

Legal Protection Afforded to Lessees: A Critical Analysis of Vehicle Leasing Law in Sri Lanka

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Abstract

The finance leasing sector in Sri Lanka has developed rapidly as it caters low-income people. The Finance Leasing Act No 56 of 2000 (FLA) was passed to govern the finance leasing sector, separating it from hire purchase which was governed under the Consumer Credit Act No 29 of 1982. The research mainly examines the existing law, its implementation and whether it provides protection to the parties in Sri Lanka. The research detects the gaps in the law and makes recommendations to the existing law to foster better protection to the parties, mainly the lessees. This is done on the basis of a comparative analysis of Vehicle Leasing Law prevailing in the jurisdictions of the US and Australia.

Keywords: Finance leasing, protection of Lessees

1. Introduction

Finance Leasing is currently one of the well-known and a common transaction method in Sri Lanka for middle- and low-income people. A finance leasing (also known as a capital lease or sales lease) is a type of lease in which a fiancé company is the legal owner of the asset for the duration of the lease, while the lessee not only has operating control over the asset, but also some share of the economic risks and returns from the change in the valuation of the underlying asset. It is a commercial arrangement where:

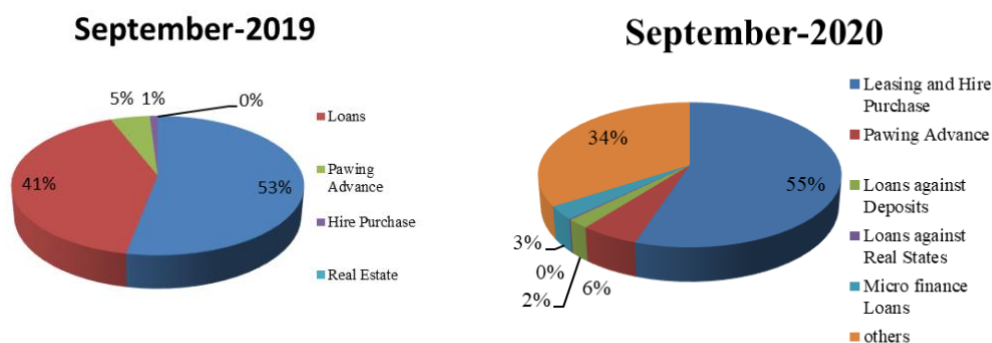
- Party 1: the lessee (customer or borrower) will select an asset (vehicle or equipment).
- Party2: the lessor (finance company) will purchase that asset.
- Party 3: the supplier (Car Dealer) supplies the vehicle/equipment to the leasing Company based on a Supply Agreement.
- Subject matter: it is the vehicle in most cases and the lessee will have the right to use of that asset or subject matter during the lease period.
- Liabilities of Party 1: the lessee will pay a series of rentals or instalments for the use of that asset.
- Role of Party 2: the lessor will recover a large part or all of the cost of the asset plus earn interest from the rentals paid by the lessee.
- Final Settlement: the lessee has the option to acquire ownership of the asset (e.g. paying the last rental, or by using the bargain option on the purchase price)¹

Finance leasing has similar financial characteristics to that of hire purchase agreements. But both have different accounting features and tax implications. There may be tax benefits for the lessee to lease an asset rather than purchasing it and this may be the motivation to obtain a fiancé lease. Earlier, the finance leasing and hire purchase were governed by the Consumer Credit Act No.29 of 1982. However, after the enactment of the Finance Leasing Act No.56 of 2000 (FLA 2000), the field of leasing is being governed by this Act.

The research is based on the problem that there is inadequacy of protection available to the lessees under the FLA 2000 and therefore there is no enthusiasm

¹www.wikipedia.org/definition-of-the-fiance-leasing

for self-employment by way of leasing a vehicle for low- and middle-income families. These results in the government losing revenue that can be otherwise earned by many vehicle leasing agreements. The pragmatic adequacy of the rights of the lessees in the FLA 2000 is examined. To recommend effective clauses to address the lessee's rights in practical situations.



