



MAKING CONTRACTS

Most people have had the experience of buying a new vehicle or getting a loan for something that is really important, such as education, or to help a friend or family member. It is also common to pay someone money to perform a service, like a car repair or home renovations. These are all situations where people enter into an agreement. A legally binding agreement between two or more parties is called a contract. A contract can be verbal or written.

How do I know if the contract I am entering is fair?

You should know that once you enter a contract, including as a co-signer or guarantor, you have very limited ways to get out of it. It is important to pay attention to the details in any contracts you enter into, because they could have significant financial and legal impacts down the road. You should understand everything you are agreeing to. Make sure you aren't surprised by what's in your contract.

Contracts do not have to be written to be binding, but it is always a good idea if you are making arrangements that involve a lot of money or are long-term to write out what you and the other party are agreeing to, including any time frames for payment or services. That way, if there is a dispute, it is clear what the terms are. If a contract is not in writing, it can be your word against someone else's about what was agreed to.

Before you sign or enter into any contract, make sure you understand:

- your responsibilities;
- what happens if you do not do what you commit to doing;
- whether there is a way to modify or get out of the contract;
- if you are buying something, check whether there are any added costs, for example service charges, shipping, extended insurance, upgrades, etc.;
- what the interest rate is; and
- if there are any guarantees or warranties included and how you can get a refund or return things that don't work;

If you don't understand something or don't feel like your agreement is fair, it is better to take your time reviewing it. You should also ask a trusted person to look it over for you. For large transactions, you should get legal advice **before** you enter a contract. This includes if you are co-signing or guaranteeing a loan for someone.

What kind of protection is there for consumers in the Yukon?

In the Yukon, the [Consumers Protection Act](#) regulates such things as:

- information about the cost of borrowing that must be included in an agreement;
- pre-payment privileges;
- what a creditor can do if you have not paid for goods, including acceleration, forfeiture and seizure of goods;
- statutory warranties on retail goods;
- door-to-door sellers;
- assigning and guaranteeing loans and rights of guarantors; and
- collections practices.

Some helpful laws, rules and forms:

Consumers Protection Act

<http://www.gov.yk.ca/legislation/acts/copr.pdf>

Sale of Goods Act

http://www.gov.yk.ca/legislation/acts/sago_c.pdf

Small Claims Court

www.yukoncourts.ca/courts/smallclaims.html

Yukon Supreme Court Rules and Forms

<http://www.yukoncourts.ca/courts/supreme/ykrulesforms.html>

The *Sale of Goods Act*, among other things, provides that goods bought must be “fit for the purpose” they are bought for and sets out some remedies available if goods are not paid for.

If you have a disagreement about a contract, you can make a claim in Small Claims Court if the value of what is in conflict is under \$25,000. For anything over that amount, you have to make a claim in Supreme Court.

What happens if I cannot satisfy my obligations under a contract?

If you are in a position where you cannot do what you promised to, you may be able to negotiate with the other party to agree to something like a new payment schedule. That party is under no obligation to change the terms of your contract though.

If you miss making payments on an item you borrowed money to buy, you may have to return it, even though you have paid for part of it. If you cannot pay back money you have borrowed, or if you are unable to pay someone for a service they provided to you, the other party could get a court order to seize some of your property, garnish your wages, or take money from your bank account.

What are my options if I owe more money than I can pay back?

If you are unable to manage your debt, there are some services that can help you.

One option is to look for credit counselling. A credit counsellor can help you consolidate debt, negotiate payment schedules and reduce interest charges.

For more information about credit counselling, see: <https://www.canada.ca/en/financial-consumer-agency/services/debt/debt-help.html>

More formal processes are available through the *Bankruptcy and Insolvency Act*. Under this legislation, a Licensed Insolvency Trustee can help you create a **consumer proposal** or **file for bankruptcy**. There are no Licensed Insolvency Trustees in the Yukon, so Yukoners are often assisted by someone in British Columbia. The website of the Office of the Superintendent of Bankruptcy has information about both of these processes: https://www.ic.gc.ca/eic/site/bsf-osb.nsf/eng/h_br01854.html

Commonly used words...

Contract: a legally binding agreement between two or more parties. A contract does not have to be written to be binding. It can be a verbal agreement.

Default: when a party to a contract has not done what they promised (e.g., has not followed the contract or not paid on time).

Fees: added charges for goods or services on top of a listed price; some may be required to be disclosed by law.

Interest: how much you pay to use someone else’s money. This includes the situation where you receive a good or service up front without paying for it in full; contracts typically require that interest be charged on the amount of money owing. Interest is usually reflected as a percentage of the amount borrowed (the “interest rate”). An interest rate is calculated on an annual basis, even though payments are typically required monthly.

Loan: an agreement to borrow/lend money of a specified amount and on terms, to be paid over a specified period of time, usually with interest.

Material terms: the most important parts of a contract that, if changed, would change the contract; for example, the price of something.

Penalty: what happens when you do not follow the terms of your contract.