

## **LAYAWAY SALES - WHAT YOU NEED TO KNOW**

A “layaway sale” is one in which a merchant allows the consumer to pay for goods over time, while the merchant retains possession of them. Unlike a credit transaction, the consumer does not pay interest on the goods purchased under a layaway agreement. The seller may collect a service charge but that charge may not exceed \$1 for goods costing \$500 or less, or \$5 for goods costing more than \$500. Merchants are not required to offer layaway transactions but those that do must follow the rules set forth in the State Layaway Law.

### **MERCHANTS WHO OFFER LAYAWAYS MUST PROVIDE CONSUMERS WITH WRITTEN AGREEMENTS THAT CONTAIN THE FOLLOWING INFORMATION:**

- The name and address of the buyer and seller
- A clear description of the goods being held on layaway
- The date of the agreement
- The cash price of the goods sold
- Any related charges (such as delivery or installation fees)
- The amount of the buyer's down payment
- The amount of any service charge for the layaway sale
- The total layaway price (Cash Price + Related Charges – Down Payment + Service Charge)
- The total number of payments to be made by the buyer, the amount of each payment and the timing of each payment (e.g. 10 payments of \$100 each paid by the 15<sup>th</sup> day of each month), and
- A clear and concise statement of what will happen if the buyer defaults

### **DUTIES OF THE SELLER**

- The seller must give the buyer a signed copy of the layaway agreement.
- The goods must be held by the seller until the agreed upon date – they cannot be sold to other customers.
- The seller may not increase the price of the goods while they are being held under a layaway agreement.
- If the seller reduces the price of goods identical to those being held on layaway within 10 days after the agreement date, the seller must reduce the price of the goods held on layaway by the same amount.

### **DEFAULT BY THE BUYER**

- If a buyer fails to make a payment within 15 days after the date due, s/he has defaulted on the agreement.
- If the buyer defaults, the seller may cancel the agreement and is entitled to keep as “liquidated damages” of up to 10% of the layaway price, or the total amount already paid by the buyer, whichever is less.

## **CANCELLATION BY THE BUYER**

- Within 7 calendar days of signing the layaway agreement, the buyer may cancel the agreement and receive a refund of all payments made.
- After 7 calendar days of the signing the agreement, the buyer can still cancel the layaway (prior to delivery of goods), but the seller may keep as liquidated damages, up to 10% of the layaway price or the total amount of payments already made, whichever is less.

**For more information or to obtain this factsheet in an alternative format, contact:**

**Office of Consumer Affairs  
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[consumer@howardcountymd.gov](mailto:consumer@howardcountymd.gov).**