Objectives Include:

01. Identifying the concept of leasing
02. Examining the existing Laws in Sri Lanka focusing on the protection available to the lessees

Source: Financial System Stability Review in Sri Lanka 2019 and 2020

03. Identifying the gaps in the law in Sri Lanka
04. Making recommendations to the existing laws for better protection of the lessees.
05. Comparing with other jurisdictions on suitable laws to protect lessees.

2. Methodology

This research is conducted to evaluate the effectiveness of the protection provided to lessees in Sri Lanka with special reference to vehicle leasing and it was based on both quantitative and qualitative methods that include field research and web-based research. The data collection was based on the use of primary and secondary data collection methods.

The Present Prevailing Law of Finance Leasing and its Amendments

The main statute of FLA 2000 was subjected to two amendments namely the Finance Leasing (Amendment) Act No 24 of 2005 and Finance Leasing (Amendment) Act, No 33 of 2007. As per the provisions of the FLA 2000, every leasing company must be registered.² The rights and duties of the lessees, lessors, and suppliers have been provided under sections 11 to 31 of the Act.

It is clear that the Act generally tries to balance the interests of these three parties through its provisions. For example, section 11 of FLA 2000 highlights that the lessees have a right to the undisturbed and peaceful possession of the equipment provided to the lessees under a financial lease, and it shall be the duty of a lessors to ensure the protection; Section 16 of FLA 2000 provides that the lessees shall not terminate or rescind a supply agreement without the consent of the lessors; and Section 18 FLA 2000 provides that the supplier's obligation to lessees is to supply the equipment to the lessors in according to the Supply Agreement.

The principal Act of 2000 as well as the amendments in 2005 and 2007 has failed to protect the lessees.

Legal Issues Regarding Protection of the Lessees Under the FLA 2000

In Sri Lanka, most of the people consider the vehicle as their second big investment of their lifetime, the first place taken by none other than the housing property. Constantly increasing vehicle prices are the key contributor to developing the leasing sector during the last decades. Act embodies some grey areas as follows:

01. Problems that are related to recovering the possession of vehicle and Penal interest rates.

FLA 2000 has provided a mechanism for the absolute owner to repossess a vehicle in case of non-payment of the monthly installments by the lessee. Normally the person who seizes the vehicles in this regard is called the seizers. However, such

² "Subject to the provisions of section 44, from and after the appointed date, no person shall carry on finance leasing business, except under the authority of a certificate of registration issued on that behalf under the provisions of that Act."

Section 2 of the Finance Leasing Act No 56 of 2000

seizing of vehicles causes problems to the lessees who feel that they are unprotected.

In the case of *Muthuthanthrige Peatro Sunil Bernard Fernando for Indra Finance Company Ltd VS. Hewapathiranage Don Cletus Samaranayake*³ court granted, with reference to section 433(a) of the Criminal Procedure Code⁴, power to recover the possession even to unregistered leasing company of the vehicle due to non-payment of monthly installments if it is involved with a crime by the lessee.

1. Section 20 of FLA 2000 provides that where a lessee fails to comply with the terms and conditions of the finance lease, the lessor has the right to terminate the lease agreement and recover possession of the equipment provided.⁵
2. Section 21 of the FLA provides that lessor should send a prior notice to the lessees to remedy the failure before termination of the finance lease agreement⁶; while section 21(b) mentions that the lessor shall appoint a date not being a date less than seven days after the receipt of the notice for remedying the failure⁷.

As per the above-mentioned section 21 of the Act, the lessor gives only seven (7) days to the lessees to remedy the failure to pay installments according to the agreement. It was twenty-one days (21) notice before 2005 amendment and it has been reduced toll seven days by No 24 of the 2005 amendment to FLA 2000. The

³ CAIPHC/11/2017

⁴ (1) In the case of a vehicle let under a hire purchase or leasing agreement, the person registered as the absolute owner of such vehicle under the Motor Traffic Act (Chapter 203) shall be deemed to be the person entitled to possession of such vehicle for the purpose of this Chapter. Section 33(a) Criminal Procedure Code

⁵ “S.20(b) where a lessee fails to make accelerated payments as required under paragraph (a), terminate the finance lease and—

(I) recover possession of the equipment provided;” section 20 of Finance leasing Act no 56 of 2000

⁶ Section 21 of Finance Leasing Act no 56 of 2000

⁷ “Appointing a date, not being a date less than seven days after the receipt of the notice, for remedying the failure referred to in paragraph (a).”section 21 (b) of Finance Leasing Act no 56 of 2000

researcher humbly opines that seven days is not enough for the lessees to pay their installments with fines.

