


















This topic is about contracts. It includes what a contract is and what the different types of contracts are. It talks about signing written contracts and entering into **oral contracts**.

Section: content for the worker and resources	 Key messages
<p><b>A: Introducing contracts</b></p> <p> <b>Level 1</b></p> <p> <b>Level 1</b></p> <p> Factsheet</p>	<ul style="list-style-type: none"> <li>▶ A <b>contract</b> is a <b>legal agreement</b>.</li> <li>▶ Do not sign any contract you do not understand.</li> <li>▶ You cannot cancel some contracts because you change your mind.</li> </ul>
<p><b>B: How contracts and agreements differ</b></p> <p> <b>Activity Level 2:</b> <i>Choose the right meaning</i></p> <p> <b>Story Level 3:</b> <i>Sujeetha compares a contract and an agreement</i></p> <p> Factsheet</p>	<ul style="list-style-type: none"> <li>▶ A contract is a legal agreement.</li> <li>▶ An <b>agreement</b> is an understanding between two or more people.</li> <li>▶ Keep a copy of any contract you sign.</li> </ul>
<p><b>C: Entering a contract</b></p> <p> <b>Activity Level 2:</b> <i>Rental contract</i></p> <p> <b>Story Level 2:</b> <i>Jim gets a new mobile phone contract</i></p> <p> <b>Activity Level 3:</b> <i>Role play – questions to ask</i></p> <p> <b>Story Level 3:</b> <i>Victor’s Internet contracts</i></p> <p> Factsheet</p>	<ul style="list-style-type: none"> <li>▶ You need to be 18 years of age or older to enter a contract.</li> <li>▶ You can agree to a contract by signing, by saying you will do so in words (orally) or by ticking that you agree on an online form on a website.</li> <li>▶ Ask questions before entering a contract so you understand everything.</li> <li>▶ Do not agree to any contract you do not understand.</li> </ul>
<p><b>D: Contract terms and conditions, cooling-off periods and door-to-door sales</b></p> <p> <b>Activity Level 2:</b> <i>ABC Bank credit card contract</i></p> <p> <b>Story Level 3:</b> <i>Hayat’s door-to-door contract</i></p> <p> Factsheet</p>	<ul style="list-style-type: none"> <li>▶ Understand the <b>terms and conditions</b> before agreeing.</li> <li>▶ The term '<b>subject to</b>' is about the special conditions in a contract.</li> <li>▶ Check for a <b>cooling-off period</b>.</li> <li>▶ If the cooling-off period has finished then it may not be possible to cancel your contract.</li> </ul>
<p><b>E: Signing a contract with someone else</b></p> <p> <b>Story Level 3:</b> <i>Lulu gets a car loan with her son</i></p> <p> Factsheet</p>	<ul style="list-style-type: none"> <li>▶ If you sign a contract as a <b>co-borrower</b> or <b>guarantor</b>, you are legally responsible for all of the debt.</li> </ul>

## 4: Contracts

# Financial literacy levels



Ask these types of questions to test your client's level of understanding and knowledge

- ▶ Do you know what a contract is?
- ▶ Can you give an example of a contract?
- ▶ Do you know what a cooling-off period is?

After your client answers your questions, determine what information they need based on their level of knowledge. You can do this using this table.

Your client has this level of knowledge	Description
<b>Level 1:</b> No or a limited understanding	<p>If your client cannot answer any of your questions or can only answer them a bit, they have no or a limited understanding.</p> <p>You can help them understand more by showing them the photo story in their translated language to introduce the topic.</p> <p>You can also listen to the audio story.</p> <p>After using the photo and/or audio stories, see if your client has developed some understanding of the topic, by asking them to answer the questions again.</p> <p>At the end of the section, you can give your client the factsheet in their translated language to take home with them, so they can look at it later.</p>
<b>Level 2:</b> Some level of understanding	<p>If your client answers one or more of your questions, but not in a lot of detail, they have some level of understanding.</p> <p>You can show them the photo story to review the topic.</p> <p>You can also go through the <b>Level 2</b> activities and stories in the kit as these are for clients with some level of understanding.</p> <p>At the end of the section, you can give your client the factsheet in their translated language to take home with them, so they can look at it later.</p>
<b>Level 3:</b> A higher level of understanding	<p>If your client answers your questions in detail they have a higher level of understanding.</p> <p>For example, if you ask your client 'Do you know what a contract is?', and they say 'yes' and can explain what it is, you do not need to show them the photo story. Instead, you can look at the more advanced activities in the kit with them, labelled as <b>Level 3</b>.</p> <p>At the end of the section, you can give your client the factsheet in their translated language to take home with them, so they can look at it later.</p>

# A: Introducing contracts



## Key messages

- ▶ A contract is a legal agreement.
- ▶ Do not sign any contract you do not understand.
- ▶ You cannot cancel some contracts because you change your mind.

## Content for the worker

This section introduces your client to the concept of contracts. To do this, show your client the photo story and/or play the audio story.

When showing the photo story, remember to pause and check if your client is following the story in the right sequence.

A factsheet on this topic is also available for your client. You can photocopy and give the factsheet to your client in their translated language to take home.



After using the photo and audio stories, you can check your client's level of understanding and knowledge by asking questions such as:

- ▶ What is a contract?
- ▶ When you enter into a contract what does this mean?
- ▶ Can you cancel a contract because you change your mind?

Does your client understand the key points from today?

If they do not, you can go through the information again at another time.

If they do you can proceed to the next level, the next time you meet your client – from **Level 1** to **Level 2** or from **Level 2** to **Level 3**.

