Convenience creditors, a third category of non-depository creditors, are sellers who forbear the collection of existing debts in return for installment payments with interest. Such creditors include doctors, lawyers, hospitals, utilities, oil companies, farm supply companies, and other businesses that have no formal charge account plan but are willing to finance debts either to increase their volume of business or in order to avoid the collection process as long as their customers are making payments. These credit agreements are often evidenced merely by a sales receipt that states that a monthly charge will be imposed if the debt is not paid within thirty days.

Determining which statute controls a transaction with a convenience creditor may require a careful analysis of state law. In some states, such a transaction is considered a “detention” of money to which the usury laws do not apply. Other states have separate interest ceilings for goods sold on open accounts. Yet others may treat convenience creditors under retail installment sales acts (RISAs), although RISAs do not always reach sellers that extend credit only infrequently. Alternately, usury statutes may apply to sales on account on the theory that interest is being charged for the seller’s forbearance of debt.

In any case, charges assessed by convenience creditors should be examined closely. Such creditors frequently violate credit statutes, either out of ignorance of the controlling law or because they fail to take credit limitations seriously.

Footnotes

186  {166} See § 7.5.2.3 [1], infra.

187  {167} See § 11.3 [2], infra.

188  {168} See § 7.5.2.3 [1], infra.

Source URL: https://library.nclc.org/ccr/010407-0

Links
[1] https://library.nclc.org/nclc/link/CCR.07.05.02.03