In the Hansard report of July 5 of 2005 relating to the Finance Leasing Amendment Bill when it was presented to the Parliament, Prof. G.L Peris mentioned that the reason for the amendment to section 21 is, “that during the period of 21 days the defaulting lessee was able to dismantle the vehicle or to conceal it so that lessor cannot really pursue the property to which he is entitled.”⁸ Accordingly, it is clear that amending the FLA 2000 in 2005 the Parliament considered the convenience of the lessors only and not lessees. It is disturbing to note that the Parliament did not even talk about how lessees will manage to pay their installments within seven days with the high penal interest.

Because of the delay of the accelerated payments, usually leasing companies charge high penal interests from lessees within the above-mentioned seven days. But FLA is silent regarding the number of penal interests⁹. Consequently, leasing companies are charging excessive monthly penal rates on delayed installment payments and if the lessee fails to remedy the failure in a specified short period of time lessor can repossess the vehicle under section 20 of the same Act. However, by way of penal interest the prevailing law puts the customers/lessees who are already finding it difficult to pay their monthly installments into an even more difficult situation.¹⁰ When the lessee must pay only one monthly installment and at a time the lessee is unable to pay it, leasing companies can repossess their vehicle without court permission. This is unfair to the lessees, in the opinion of the researcher.

Further, the FLA has given the power to the lessor to recover their possession due to default of the lease agreement “From the place where it is found”¹¹. Under that, they can repossess the leased vehicle at any place irrespective of the nature of the

⁸ Finance Leasing Amendment Bill, Hansard report of July 5 of 2005

⁹ Wickramasekara, Tharaka, “Leasing gannata pera sitha balanna,” *The Silumina*, July 08, 2019, <http://www.silumina.lk>

¹⁰ “Sri Lanka suspends leased vehicle seizures”, *economy Next*. August 7, 2015, <https://economynext.com/sr-lanka-suspends-leased-vehicle-seizures-2220>.

¹¹ “Recover possession of the equipment from the place where it is found, if possession could be obtained without resistance from the person in possession of the equipment or where it is not in the possession of any particular person, without resistance from any person” section 27(c) of the Finance Leasing Act No 56 of 2000

venue. So, it could be either a private or public place (ex: while driving the vehicle on the road). Hence it will adversely affect the psychological condition of the lessees when the seizers have forcibly repossessed the vehicle in the presence of third parties. For example, there was an incident that took place in Ampara in which the seizers seized leased a lorry while driving on the road forcibly by hitting and pushing the driver on to the road. This humiliation resulted in that lessee driver committing suicide.¹² Therefore, at present seizing vehicles over unpaid lease rentals by finance companies has become a controversial public issue due to the methods adopted in grabbing these vehicles in public places. Seizers practice inhuman activities while seizing vehicles from vehicle lessees and their passengers¹³. Further, although the FLA mentions to get the assistance of police officers in the seizing process in the case of breach of peace¹⁴, it is not practically used by leasing companies. This is because leasing company has to pay charges to police officer who comes to assist the seizers.¹⁵ Hence, it seems that the leasing companies have instructed their seizers to repossess their vehicles in a good or bad manner.