## Resources



**Level 1:** Contracts photo story



**Level 1:** Contracts audio story



Contracts factsheets. These can be found at the end of the topic in the following languages:

- ① English
- ② Arabic
- ③ Assyrian
- ④ Burmese
- ⑤ Chin Hakka
- ⑥ Dari
- ⑦ Dinka
- ⑧ Farsi
- ⑨ Hazaragi
- ⑩ Karen
- ⑪ Kirundi
- ⑫ Nepalese
- ⑬ Nuer
- ⑭ Sudanese Arabic
- ⑮ Swahili
- ⑯ Tamil

## 4: Contracts

# B: How contracts and agreements differ



### Key messages

- ▶ A contract is a legal agreement.
- ▶ An agreement is an understanding between two or more people.
- ▶ Keep a copy of any contract you sign.

## Content for the worker

This table explains the difference between an agreement and a contract. You can use it to explain to your client the difference between the two.

Contract	Agreement
An agreement or promise that is the law. It can also be called a legal agreement or a binding or formal agreement. You might think of it as a 'legal promise'. Once you agree the contract is law and needs to be followed.	An agreement is a shared understanding where people discuss and agree about something.
One <b>party</b> makes an offer and the other party accepts the offer. There can be more than one person or organisation in a 'party'.	Both people say what they want and make a decision together.
Always has terms and conditions. Sets out the rights and responsibilities of each party to the contract.	No terms and conditions.
Examples are borrowing money from a bank, renting or buying a house or signing up for electricity in your home.	An example is making an arrangement to look after your friend's children.
You cannot change your mind without a cost to you. Some contracts have a cooling-off period where you can change your mind, but only for a certain period of time. (See page 7 for information on cooling-off periods).	You can change your mind without consequences.

### Keep a copy of any contract you sign

Keep copies of any contract you sign in a safe place where you can find it. Then if you need to look at the detail in your contract you will be able to do so. This helps solve problems.



You can explain to your client that the big difference between a contract and an agreement is that contracts are legal documents. With a contract you cannot change your mind once you have signed it or agreed to it. With an agreement you can change your mind.

### Activities and stories



**Level 2:** Choose the right meaning  
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**Level 3:** Sujeetha compares a contract and an agreement  
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## C: Entering a contract



### Key messages

- ▶ You need to be 18 years of age or older to enter a contract.
- ▶ You can agree to a contract by signing, by saying you will do so in words (orally) or by ticking that you agree on an online form on a website.
- ▶ Ask questions before entering a contract so you understand everything.
- ▶ Do not agree to any contract you do not understand.

### Content for the worker

#### People need to be 18 years of age or older to enter into a contract.

People under the age of 18 cannot usually enter into a contract. So a 17-year-old cannot get a *loan* from a bank to buy a car. Exceptions are if a:

- ▶ person under the age of 18 has an employment contract when they get a job
- ▶ parent signs a contract for a child under the age of 18, which means they are the one borrowing the money and agreeing to pay the money back if their child cannot or will not.

**There are three ways you can enter a contract – by signing, by spoken words (orally) or by ticking that you agree on an online form on a website (see pictures below).**

1



OR

2



OR

3



Each of the three ways to enter a contract are described in the next column.

1. You agree to a written contract by signing it. This is when you handwrite your name on the contract (**signature**).

You usually have a written contract for important things like renting a place to live or buying something expensive like a car or a house.

When you sign a contract you agree to everything written in it. And you have to follow what is in the contract. This is the law.

2. You agree to an oral contract when you use words that say you want to buy something or do something. This includes words like 'yes' or 'I agree'.

You usually have an oral contract when you are talking to someone about getting services like electricity or a telephone. This can be in person or on the phone. And you have to follow what is in the oral contract, just like you do a written contract. This is the law.

3. You agree to an electronic contract when you are on the Internet and click on words like 'I agree'. This is the same as writing your signature.

You usually have an electronic contract for buying goods or services on the Internet. Even though you do not use your real signature for this you are still agreeing to a written contract. And you have to follow what is in the contract. This is the law.

## 4: Contracts

### C: Entering a contract (continued)



You can explain to your client that oral contracts are popular because they make it easy for people to get services like telephone, electricity, gas and insurance, without having to go into a store or office. You can explain that your client will not always be given a paper copy of their contract, but they should ask for one.

#### Fair and unfair contracts

Generally, contracts are fair to both parties. An **unfair contract** is one that benefits one party over the other. They are unfair or harsh to one party. This is against the law.

If you think the law has been broken with your contract you can get help from a free community legal centre. Visit [www.naccl.org.au/directory/](http://www.naccl.org.au/directory/) to find your closest free community legal centre.

#### Always ask questions before entering a contract

It is a good idea to ask questions about a contract before you agree to it. This helps you understand the contract.

You can, for example, ask questions about how much something costs (price) and what happens if what you buy does not work. These questions will give you the information you need to decide if you want to sign a contract.

Never sign a contract that you do not understand. Never sign a contract you do not agree with.

#### It is hard to cancel some contracts

Once you have entered into a contract you cannot always cancel it just because you change your mind. It can be difficult to get out of a contract just because you want to.

Some contracts are called fixed-period contracts. This is because the amount of time the contract lasts cannot be changed. It is 'fixed'. A contract can be fixed for a few months or many years. For example, a mobile phone contract might be for 2 years. A contract to buy a house can be for 20 years or more. When your contract is for a fixed period of time it is hard to cancel it.

Other contracts are called ongoing. This is because they keep going until you change or end them. They are not a fixed period. For example, you may have a contract to get electricity. It keeps going every month until you change or cancel it. These types of contracts can be easier to cancel.

#### Activities and stories



**Level 2:** *Rental contract*  
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**Level 2:** *Jim gets a new mobile phone contract*  
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**Level 3:** *Role play – questions to ask*  
Page 27



**Level 3:** *Victor's Internet contracts*  
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## D: Contract terms and conditions, cooling-off periods and door-to-door sales



### Key messages

- ▶ Understand the terms and conditions before agreeing.
- ▶ The term 'subject to' is about the special conditions in a contract.
- ▶ Check for a cooling-off period.
- ▶ If the cooling-off period has finished then it may not be possible to cancel your contract.

