The distinction between loans and credit sales has a long history and is embedded in most states’ laws even though it has little theoretical basis. Many courts, often using the fiction of the time-price doctrine, have interpreted general usury statutes to regulate only loans or forbearances of debt and not sales of goods on credit. Consequently, consumer credit sales were largely unregulated by state legislatures, and were governed only by regular contract law.

Starting in the 1950s, most states adopted retail installment sales acts (RISAs) to regulate the terms and the charges imposed in credit sales of goods and services. However, even in states that have adopted RISAs, the time-price doctrine may continue to apply to sales transactions that fall outside the scope of the RISA.

A credit sale is not just any credit which is eventually used to buy goods; rather, it is credit extended specifically by the seller in conjunction with the sale of specific goods. Thus, if a consumer gets a finance company loan for the express purpose of buying furniture, the transaction, in most circumstances, is still a loan subject to loan, not sale, regulations. Similarly, if the buyer charges the purchase on a bank credit card, the credit is a loan. Yet, if the furniture store directly offers the consumer separate cash and time prices for the same goods, the transaction is a credit sale that general usury laws may not reach, but that will be controlled by retail installment sales acts (RISAs) in most states.

Footnotes

189 [169] See § 3.9.5 [1], infra.

190 [170] See §§ 1.2.4 [2], supra.

191 [171] See §§ 7.5.2.2 [3], 11.3.2.1 [4], infra.

192 [172] See generally § 11.3.2.1 [4], infra (discussing the time-price doctrine in detail, including other limitations, such as the required disclosure of the separate credit and cash prices prior to the sale).

193 [173] See generally § 3.9.5 [1], infra.

194 [174] See §§ 7.5.2.2 [3], 11.3 [5], infra.