Apparently, there is a major critic about seizers in society, that “after seizing the vehicle, they will remove the original parts of the vehicle.¹⁶” The power to seize vehicle is given with the objective of safeguarding the financial interest of the lessor, but such objective is lost due to the dishonest employees of leasing company. Such dishonesty affects the lessee because the lessor company files a case against the lessee to recover the unpaid money, adding the cost of missing parts. On the other hand, if after a seizure, the lessee has paid the accelerated payments and regain the vehicle, they must face more difficulties because the FLA

¹² Amarabandu, Susantha, “Leasing warikaye ariyas eka jeevithayen gewuu mano”, *Divaina*, March 8, 2015, <http://www.divaina.com/2015/03/08/nimna04.html>

¹³ “Decent seizure of vehicles by finance companies over unpaid lease rentals”, *The Sunday Times Sri Lanka*, November 29, 2015, <http://www.sundaytimes.lk/151129/business-times/decent-seizure-of-vehicles-by-finance-companies-overunpaid-lease-rentals-172911.html>

¹⁴ “obtain the assistance of a police officer of that police station to prevent a breach of the peace in the exercise of that right” section 27(b) of Finance Leasing Act No 56 of 2000

¹⁵ The interview with LOLC Eheliyagoda Branch Seizing officer, 27th February 2021

¹⁶ Wickramasekara, Tharaka, “Leasing gannata pera sitha balanna”, *The Silumina*, July 08, 2019, <http://www.silumina.lk>

2000 is silent about any action by the lessee and section 19(1) provides that the lessor company is not liable to pay any losses to lessees.”¹⁷

02. Issues regarding transfer vehicle to the third party during the tenure of lease.

According to section 25(1) of the FLA 2000 the lessee cannot transfer his right of possession of the vehicle or equipment to a third party without the written consent of the lessor¹⁸. Therefore, when lessee cannot further pay their monthly payments, most of them try to transfer the vehicle to a third party by signing an agreement before lawyer (using power of attorney). But if third party default the payments lessee will be liable to the same and there are chances to add the name of the lessee as a defaulter in the records of Credit Information Bureau of Sri Lanka (CRB). The third party who defaulted will not be seen in such records. This will result in lessee being denied for any loans from any financial institutions in Sri Lanka thereafter. Further, subsequent to the lessee's transfer of vehicle to the third party by power of attorney, if the third party engages in any criminal activity by using that leased vehicle, the lessee will be liable to it and not the third party. This is because FLA 2000 does not accept *de facto* transfer and the lessee cannot enter a *de jure* transfer of the ownership of the vehicle to the third party because the absolute ownership lies with lessor until all payments are settled.

In certain circumstances, though the first lessee transfers his ownership to a third party with the written consent of the lessor, leasing companies do not keep clear records about such transactions. Hence the first lessee must bear all liabilities irrespective of the transfer agreement.¹⁹

¹⁷“A lessor shall not incur any liability to the lessee for any loss suffered by the lessee in respect of the equipment provided under the finance lease, except to the extent of any loss arising out of the lessee's reliance on the lessor's skill and judgment on the selection of the equipment or in the lessor's intervention in the selection of the supplier or in the specification of the equipment

¹⁸ “A lessee shall not, except with the written permission of the lessor and subject to any rights of third parties, transfer the right to the possession and use of an equipment under a finance lease to any other person”

.Section 25 of Finance Leasing Act No 56 of 2000

¹⁹ Hapugoda, Ananda, “Mulya samagam pumbana ape leasing neethiya,” *Dinamina*, December 4, 2017, <http://www.dinamina.lk>

03. Other problems related to the protection of the lessees.

Under FLA 2000 the only solution for disputes between its parties is litigation although it is protracted and costly due to lawyer's fees etc. If the Act allows other ADR methods such as arbitration for resolving their disputes it will be beneficial to both lessees and lessors²⁰. And it will help the lessees from incurring unnecessary costs.

Although the FLA 2000 limits the transfer of lessee's right to a third-party during leasing transaction and it did not mention that third party can't come in as a new lessor. This happens when the original leasing company becomes bankrupt and sells its rights to a third party who steps in to recover the possession. But the problem is that the lessee has been already contractually binding to the prior leasing company and not with the new one. Terms and conditions of leasing agreement vary from company to company. Therefore, in such a situation, it can be a disadvantage to lessees. But FLA 2000 is silent regarding that.