### Content for the worker

The terms and conditions are the rules of your client's contract. They are the rights and responsibilities each party agrees to in the contract.

The terms and conditions are different in each contract. Some are hard to understand as they are written in legal language.

Some contracts include a special rule called a **subject to clause**. This is a condition that has to be met for the contract to be finalised.

You can use the example below to explain this type of clause to your client.

The terms and conditions in a contract may include what is called a cooling-off period. This is a short amount of time (up to 10 days) in which you can cancel a contract for any reason without any problems. This includes if you cannot get the money to buy something or if you change your mind about wanting it.

Not all contracts have cooling-off periods. It is important to check if yours does. It is also a good idea to check how long the cooling-off period is.



If there is no cooling-off period and your client wants to cancel a contract, they need to talk to the other party involved to see if they will do anything. The other party might, for example, be a salesperson or a bank.

### Example of a 'subject to clause'

You have found a car you want to buy but do not have the money to pay for it without borrowing it from your bank (car loan). You sign a contract with the car company to buy the car you like, but ask for a special clause to be included. This clause is 'subject to finance'.

Now you go to the bank to see if you can get a car loan. If the bank says yes and lends you the money then you have to buy the car because you have signed a contract saying you will. If the bank says no and will not lend you the money then you do not have to buy the car because you have the 'subject to finance' clause in your contract.

## 4: Contracts

# D: Contract terms and conditions, cooling-off periods and door-to-door sales (continued)

If a company has not allowed your client to change their mind in the cooling-off period the company may have broken the law. If this happens, you should refer your client a free community legal centre. Refer to the Key Contacts section in the kit.



You should explain to your client that in Australia all door-to-door sales contracts must have a cooling-off period of 10 days.

### What are door-to-door sales?

**Door-to-door sales** are when a salesperson sells you something at the door of where you live or away from their normal place of business.

Door-to-door sellers must carry and produce clear identification. For transactions over \$100 they must provide a copy of the written contract to you, as the buyer. On the front of the contract it must include the written statement 'this contract is subject to a cooling-off period of 10 days'.

### The sales contract

The sales contract is a document that must clearly state the:

- ▶ buyer's cooling-off period and termination rights
- ▶ full terms of the agreement
- ▶ total price payable, or how this will be calculated
- ▶ any postal or delivery charges
- ▶ supplier's:
  - name
  - business address (not a post box)



- Australian Business Number or Australian Company Number
- fax number and email address, if they have these.

The front page of the contract must include the following text:

Important Notice to the Consumer

You have a right to cancel this agreement within 10 business days from and including the day after you signed or received this agreement.

Details about your additional rights to cancel this agreement are set out in the information attached to this agreement.

You must sign front page of the contract and include the date you sign it. The contract must also be accompanied by a notice that you can use to terminate the contract. You can get this notice from [www.consumerlaw.gov.au](http://www.consumerlaw.gov.au).

### Activities and stories



**Level 2:** ABC Bank credit card contract  
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**Level 3:** Hayat's door-to-door contract  
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## E: Signing a contract with someone else



### Key messages

- ▶ If you sign a contract as a co-borrower or guarantor, you are legally responsible for all the debt.

### Content for the worker

It is very common for more than one person to enter into a contract, especially between people who are married or between families.

When two or more people sign a contract to borrow money they are co-borrowers. This means that each person is responsible for paying back all of the money. For example, a husband and wife might sign a loan to buy some furniture for where they are living. In doing so, they both agree to pay the money back.

If you sign a loan with someone else, you are responsible for paying back the entire loan if the other person cannot or will not make the repayments.

For example, a father might help a daughter buy a car. They sign a contract with the bank to get the money. The father signs as the guarantor. If the daughter stops paying the bank, then the father is responsible for making the payments. This is the law.

### What is a co-borrower?

You should explain to your client that if they sign as a co-borrower they agree to borrow and pay back money with another person. This is also known as a **joint debt** (when two or more people borrow money together).

Many people, especially couples, enter into contracts as co-borrowers. For a large contract, such as for a home loan, the organisation lending the money (**lender**) often needs two people who are earning money to sign a loan. Both co-borrowers are responsible for paying the whole debt.

A co-borrower is a person responsible for the repayment of the entire debt along with the borrower.

### What is a guarantor?

You should explain to your client that if they sign a loan as a guarantor, they become responsible by law for paying back the entire loan if the other person they signed the contract with stops paying. This is whether they stop because they cannot or will not pay. And you also have to pay any fees, charges and interest.

If your client signs a guarantee for someone else – for example, a friend or a family member – they are the guarantor.

## 4: Contracts

# E: Signing a contract with someone else

(continued)

Parents may be asked to be a guarantor for their grown-up children. Perhaps the grown-up child has not been working for long and cannot get a loan by themselves. Another example is when one family member provides a guarantee for another family member who cannot get a loan because they have had money problems.

Most people want to help their families. But it is important to understand that this may cause problems.

A guarantor is liable to pay off the whole loan if the borrower defaults. If the borrower pays the loan, the guarantor does not have any liability.



You should explain to your client that a guarantor has to pay the loan if the borrower stops doing so. The guarantor is responsible for the whole loan and it does not matter why the borrower has stopped paying. If the guarantor cannot pay the loan they will have financial legal problems.










## Activities and stories



**Level 3:** *Lulu gets a car loan with her son*  
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## Activities and stories

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## 4: Contracts

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*B: How contracts and agreements differ*

## Choose the right meaning



You can use this activity to help your client understand important things about contracts and agreements. The activity has 2 steps.

### Step 1 – explain the following to your client

#### Contract

A contract is when two or more people enter into a legal agreement. A legal agreement is sometimes also called a binding agreement or a formal agreement. It is like a legal promise.

