

BBB Advice on Using Layaway for Holiday Purchases

As more families struggle in the tough economy, retailers are trying to make paying for holiday gifts more flexible by offering layaway options. With layaway experiencing a comeback, your Better Business Bureau offers the following guidance on how to use this old fashioned payment plan in lieu of credit cards.

Many businesses are shaking the dust off their layaway programs for today's beleaguered consumer. Kmart's layaway program saw double-digit increases in customers and sales in 2008 and, according to the company, the word "layaway" had more than double the interest among U.S. web searchers in August 2009 than it had in August 2008.

"It is a sign of our rough economic times that consumers are turning to layaway to purchase the basics, rather than just luxury items," said Jerry Tipton, BBB President/CEO of Greater East Tennessee. "For many families this holiday season, it's not just gifts and decorations that will be purchased on layaway, but also the basic items needed to get by in everyday life."

Buying items on layaway is different from putting them on a credit card because the buyer isn't charged interest on the purchase and can't take the item home until it is paid off. When purchasing items on layaway, the buyer must typically make a down payment of 10 to 20 percent and pay any service or plan fees for the store to hold the item for them. The customer then has typically 30 to 90 days to make periodic payments to pay off the balance. Once it is paid off, the customer can take the items home.

As a complement to in-store layaway, some stores provide online layaway services for purchasing items through the retailer's Web site. Additionally, third-party businesses have sprung up for the purpose of setting up layaway plans online between customers and retailers that don't already have a layaway program. Customers make periodic payments to the third-party layaway service provider. Once the item is fully paid for, the business then buys the item from the retailer and ships it to the customer.

When buying items on layaway, BBB advises consumers to get everything in writing and offers the following checklist of questions to ask:

- How much time do I have to pay off the item?
- When are the payments due?
- How much do I have to put down?
- Are there any storage or service plan fees?
- What happens if I miss a payment? Are there penalties? Does the item return to inventory?
- Can I get a refund or store credit if I no longer want the item after making a few payments?
- What happens if the item goes on sale after I've put it on layaway?