In addition, under FLA 2000 the lessor can charge for any losses and damage that take place to the vehicle, other than fair wear and tear²¹. The Act failed to define what fair wear and tears are. Therefore, there is a problem with the wear and tear concept in the transaction and it allows leasing companies to gain unjust enrichment from lessees by deciding fair wear and tears according to their advantage.

04. Debt Moratorium for six-month in pandemic period was turned into delusion.

Basically, Central Bank of Sri Lanka introduced six-month period as Debt Moratorium because people could not attend their workplace and could not carry out their usual activities. Hence, they could not pay the installments to leasing companies. As a relief, Circular No. 4 of 2020 and Circular No. 5 of 2020 introduced a concessionary period for paying installments. The real issue is that

²⁰ "In Sri Lanka, litigation to recover bad debts is a protracted and costly process." "Proposed Secured Loans Republic of the Maldives and Democratic Socialist Republic of Sri Lanka: South Asian SME Leasing Facility:" ADB, March, 2000, <https://www.adb.org/sites/default/files/project-document/66343/40935-regrrp.pdf>, 3.

²¹ Section 12 of the Finance Leasing Act No 56 of 2000

even if a concessionary period was granted by leasing companies according to the circulars on the written consent of lessees, the interest rate was calculated based on compound interest which was calculated including the concessionary period as well. This misleads the public. Hence, this debt moratorium was not a relief to the lessee.

We cannot ignore the murder of the Chairman of the Lanka Self-Employed Professional's National Three-Wheeler Federation during the crisis which was due to an argument between representatives of a Finance Leasing company relating to non-payment by a lessee who has leased a three-wheeler. This was during the pandemic period that was announced as a concessionary period and the argument was mainly focusing on the calculation of interest rate²². This chairman lost his life for raising his voice to protect the interest of the lessees. If there were adequate laws to protect the lessees an incident of this nature wouldn't have happened. This Debt Moratorium is the delusion in practical arena. To avoid these bad consequences, there should be proper legislation and a fixed interest rate which can be used in an emergency.

Comparative Jurisdiction

Certain other countries provide more protection to their leasing consumers through their statutes. In this regard the researcher has selected the USA and Australia. These two countries follow the UNIDROIT Convention on Financial Leasing, and this convention recognizes the following:

- a. Importance of removing certain legal impediments to international financial leasing of equipment.
- b. Balancing the interest between the different parties to the transaction
- c. Desirability of formulating certain uniform rules relating primary to civil and commercial law aspects of international financial leasing.
- d. Conscious of the fact that the rules of law governing the traditional contract of hire need to be adapted to the distinctive triangular relationship created by the financial leasing transaction.

²² <http://asianmirror.com/news/item/31465-national-three-wheeler-federation-president-sunil-jayawardena-assulted-to-death-leasing-mafia-behind-the-murder>

But Sri Lanka is not a party to this convention and did not make any attempt to implement UNITROID uniform law regarding finance leasing.

United States of America

Federal Regulation

Automobile leasing in the US is regulated by the Federal Consumer Leasing Act (FCLA) and Truth in Leasing Act (TLA) enacted in 1976. The stated purpose of Truth in Leasing Act are “to assure a meaningful disclosure of the terms of leases of personal property for personal, family or household purposes so as to enable the lessee to compare more readily the various terms available to him, limit balloon payment in consumer leasing, enable comparison of lease terms with credit terms where appropriate, and to assure meaningful and accurate disclosures of lease terms in advertisements.”²³ Both these statutes and the connected Regulations require extensive disclosure to the consumer regarding leasing transactions and regulate certain substantive terms of transactions.

The TLA provides for substantive penal charges and obtaining an adequate remedy.”

The Act provided that penal charges should be reasonable, it cannot impose unreasonable penal charges and if the company does so, the lessee can seek protection from the court.

Moreover, the TLA and Regulation M require the lessor to provide actual information regarding the transaction and that disclosure must be made clear and understandable. Clear and understandable disclosure is dependent on whether a disclosure is reasonably understandable to a layperson²⁴.

In addition, the same Regulation M requires a lessor to disclose:

²³ David A. Edelman, “Automobile Leasing –Problems and Solutions”, *Loyola Consumer Law Review*7,no.1 (1994): 16.