The terms and conditions in the contract tell you about each person's rights and responsibilities. Once you enter a contract you have to follow the terms and conditions. This is the law.

#### Agreement

An agreement is when people discuss something they want to do and agree on how it will be done. This is not a legal agreement.

### Step 2 – ask questions about your client's understanding

You can now read the following questions to your client and ask them to choose the right answer by responding 'yes' or 'no'. The answers are on the next page.

1. **What is a contract?**
  - a. A legal agreement between two or more persons. You must follow it by law.
  - b. A document that is for one person.
2. **What is an agreement?**
  - a. When two people have a conversation about the things they like.
  - b. An understanding where people discuss and agree about something.
3. **What is a legal agreement?**
  - a. Another name for a contract, including all the elements of a legal contract.
  - b. A contract that is not an agreement.
4. **What are terms and conditions?**
  - a. These are the amount of money you have to pay to enter a contract.
  - b. Sets out the rights and responsibilities of each party to the contract.

## 4: Contracts

### B: How contracts and agreements differ

#### Choose the right meaning (continued)

#### Answers

1 (a), 2 (b), 3 (a), 4 (b).



#### End of level 2: check in with your client

Does your client understand the key points from today?

If they do not, you can go through the information again at another time.

If they do you can proceed to **Level 3** the next time you get together.



You can give your client the factsheet in their translated language to take home. Repetition is part of learning.

This table will help you refer your client to the right place.

Type of trouble	Who to contact	Where to contact
Cars	Your state or territory Office of Fair Trading	<a href="http://www.consumerlaw.gov.au">www.consumerlaw.gov.au</a>
Door-to-door sales	Consumer law	
Mobile phones		
Shopping		
Tenancy agreements or rental contracts	Free community legal centre – community organisations that provide free legal services to the public. You can contact the one nearest you.	<a href="http://www.nacalc.org.au/directory">www.nacalc.org.au/directory</a>
Scams	Depends on the type of scam – different organisations deal with different types of scams.	<a href="http://www.moneysmart.gov.au">www.moneysmart.gov.au</a> Visit the scams section for information on who to contact

#### Has your client got a better understanding?

Result	Next steps
Your client has a higher level of understanding – completely understands the concept of contracts and has demonstrated their understanding.	Great work! You can give your client a copy of the translated factsheet in their language to take home.
Your client has some level of understanding of the concept of contracts.	You can help your client work through the <b>Level 2</b> activities and stories again.
Your client has no or limited understanding of the concept of contracts.	You can watch the photo story and listen to the audio story again with your client.

*B: How contracts and agreements differ***More information for your client**

If you are having a legal problem with a contract, contact a free community legal centre. Community legal centres are independent, community organisations that provide free legal services to the public. The National Association of Community Legal Centres ([www.naclc.org.au](http://www.naclc.org.au)) is the association of state and territory community legal centres in Australia. To find the closest free community legal centre, visit [www.naclc.org.au/directory](http://www.naclc.org.au/directory).

**Reflection questions for workers**

- ▶ What worked well today?  
What did not work well?
- ▶ Did your client understand the key messages?
- ▶ How could the session have been more effective?
- ▶ Did the activities engage your client in the topic?
- ▶ What questions unexpectedly emerged and how did you handle them?
- ▶ What might you do differently next time?

## 4: Contracts

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## B: How contracts and agreements differ

## Sujeetha compares a contract and an agreement


**Level 3**


Sujeetha wants a place to live. She goes to a real estate agent about renting a house and is told she needs to sign a document called a tenancy agreement. The agreement shows what Sujeetha will be agreeing to if she rents a house.

The tenancy agreement for the house Sujeetha is looking at is a **fixed-term lease** for 6 months. This means she agrees to live in the house, and pay rent, for 6 months.


**Do you think this is a contract?**

The tenancy agreement is a legal document. It means both parties (Sujeetha and the real estate agent) agree to everything written in the agreement. Sujeetha asks the real estate agent what would happen if she signs and moves into the house, but then wants to move somewhere else after 3 months. She also asks what would happen if the real estate agent wants her to move out after 3 months.


The real estate agent tells Sujeetha that if they both sign the tenancy agreement, they are both agreeing to a fixed-term lease for 6 months. This means if Sujeetha wants to leave after 3 months she will have to pay the remaining 3 months' rent. And it means that the real estate agent cannot tell Sujeetha to leave after 3 months because Sujeetha is allowed to stay for 6 months.



You can explain to your client that not all rental laws are the same in all parts of Australia. This means your client needs to check the law for where they are living. This helps protect their rights.

In the end, Sujeetha decides to live near her son Jack's school. But she cannot find a house to rent near the school that she can afford. Her friend Mandy invites Sujeetha and Jack to stay with her while she looks for a house to rent. In return, Sujeetha agrees to help Mandy cook and clean and take care of Mandy's daughter after school.

This arrangement is good for both of them. Sujeetha can save some money by helping Mandy at home rather than paying rent for a while. And Sujeetha and Mandy can change the arrangement if things do not work out.


**Do you think this is a contract?  
Do you know why?**





Sujeetha and Mandy have an informal arrangement between two people. It is not the law that Sujeetha and Mandy have to keep to the agreement. There is no legal obligation if one of them wants to stop it. Three months later Sujeetha finds a nice place to rent and she moves out with her son Jack. Mandy is happy for them.



## 4: Contracts

### B: How contracts and agreements differ

#### Has your client got a better understanding?

Result	Next steps
Your client has a higher level of understanding – completely understands the concept of contracts and has demonstrated their understanding.	 Great work!  You can give your client a copy of the translated factsheet in their language to take home.
Your client has some level of understanding of the concept of contracts.	 You can help your client work through the <b>Level 2</b> activities and stories again.
Your client has no or limited understanding of the concept of contracts.	 You can watch the photo story and listen to the audio story again with your client.

