



Deposits, Advance Payments, Bonds and Investment Schemes

Money paid in advance can be risky

Financial transactions are not always simply a case of paying for something which is instantly acquired. What I mean by that is there are situations when all or part of the purchase price is paid over, but the item or service is not readily available at the time. A percentage deposit may be required to secure a deal to be finalised on a future date; for example when buying goods that are out of stock and need to be ordered in. Such business dealings are, initially anyway, based on trust; and as long as a receipt is issued by the seller to the buyer, one would assume there is nothing to worry about. This, however, relies on honesty and integrity, the absence of which can prove costly.

Even small amounts of money can be lost by trusting someone to do the right thing. For instance: buying from a mail order company usually requires the full amount to be paid before the goods are shipped. Whether paid by cheque or bank transfer, it is easy enough to confirm that the payment has been withdrawn from an account, so presumably it is now just a matter of waiting for a package to be delivered. Nine times out of ten it will be; but what if it isn't? A phone call or an email to the company or individual concerned may put one's mind at rest should the sender come up with a reasonable explanation for the delay; but this is assuming there is a response to the enquiry. But if there is no answer, no reply email the chances are that there never were any goods in the first place and the buyer has just been scammed.

Depending on the bank or payment agency, a full refund should be forthcoming; not always, though; especially when the location of the seller is somewhere other than the buyer's State or Country. Then, even banks and governments are powerless – the money's gone never to be seen again. The lesson to be learned here is: buyer beware, a frequently uttered warning that is all-too often ignored. So, what should you consider before parting with any of your hard-earned cash?

Primarily, be mistrusting of everyone. Major stores are usually okay and conduct their business mindful of retaining their reputation; so, once again, as long as a receipt for any down-payment is obtained there shouldn't be a problem. The same consideration applies to online purchases when the seller is known and trusted; but buying from a complete unknown demands caution. If the company has a website, check at the end of the address string for a security acknowledgement. This is a mark granted by security managers such as Norton and Kaspersky which have checked the website and deem it safe. Should there not be a tick of approval, and especially if there is an exclamation or question mark (! ?) be wary. And when buying from sites like eBay and Gumtree, remember that the sellers are often individuals and smaller businesses which may be genuine, maybe not; and although they do their best to ensure the advertisers are not shonky, these venues cannot be responsible for dishonest sellers that slip through the

cracks. One prospective online surfer spotted a second-hand car advertised that seemed a good buy, so he forwarded a deposit to secure the deal before anyone else nabbed it. When he arrived at the address where it was supposed to be, he met a man who had also paid a deposit on the same vehicle; but there was no car, and the resident of the property knew nothing about it. Need I say more?

Building and construction can be a hassle, particularly when skilled workers are like hen's teeth and materials are in short supply. Progress payments are often part of the contract and it is understandable why the customer should contribute to costs along the way. Most larger builders are trustworthy, but it wouldn't be the first time that one has gone into liquidation before the job is completed. So consider some kind of building insurance. Smaller contractors may be of more concern. Even the genuine ones can run into financial trouble and have to walk off the job before finishing it. Worse still are those dyed-in-the-wool bandits who front up on someone's doorstep claiming that they've noticed the property is in need of repairs and they can fix it for a really good price. Hand money over to these rogues and you are unlikely to see it again. As for the work, if they've started it prior to disappearing, chances are you'll have to pay someone else to put to rights the mess they've left behind.

Everyone at some time will have repairs that require calling in a skilled worker. Electricians, plumbers and carpenters generally do a good job, when you can source them; but always ask for a receipt for your payments, and make sure that their work is guaranteed before they commence. The same applies to vehicle repairs and servicing which should have some kind of warranty covering parts and labour to rectify faults that occur within a specified time after the initial work was conducted. In this regard, unless you know and trust them, watch out for the backyard mechanics who are only cheaper if they complete the job to your satisfaction, and you don't have to take it elsewhere if they haven't done it properly.

When renting a property, whether it be residential or business premises, usually a bond is required up front. This is to safeguard the owner should the tenant cause damage to the property or fittings; and also to cover them for non-payment of rent, particularly if the one who signed the lease agreement decides to skip town. Conversely, when the resident decides to leave and has taken good care of the property as well as keeping up with the rent, it is only fair that their bond payment should be returned in full. It doesn't always happen. The owner or agent will inspect the property and if they find damage of any kind, part of or the entire bond will be withheld to cover this. Quite often the tenant might explain that the broken shower screen or chipped plaster and carpet stains were there when they moved in; but did they think to have proof of this? Before signing the lease, they should have inspected the property with a witness and taken photographs of all existing damage and faults. Any reputable letting agent would accept this as normal practice. Should they get grumpy or resentful about it, find another place to live.

One final warning about investment deals and proposals: They come in all shapes and sizes, and generally involve large sums of money. Rule of thumb – avoid putting your cash into anything that is sight unseen. Don't rely on flashy brochures picturing artist's impressions. If you can't go to the location and walk around, it might not exist. As for

retirement schemes, one went pear-shaped in Australia a couple of years ago. Retirees lost thousands, in some instances their life's savings. The scheme required a considerable one-off up-front payment that should have seen them in a home for the rest of their lives – no rent, no maintenance costs, simply carefree. What happened? The management company that set it all up went bust. The actual residences were owned by others who had been sucked into the scam; but, it seemed, they were out of pocket, receiving no regular payments as presumably agreed. The residents were summarily evicted with no home and very little money left to start over again. As for the perpetrators of the scam, the huge amounts of money they'd been paid went walkabout. A class action undertaken by those who had been cheated goes on still.

There are many instances of cheats and scammers taking money under false pretences, and we have been warned to be on the lookout for them; yet there are those who continue to get caught. So, don't part with your money unless you are absolutely certain the deal is genuine and above board. Obtain receipts for deposits and advance payments. Read and understand the fine print of all agreements before signing. Never assume that you are fully protected by the law; because others may know it better than you, in particular the loopholes; and discovering this after the fact could be a financially painful lesson to learn.

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