²⁴ David A. Edelman, “Automobile Leasing –Problems and Solutions”, *Loyola Consumer Law Review*7,no.1 (1994): 17.

- (1) “The amount or method of determining the amount of any penalty or other charges for delinquency, default, or late payments.”
- (2) “A statement of the conditions under which the lessee or lessor may terminate the lease prior to the end of the lease term and the amount or method of determining the amount of any penalty or other charges for early termination.”
- (3) “A statement identifying any express warranties or guarantees available to the lessee made by the lessor or manufacturer with respect to the leased property.”
- (4) “The total amount paid or payable by the lessee during the lease term for official fees, registration, certificate of title, license fees, or taxes.”
- (5) “[A] statement of reasonable standards for wear and use”
- (6) When and for how much the consumer can exercise a purchase option.

USA law recognized that early termination penalties are the most problematic area of finance leasing transactions. Therefore, the TLA provision requires that termination and default charges must be reasonable.²⁵

Therefore, at present more leases provide that early termination charges be calculated according to the “actuarial” or “economic accrual” method, also known as the “constant yield” method²⁶. But there is another method which is more favorable with lessors than lessees. It is known as the “Rule of 78 s,” also known as the “sum-of-the-digits method.” Generally, though there is no specific regulation to enforce the “constant yield” method, in the USA it has been enforced through judicial precedents.

In addition to that, several reforms are made in a recent New York statute to remedy many of the common abuses by lessors in leasing transactions²⁷. Among them, protection against unreasonable wear-and-tear charges at the end of the lease

²⁵ Ibid.,17

²⁶ David A. Edelman, “Automobile Leasing –Problems and Solutions”, *Loyola Consumer Law Review*7,no.1 (1994): 17

²⁷ Edelman, “Automobile Leasing –Problems and Solutions”, 18.

through an arbitration mechanism is important to the Sri Lankan context. Arbitration process is not recognized for leasing transactions in Sri Lanka which also has difficulties in calculating wear and tear

In covid-19 pandemic situation USA introduced some concessions to avoid the unnecessary sufferings of the parties dealing with leasing agreement. The concessions take various forms and include reduced rent and deferral of rent payment.

Australia

Consumer lease of Australia is regulated under the three main legislative instruments, namely:

- The National Consumer Credit Protection Act 2009 (NCCP Act)
- The National Consumer Credit Code (NCCC)
- National Consumer Credit Protection Regulations 2010 (NCCPR)

These instruments are administered by the Australian Securities and Investments Commission (ASIC)²⁸

Those legal instruments contemplated treating equally to both consumers of leasing and hire purchase transactions,²⁹ and the common elements include the lessee's rights, lessor's rights in relation to the repossess the leased goods⁸¹.

The Treasury is also considering the reduced fees in early termination and introducing further disclosure obligations to provide consumers with a better understanding of the terms and conditions of the lease agreement.

²⁸ Ali Paul et al., *Consumer Leases and Consumer Protection: Regulatory Arbitrage and Consumer harm*. 41 ABLR 240.(2013) :253

²⁹ "The Enhancement Act extends to consumer leases almost all the key consumer protection measures that already apply to credit contracts(including the hire purchase agreements and conditional sales" P;251 ⁸¹ Section 98 and 99 of Credit Code and The Consumer Credit Regulation Amendment (Enhancements) Act 2012 has retained these provisions.

Further section 29(1), 35(1) and 47(1) of the NCCP Act provides any benefits such as prohibiting to the lessor from entering into consumer lease unless it holds an Australian credit license; must have an internal dispute resolution procedure for resolving disputes with its customers; must be a member of an approved dispute resolution scheme (either the credit Ombudsman Service or the Financial Ombudsman Service) etc.

But in Sri Lanka, the only requirement is the authority of a certificate of registration under FLA.³⁰

In the case of early termination, the NCCP Act allows it by making a payment as determined in accordance with the NCCP regulations³¹. But in Sri Lanka, there are no specified early termination fees. It depends on the discretion of leasing companies.