#### More information for your client

Contact your state or territory Office of Fair Trading to help you with issues or complaints in any of the following areas:

- ▶ cars, door-to-door sales, mobile phones, renting (tenancy agreements), scams or shopping

To find your state or territory Office of Fair Trading visit [www.consumerlaw.gov.au](http://www.consumerlaw.gov.au).

If you are having a legal problem with a contract, contact a free community legal centre. Community legal centres are independent, community organisations that provide free legal services to the public. The National Association of Community Legal Centres ([www.naclc.org.au](http://www.naclc.org.au)) is the association of state and territory community legal centres in Australia. To find the closest free community legal centre, visit [www.naclc.org.au/directory](http://www.naclc.org.au/directory).

#### Reflection questions for workers

- ▶ What worked well today?  
What did not work well?
- ▶ Did your client understand the key messages?
- ▶ How could the session have been more effective?
- ▶ Did the activities engage your client in the topic?
- ▶ What questions unexpectedly emerged and how did you handle them?
- ▶ What might you do differently next time?

## C: Entering a contract

## Rental contract



You can use this activity to help your client understand that all contracts are different and that it is not always easy to recognise the type of contract you may be asked to sign.

If your client sees the following types of words in a contract then they are dealing with a contract that relates to property, such as if they are renting a flat or a house.

security	deposit
landlord's	agent
residential premises	condition report
excess	water
tenant	landlord
residential property	tenancy



The sample on the next page is from a tenancy agreement. Sometimes a tenancy agreement is called a rental contract or a rental agreement.

## 4: Contracts

### C: Entering a contract

#### Rental contract (continued)

You can ask your client these questions about the sample on this page to check their understanding.

-  What are the important headings in the sample on this page that show you what the terms and conditions mean?
-  What other key words can you find?

### Standard form of Residential Tenancy Agreement

This Agreement is in 3 parts:

Part 1 Sets out the Agreement terms.

Part 2 Sets out the additional terms.

Part 3 Contains the Residential Premises Condition report.

#### Definitions

**“ancillary property”** means ancillary real property, any fixtures or chattel, gardening or watering equipment, including garden, not forming part of the premises;

**“security deposit”** means money paid by the tenant to the landlord at the start of a tenancy that is held in trust for the tenant for the durations of the tenancy.

**“Commissioner”** means the Commissioner of Tenancies.

**“excess water”** shall mean all water charges in excess of 500 kilolitres per year calculated according to the metered amount of water consumed.

**“landlord”** means the person who grants the right to occupy residential premises under a residential tenancy agreement, and includes the person’s heirs, executors, administrators and assigns.

**“landlord’s agent”** means a person who acts as the agent of a landlord and who (whether or not the person carries on any other business) carries on business as a agent for:

- (a) the lettering of residential premises, or
- (b) the collections of rents payable for any tenancy of residential premises.

**“tenant”** means the person who –

- a) is granted a right of occupancy of residential premises under a tenancy agreement;
- b) has a right of occupancy of residential premises because of an assignment from a former tenant or a sub tenancy; or
- c) has a right of occupancy of residential premises, otherwise than as a landlord,

## C: Entering a contract

## Rental contract (continued)

## Answers

The important headings are those that are in bold in the sample tenancy agreement.



### End of level 2: check in with your client

Does your client understand the key points from today?





If they do not, you can go through the information again at another time.

If they do you can proceed to **Level 3** the next time you get together.



You can give your client the factsheet in their translated language to take home. Repetition is part of learning.

### Has your client got a better understanding?

Result	Next steps
Your client has a higher level of understanding – completely understands the concept of contracts and has demonstrated their understanding.	 Great work!  You can give your client a copy of the translated factsheet in their language to take home.
Your client has some level of understanding of the concept of contracts.	 You can help your client work through the <b>Level 2</b> activities and stories again.
Your client has no or limited understanding of the concept of contracts.	 You can watch the photo story and listen to the audio story again with your client.

## 4: Contracts

### C: Entering a contract

#### More information for your client

Contact your state or territory Office of Fair Trading to help you with issues or complaints in any of the following areas:

- ▶ cars, door-to-door sales, mobile phones, renting (tenancy agreements), scams or shopping

To find your state or territory Office of Fair Trading visit [www.consumerlaw.gov.au](http://www.consumerlaw.gov.au).

If you are having a legal problem with a contract, contact a free community legal centre. Community legal centres are independent, community organisations that provide free legal services to the public. The National Association of Community Legal Centres (NACLC) ([www.nacalc.org.au](http://www.nacalc.org.au)) is the association of state and territory community legal centres in Australia. To find the closest free community legal centre, visit [www.nacalc.org.au/directory](http://www.nacalc.org.au/directory).

#### Reflection questions for workers

- ▶ What worked well today?  
What did not work well?
- ▶ Did your client understand the key messages?
- ▶ How could the session have been more effective?
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## C: Entering a contract

## Jim gets a new mobile phone contract



## Level 2

Jim gets a telephone call from a phone company offering him a contract for a new mobile phone. The phone company tells Jim he has a choice to have a 1-year or a 2-year contract.

The 1-year contract means Jim has to pay \$65 every month for 12 months. The 2-year contract is \$45 every month for 24 months.

Jim tells the company over the phone that he agrees to the 2-year contract. This is called an oral contract. An oral contract is a contract made with spoken words. It is just as important as a written contract. In a few days the company delivers Jim's mobile phone to him.

**?** Which contract do you think Jim agreed to and why?

Jim agreed to the two-year contract because it is less money each month – \$45, not \$65.

When Jim agreed he knew the contract was for the next 2 years but after a few months he wants to change to the 1-year plan. He has worked out he will pay a lot more money for the 2-year plan.

