 1996 Daewoo Cielo from Motor Finance Wizard for \$13,990 (total price including warranty, fees and taxes \$16,634.80). The client paid \$500 up-front, with the remainder financed by a so-called 'interest free' finance from Kwik Finance. The 'Red Book' value of the vehicle was \$1,400-\$4,000. The client told the Motor Finance Wizard representative that his source of income was Centrelink benefits. After Consumer Action intervened Motor Finance Wizard and Kwik Finance released the client from all liability and repaid the \$940 he had paid for the vehicle and the client returned the vehicle.