

LAYAWAY SALES - WHAT YOU NEED TO KNOW

When you buy something “on layaway” the seller keeps the goods you select while you make payments toward the purchase price. Unlike a credit transaction, you don’t pay interest under a layaway agreement, but may be charged a limited service fee. 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 USE WRITTEN AGREEMENTS THAT INCLUDE:

- 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 and any related charges (e.g. delivery or installation fees),
- The amount of the buyer’s down payment,
- The service fee (up to \$1 for goods costing up to \$500, \$5 for goods costing over \$500,
- The total layaway price (Cash Price + Related Charges – Down Payment + Service Fee),
- The total number of payments, the amount of each payment and the timing of each payment (e.g. 10 payments of \$100 each paid by the 15th 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 and hold the goods until the agreed upon date. The seller can’t increase the price of goods while they are being held under on layaway, but if the seller reduces the price of identical goods 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. The seller can then cancel the agreement and keep as “liquidated damages” up to 10% of the layaway price, or the total amount already paid by the buyer, whichever is less.

CANCELLATION BY THE BUYER

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

For more information or to obtain this factsheet in an alternative format, contact:
Office of Consumer Protection
410-313-6420(voice/relay) or
consumer@howardcountymd.gov.