You can help your client understand the cost of Jim's plans using the amounts below:

**1-year contract:** 12 months x \$65 = \$780 (total cost for the contract)

**2-year contract:** 24 months x \$45 = \$1,080 (total cost for the contract)

**?** Is Jim allowed to change his mind?

Jim calls the phone company and asks to change the 2-year contract he signed for a new 1-year contract. The salesperson tells him he can but only if he pays the amount he still owes for the 2-year contract he signed. Jim knows this will cost him even more money so he stays in the 2-year contract.

Jim knows he has made a mistake. He has learned to ask more questions and take more time to think about things before he enters into any other oral contract.

**?** What key questions could Jim have asked the phone company?

As Jim has agreed to the oral contract for 2 years it is unlikely he can just change his mind without having to pay a lot of extra money.



## 4: Contracts

### C: Entering a contract



#### End of level 2: check in with your client

Does your client understand the key points from today?





If they do not, you can go through the information again at another time.

If they do you can proceed to **Level 3** the next time you get together.



You can give your client the factsheet in their translated language to take home. Repetition is part of learning.

#### Has your client got a better understanding?

Result	Next steps
Your client has a higher level of understanding – completely understands the concept of contracts and has demonstrated their understanding.	 Great work!  You can give your client a copy of the translated factsheet in their language to take home.
Your client has some level of understanding of the concept of contracts.	 You can help your client work through the <b>Level 2</b> activities and stories again.
Your client has no or limited understanding of the concept of contracts.	 You can watch the photo story and listen to the audio story again with your client.

#### More information for your client



For more information about buying a mobile phone, you can tell your client to visit the MoneySmart website, [www.moneysmart.gov.au](http://www.moneysmart.gov.au), or tell them to call 1300 300 630.

You can tell you client they can contact their state or territory Office of Fair Trading for help with issues or complaints in any of the following areas:

- ▶ cars, door-to-door sales, mobile phones, renting (tenancy agreements), scams or shopping.

To find the nearest state or territory Office of Fair Trading visit [www.consumerlaw.gov.au](http://www.consumerlaw.gov.au).

If you have problems with your mobile phone contract or service provider you can contact the Telecommunications Industry Ombudsman on 1800 062 058 – free from an Australian landline – or visit [www.tio.com.au](http://www.tio.com.au).

If you are having legal problems with your mobile phone contract, contact a free community legal centre. Community legal centres are independent, community organisations that provide free legal services to the public. The National Association of Community Legal Centres ([www.naclc.org.au](http://www.naclc.org.au)) is the association of state and territory community legal centres in Australia. To find the closest free community legal centre, visit [www.naclc.org.au/directory](http://www.naclc.org.au/directory).



*C: Entering a contract***Reflection questions  
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next time?

## 4: Contracts

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## C: Entering a contract

## Role play – questions to ask



You can use this activity to test your client's understanding of entering a contract. Tell your client to imagine they are entering a mobile phone contract or rental contract. Then role play asking questions to the other party to the contract.




Question	Example answer for a mobile phone	Why ask this?
What is the name of your business?	Telstra , Optus or Vodafone	To get a clear understanding of who you are dealing with.
What information is in the contract?	Length of contract: 2 years Amount of contract each month: \$59 a month	To understand the terms and conditions of the contract, including how long the contract is for (some contracts do not have an end date) and how much it will cost you each month.
How often will money be taken out of my account and how much will this be?	\$59 will be taken out of your account on the 15th of every month.	To get a clear understanding of what you need to pay and when.
Are there any fees and charges and how much are they?	If you cancel the plan before the agreed period you will still have to pay for all the remaining months.	To understand any extra money you will be charged and how much this is.
What happens if I cannot meet my repayments?	You will need to contact our office straightaway and tell us.	To understand what to do if something happens like losing your job and being unable to make payments.

If you are not happy with the help you receive, you can contact the Telecommunications Industry Ombudsman. Details are in the Key Contacts section of the kit.

## 4: Contracts

### C: Entering a contract

#### Role play – questions to ask (*continued*)

-  Ask your client if they have any questions about the contract?
-  How does your client feel about asking the questions?
-  Did your client understand the answers?

If your client does not understand some of the important points raised during this role playing activity it might be a good idea to work more on this topic together.

If your client understands the important points raised you can ask them to explain the type of information they should ask for before agreeing to an oral contract. Some sample information is below:





- ▶ length and date of the contract
- ▶ name of who is speaking and the company
- ▶ reference number.

You can also ask your client what type of questions they would ask a person selling them a product. Example questions are:

- ▶ Is this conversation being recorded over the phone?
- ▶ Are you keeping a record of this?
- ▶ Is there any paperwork you can send me?

## C: Entering a contract

## Has your client got a better understanding?

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## More information for your client



For more information about contracts, you can tell your client to visit the MoneySmart website, [www.moneysmart.gov.au](http://www.moneysmart.gov.au), or tell them to call 1300 300 630.

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## 4: Contracts

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## C: Entering a contract

## Victor's Internet contracts


**Level 3**

Victor's Internet connection with the Fast Internet Company does not always work, even though he pays a lot of money each month for the service.

He looks for a better price and finds one from the Online Now Company that is much cheaper, faster and more reliable. Victor agrees to a new contract with the Online Now Company by clicking on the 'I accept' button on the company's website. He is happy with the new service.

A few days later a person from Fast Internet Company contacts Victor and tells him he still:



- ▶ has a contract with them
- ▶ has 12 months left on his contract with them
- ▶ needs to pay the 12 months left on his contract, even if he has switched to another company and is no longer using their service.

Victor did not know this when he changed from Fast Internet Company to this new company. Victor is worried because now he has 2 contracts for his Internet connection service and this is going to cost him a lot of money.

Victor contacts the Online Now Company to ask if he can cancel his new contract. They say no because Victor entered into a contract with them when he clicked the 'I accept' button on the company's website. It is now the law that Victor follows the contract.

Victor is now paying 2 companies for Internet services, even though he can only use the service of 1 company. He decides to be more careful in future and take more time to understand what he is agreeing to before he signs any contract.

