



"Rent-to-own" :  
portrait of an industry  
and its clientele

Report written by *Option Consommateurs*  
and presented  
to Industry Canada's Office of Consumer Affairs

*Leasing brings customers closer to ownership  
and creates a stronger emotional  
attachment to products.*

*This in turn nurtures a greater sense of  
ownership, reduces damage,  
prolongs the life of our inventory and  
increases customer retention.*

Easyhome Ltd, Annual Report 2006 p. 15

## Acknowledgements

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## Executive summary

### Context

“Rent-to-buy” or “Rent-to-own” (RTO) businesses offer consumers long-term leasing for current use goods such as furniture, appliances and various electronic products. No credit checks are performed, monthly or weekly payments are low, opportunity to purchase the leased item at the end of lease or by anticipation is given; the offer is tempting. However, a consumer who respects the terms of the contract and pays all rents before acquiring the good leased, generally pays, in total, twice even three times the actual value of the good.<sup>1</sup> Fittingly, contracts often last 20 to 36 months.

Commercial activities of these businesses have been denounced globally by numerous consumers associations and for many years. In fact, customers for “Rent-to-own” businesses use a source of financing parallel to traditional credit offered by financial institutions (personal loans, credit margins or credit cards). Except that this type of financing turns out to be extremely costly.

Consumer associations denounce exploitation of those who use the services given by these type of businesses. They ascertain abusive commercial practices in “Rent-to-own” type stores and consider that consumers don't have access to information necessary to make informed decisions.

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<sup>1</sup> GUÉNETTE Maryse, *L'entreprise Louer pour acheter : Là où l'on vend de deux à trois fois plus cher*, Consommation, 1996-97, Vol.7, no.4, p.10-18.

Despite warnings from associations dedicated to consumer protection, despite collective recourses against RTO type businesses, they remain firmly rooted in their milieu and consumers everywhere continue to do business with them, thus contributing in their reaping of colossal profits each year.

We thus asked ourselves why Canadian consumers continue dealing with these type of businesses. Can't they hear consumer associations screaming exploitation? Do customers who deal with "Rent-to-own" businesses experience difficulties accessing traditional forms of financing? And if so, why? Does the information given to consumers by these businesses prior to and when concluding their contracts allow them to make informed decisions? Are customers dealing with "Rent-to-own" businesses aware of the cost of financing they contracted? Finally, what other reasons, if entailed, pressure consumers to deal with these businesses? It is to answer these questions that we have conducted this research.

## **Methodology**

We have effected a documentary research regarding RTO type businesses, which has allowed us to sketch a portrait of the industry. Then, we documented and analysed advertising processes and listed the arguments invoked in order to convince consumers to deal with them. We recruited a marketing specialist, M. Jacques Nantel, tenured professor at the *École des Hautes Études Commerciales de Montréal*<sup>2</sup> to analyze the content of these advertisements.

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<sup>2</sup> Professor Jacques Nantel has a master's degree in management (*maîtrise en sciences de la gestion*) from HEC Montréal, a doctorate degree (PH.D.) in marketing and is an associate member of the *Chaire de commerce Omer DeSerres* and is an associate member of the *Chaire de gestion des arts Carmelle et Rémi-Marcoux*. He teaches at *École des Hautes Études Commerciales de Montréal*.

We then visited two *lease-purchase* Québécois businesses to analyze the information given to in-store consumers. We concluded contracts with these two businesses and subsequently analyzed their content to evaluate the scope of the information available to consumers as they conclude their contracts.

We then did research in comparative law which allowed us to evaluate if Canadian regulations which govern “Rent-to-own” contracts are sufficient to protect consumers or if additional measures should be considered in order to increasingly inform and protect them.

Finally, we conducted a survey and realized 40 individual interviews with customers of the company *Rent-to-Own* (Easyhome) in order to gather quantitative and qualitative data. The survey and interviews have enabled us to establish a portrait of consumers dealing with this company et we have garnered a better idea of the motivations of consumers who deal with “Rent-to-own” type of businesses.

## **Results**

As we analyzed the profile of individuals living within a ten minutes drive from 160 *Easyhome* store locations, we were able to identify an over-representation of individuals living alone, renters who live in a dwelling for which the value is inferior to the provincial average, who receive some form of financial support from the government, who have a low income and possess a secondary or college diploma. University graduates are under represented in this group. In summary, these people are vulnerable. We investigated the practices and contracts of players within the Canadian RTO industry.

We concluded that it is difficult to discern the true nature of contracts concluded with consumers. These contracts have the known characteristics of long term leasing contracts. But they also have many of the characteristics of payment plans such as instalment sale contracts and lease with guaranteed residual value.

We have also identified that the information available to the consumer as they conclude the contract is insufficient to make an informed decision. In fact, neither advertisement or in-store information, or information listed in the contract are complete or coherent. Moreover, certain information is erroneous and lead consumer to believe they have lesser rights than the law gives them.

Finally, the results of the survey<sup>3</sup> and the interviews<sup>4</sup> compel us to conclude that if Canadian consumers continue to deal with this type of business, it's due partly to the given information being insufficient and incoherent but also because consumers have a weak level of financial capacity. The conjecture of these circumstances prevent them from making informed decisions.

## **Recommendations**

Following analysis of the results of the present research, *Option consommateurs* issues the following recommendations:

### Recommendation 1

We recommend to the Canadian government to "*increase financial resources of its departments and organizations in order to better fulfill their*

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<sup>3</sup> See survey results in Annex 1

<sup>4</sup> See sections 5.2 and 5.3 of the actual report.

*responsibilities to educate and inform consumers, particularly concerning the financial services sector”<sup>5</sup> and that “ the federal government, in partnership with the provincial and territorial Ministries of Education, the Financial Consumer Agency of Canada, educational institutions, consumer advocacy organizations and other agents, constitute an educational program model which dispenses instruction on the overall stakes in consumerism including financial issues”<sup>6</sup>*

## Recommendation 2

We recommend that provincial legislators determine the nature of the contract binding consumers to “Rent-to-own” type of businesses, taking into account the true intention of consumers. *Option consommateurs* considers it crucial that clear regulations be established to define and delimit RTO contracts and related advertisement.

## Recommendation 3

We recommend increasing disclosure requirements for “Rent-to-own” businesses in order to obligate them to reveal to consumers, before concluding the contract, the number of monthly or weekly payments, the total cost of payments to be made at the end of contract, the amount of administration and opening fees, and other hidden fees. We suggest that

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<sup>5</sup> Comité sénatorial permanent des banques et du commerce, *La protection des consommateurs dans le secteur des services financiers : une tâche inachevée*, 2 juin 2006, p.74, En ligne : <http://parl.gc.ca/39/1/parlbus/commbus/senate/Com-f/bank-f/rep-f/rep02jun06-f.pdf>, 28 mars 2008  
[Translated in text]

<sup>6</sup> Comité sénatorial permanent des banques et du commerce, *La protection des consommateurs dans le secteur des services financiers : une tâche inachevée*, 2 juin 2006, p.73, En ligne : <http://parl.gc.ca/39/1/parlbus/commbus/senate/Com-f/bank-f/rep-f/rep02jun06-f.pdf>, 28 mars 2008  
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provincial legislators, take inspiration, in regards to disclosure requirements, from American state laws.

#### Recommendation 4

We recommend grant financial resources to organizations dedicated to consumer protection to enable them to enforce respect of these new regulations as well as the existing regulations in manner of commercial practices, advertising and protection of personal information.