After reading this story with your client you can test their understanding by asking them the questions below.





-  **Why is it so important to understand what you are agreeing to?**
-  **What can you do if you do not understand what you are agreeing to?**



## 4: Contracts

### C: Entering a contract

#### Has your client got a better understanding?

Result	Next steps
Your client has a higher level of understanding – completely understands the concept of contracts and has demonstrated their understanding.	 Great work!  You can give your client a copy of the translated factsheet in their language to take home.
Your client has some level of understanding of the concept of contracts.	 You can help your client work through the <b>Level 2</b> activities and stories again.
Your client has no or limited understanding of the concept of contracts.	 You can watch the photo story and listen to the audio story again with your client.

#### More information for your client



For more information about contracts, you can tell your client to visit the MoneySmart website, [www.moneysmart.gov.au](http://www.moneysmart.gov.au), or tell them to call 1300 300 630.

If your client is having any problems with their Internet contract, you can tell them to contact their service provider.

If your client is having problems with their phone or Internet contract or service provider you can tell them to contact the Telecommunications Industry Ombudsman on 1800 062 058 – free from an Australian landline – or visit [www.tio.com.au](http://www.tio.com.au).

If your client is having legal problems with their Internet contract, they can contact a free community legal centre. Community legal centres are independent, community organisations that provide free legal services to the public. The National Association of Community Legal Centres ([www.naclc.org.au](http://www.naclc.org.au)) is the association of state and territory community legal centre organisations in Australia. To find the closest free community legal centre, visit [www.naclc.org.au/directory](http://www.naclc.org.au/directory).



*C: Entering a contract***Reflection questions  
for workers**

- ▶ What worked well today?  
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the topic?
- ▶ What questions unexpectedly emerged  
and how did you handle them?
- ▶ What might you do differently  
next time?

## 4: Contracts

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*D: Contract terms and conditions,  
cooling-off periods and door-to-door sales*

## ABC Bank credit card contract

 Activity **Level 2**

You can use this activity to help your client with reading and signing a contract. First review the information in the box below.

### ABC Bank credit card contract

Thank you for choosing the ABC Bank credit card. Below is a list of the terms and conditions for your credit card. Sign at the end of the page to say that you agree with them.

1. By signing this contract you agree to pay the minimum monthly repayments as stated on your credit card statement.
2. You can choose to pay more than the minimum monthly payment.
3. You agree to keep your card in a safe place and not let anybody else use it.
4. You agree to check your monthly statement to make sure it is correct.
5. You agree to not spend any more than your chosen limit on your credit card.
6. ABC Bank can change your interest rate at any time and can do so without telling you.

Sign here \_\_\_\_\_ Date \_\_\_\_\_

Now discuss the terms and conditions of the contract with your client. If your client signed the contract, ask them to choose yes or no about the following statements. The answers are on the following page.

By signing the contract above you agreed:

1. **to pay minimum monthly repayments**  
Yes/No
2. **to let other people use your credit card**  
Yes/No
3. **to check your monthly statement and make sure it is correct**  
Yes/No
4. **to spend more than your credit card limit**  
Yes/No
5. **that the bank can change your interest rate at any time without telling you.**  
Yes/No



Explore the reasons for your client's decision. If they signed the contract, why did they do so? If not, why not?



## 4: Contracts

*D: Contract terms and conditions,  
cooling-off periods and door-to-door sales*

### ABC Bank credit card contract (continued)

#### Answers

1 Yes, 2 No, 3 Yes, 4 No, 5 Yes.







#### End of level 2: check in with your client

Does your client understand the key points from today? If they do not, you can go through the information again at another time. If they do you can proceed to **Level 3** the next time you get together.



You can give your client the factsheet in their translated language to take home. Repetition is part of learning.

#### Has your client got a better understanding?

Result	Next steps
Your client has a higher level of understanding – completely understands the concept of contracts and has demonstrated their understanding.	 Great work!  You can give your client a copy of the translated factsheet in their language to take home.
Your client has some level of understanding of the concept of contracts.	 You can help your client work through the <b>Level 2</b> activities and stories again.
Your client has no or limited understanding of the concept of contracts.	 You can watch the photo story and listen to the audio story again with your client.

#### More information for your client



For more information about credit cards, you can tell your client to visit the MoneySmart website, [www.moneysmart.gov.au](http://www.moneysmart.gov.au), or tell them to call 1300 300 630.

If your client is having problems with their credit card, you can tell them to contact their credit provider (lender).

If your client is having legal problems with a credit contract, you can tell them to contact a free community legal centre. Community legal centres are independent, community organisations that provide free legal services to the public.

The National Association of Community Legal Centres ([www.naclc.org.au](http://www.naclc.org.au)) is the association of state and territory community

legal centre organisations in Australia. To find the closest free community legal centre, visit [www.naclc.org.au/directory](http://www.naclc.org.au/directory).

#### Reflection questions for workers

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- ▶ What might you do differently next time?

*D: Contract terms and conditions, cooling-off periods and door-to-door sales*

## Hayat's door-to-door contract



Level 3

Hayat answers a knock at her door and a salesman starts talking to her very quickly about buying a vacuum cleaner. Hayat lets the salesman in the house.

The salesman shows her how the vacuum cleaner works and then hands her a contract. The salesman tells Hayat she needs to sign the contract to buy the vacuum cleaner.

Hayat is uncomfortable asking questions because the salesman speaks fast and English is still new to her. But she says she needs to get help to understand the contract before she signs it.



**?** What could Hayat have said if she did not feel comfortable to ask questions?

Hayat asks the salesperson to leave the contract after saying she needs time to understand what is in it.

**?** What could Hayat do next?





Hayat asks her friend Miranda for help. Miranda takes Hayat to a free community legal centre to see one of the workers.

The worker explains to Hayat that the vacuum cleaner will cost a lot of money and it is good that Hayat did not sign the contract without some help. The worker explains it is important to always ask someone you trust for help.

## 4: Contracts

*D: Contract terms and conditions, cooling-off periods and door-to-door sales*

### Has your client got a better understanding?

Result	Next steps
Your client has a higher level of understanding – completely understands the concept of contracts and has demonstrated their understanding.	 Great work!  You can give your client a copy of the translated factsheet in their language to take home.
Your client has some level of understanding of the concept of contracts.	 You can help your client work through the <b>Level 2</b> activities and stories again.
Your client has no or limited understanding of the concept of contracts.	 You can watch the photo story and listen to the audio story again with your client.

### More information for your client



For more information about door-to-door sales, you can tell your client to visit the MoneySmart website, [www.moneysmart.gov.au](http://www.moneysmart.gov.au), or tell them to call 1300 300 630.

If your client is having legal problems with a door-to-door sales contract, you can tell them to contact a free community legal centre. Community legal centres are independent, community organisations that provide free legal services to the public. The National Association of Community Legal Centres ([www.naclc.org.au](http://www.naclc.org.au)) is the association of state and territory community legal centre organisations in Australia. To find the closest free community legal centre, visit [www.naclc.org.au/directory](http://www.naclc.org.au/directory).

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## E: Signing a contract with someone else

## Lulu gets a car loan with her son



Level 3

Nathan has just turned 18 and works part time at a small store. He finds it hard to get to work on time because he has to travel there by bus. Nathan is often late and so decides he wants to get a loan from a bank to buy a car.

Because he is young and only works part time, Nathan finds it hard to get a loan. He does not make a lot of money and he has not been working for long.

One bank says Nathan can ask his mum to be a guarantor on his loan. Lulu, his mother, wants to help her son. So she signs the car loan contract with him, becoming Nathan's guarantor. And she does this without understanding what it means.



**?** What does being a guarantor mean for Lulu?

Lulu and Nathan both sign the contract for the car loan. Nathan makes payments using the money from his job. Six months later Nathan loses his job and can no longer afford to pay the loan.

**?** What do you think happened next?

As Lulu had signed the contract, she now needs to make the payments. Lulu is a single mum and she finds it hard to make the payments. It is good that Nathan gets a new job at another store and can start to pay the loan himself again. This made both of them happy.

**?** What would you do next time if you were Lulu?





**?** What would happen if Nathan did not get another job?

If Nathan did not get another job, Lulu would have been responsible for the whole debt. If she could not pay it, the car would be taken by the lender and Lulu may have more costs.

## 4: Contracts

### E: Signing a contract with someone else

#### Has your client got a better understanding?

Result	Next steps
Your client has a higher level of understanding – completely understands the concept of contracts and has demonstrated their understanding.	 Great work!  You can give your client a copy of the translated factsheet in their language to take home.
Your client has some level of understanding of the concept of contracts.	 You can help your client work through the <b>Level 2</b> activities and stories again.
Your client has no or limited understanding of the concept of contracts.	 You can watch the photo story and listen to the audio story again with your client.

#### More information for your client



For more information about car loans and guarantors, you can tell your client to visit the MoneySmart website, [www.moneysmart.gov.au](http://www.moneysmart.gov.au), or tell them to call 1300 300 630.

If your client is having legal problems as a guarantor or with a car loan contract, you can tell them to contact a free community legal centre. Community legal centres are independent, community organisations that provide free legal services to the public. The National Association of Community Legal Centres ([www.naclc.org.au](http://www.naclc.org.au)) is the association of state and territory community legal centre organisations in Australia. To find the closest free community legal centre, visit [www.naclc.org.au/directory](http://www.naclc.org.au/directory).

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- ▶ What might you do differently next time?



# Glossary

<b>Agreement</b>	A mutual understanding where people discuss and agree about something.
<b>Clause</b>	A term or condition can be added or changed before the contract is final.
<b>Co-borrower</b>	A person who borrows money jointly with you. Each person is responsible for the loan, so if one of you does not pay, the other person must pay the full amount.
<b>Contract</b>	A contract is a legally binding agreement between two or more persons.
<b>Cooling-off period</b>	The time period allowed for changing your mind and cancelling a purchase contract. This is different in each state and territory so check the details with your local fair trading or consumer affairs agency.
<b>Door-to-door sales</b>	When someone calls at your home to try to sell you goods or services.
<b>Fees and charges</b>	A cost by an organisation to customers for various services and penalties.
<b>Fixed-term lease</b>	A specified period of time for a rental contract.
<b>Guarantor</b>	A guarantor is liable to pay off the entire loan if the borrower defaults. If the borrower pays the loan, the guarantor does not have any liability.
<b>Joint debt</b>	This is the same as a co-borrower where both people are responsible for the whole debt.
<b>Landlord's agent</b>	Someone who acts on behalf of the person who owns the property.
<b>Lender (credit provider)</b>	An organisation you enter into a credit agreement with.
<b>Legal agreement</b>	Another name for a contract including all the elements of a legal contract. See contract.
<b>Loan</b>	A type of credit product.
<b>Oral contract</b>	A contract made with spoken words that can be just as important as a written contract (for example for services such as gas, electricity or phones). Some contracts cannot be entered into orally (for example, credit contracts).
<b>Party</b>	The people or organisations in a contract.
<b>Security deposit</b>	Money paid to the property owner at the start of a tenancy agreement by the person renting a property.
<b>Signature</b>	A handwritten form of someone's name used as a mark of their agreement with a written document.
<b>'Subject to'</b>	Allows a condition in a contract to be changed.
<b>Terms and conditions</b>	The rights and responsibilities of each party mentioned in the contract.
<b>Unfair contract</b>	When a person enters into a contract on terms that are 'unfair' or 'harsh'.

## 4: Contracts

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