The most important factor in Australia is restrictions on the lessor's right to repossess the leased goods. In Australia lessor can't repose the leased goods unless 30 days prior notices had been given to the lessee³². This requirement was intended to provide the lessee a reasonable opportunity to rectify a default. But in Sri Lanka, it is only 7 days.

In Covid-19 pandemic situation Australia introduced Amendments to Australia Accounting Standards and thereby the following concessions were recommended: Covid-19 Related Rent Concession.

- a. 6 months of lease payments during the Covid-19 period are deferred.
- b. The lease term is extended by six months.
- c. The lease payments during the extended six-month period are equal to the lease payments deferred during the Covid-19 pandemic.

³⁰ Section 2 of the Finance Leasing Act No 56 of 2000

³¹ Ali Paul et al., Consumer Leases and Consumer Protection: Regulatory Arbitrage and Consumer harm. 41 ABLR 240.(2013) :253

³² Section 178 of Credit Code and The Consumer Credit Regulation Amendment (Enhancements) Act 2012 has retained this provision.

3. Conclusion and Recommendations

3.1 Conclusion

Finance leasing is attractive to consumers because it enables consumers who are having low income to acquire possession of goods immediately. On the other hand, it also attracts lessors to allow generating profits through leased goods. Therefore, at present finance leasing plays a major role in every economy. Sri Lanka is still developing country and most of the people belonging to the middle class and low class in the economy, hence they cannot invest money to buy a vehicle at once. However, the primary data reveal that leasing transactions are not always fair and reasonable. Sri Lankan Act has some lacunas that are adversely affecting the lessees of the leasing transaction.

3.2 Recommendations

1. The period for the terminating of the agreement by the lessor should be extended like another jurisdiction. i.e. Australia lessor can't repose the leased goods unless 30 days prior notices had been given to the lessee.³³
2. It is better if unitary fine interest rates are introduced for the termination of the lease agreement in Sri Lanka i.e. Australia stipulated that specified fees and charges relating to consumer leases to be prohibited by regulation.³⁴ And USA, at present more leases provides that early termination charges be calculated according to the "actuarial" or "economic accrual" method, also known as the "constant yield" method.³⁵
3. According to section 19(1) of the FLA, the lessor shall not be liable for losses in relation to equipment. It should be amended that the lessor shall be liable for

³³ Section 178 of Credit Code and The Consumer Credit Regulation Amendment (Enhancements) Act 2012 has retained this provision.

³⁴ Section 175 A of the Australian Credit Code.

³⁵ David A. Edelman , "Automobile Leasing –Problems and Solutions", *Loyola Consumer Law Review* 7,no.1 (1994): 17.

the consequences of losses if those are caused by the lessor or by force majeure, similar to Australia.

4. Under the Consumer Credit Act 1982 that is applicable to hire purchase transactions, if the hirer pays 75% of his loan, Lessor can't seize the vehicle without a court order.³⁶ A similar provision should be introduced under FLA 2000.
5. Section 25(1) of the FLA provides that lessee shall not transfer his rights to a third party without written consent of the lessor. Obtaining the written consent of the lessor is a costly and time-consuming process. Therefore, most of the lessees used to transfer their rights by signing before an attorney at law. However, FLA 2000 does not grant legal validity to such transfer. Therefore, this section should be flexible enough to facilitate transferring of their rights to a third party.
6. It is recommended to introduce an Ombudsman in relation to the leasing disputes. This is because of speedy resolution to disputes in which the affected party is from the low-income sector.
7. Sri Lanka only allows litigation. But it is better to allow alternative dispute resolution methods i.e. Arbitration to resolve the disputes because the court process is costly and time-consuming.
8. It is recommended to define 'reasonable wear and tear' in the Act. Otherwise, it will allow unjust enrichment of companies.
9. In the event of the re-selling of the leased vehicle, the company must re-sell only for the best price and whatever excess should be paid to the lessee.

The Sri Lankan vehicle leasing process will no doubt be streamlined if this Act is amended by recognizing the suggestions presented through this research paper and the practical problems existing in the country.

³⁶ Section 20 of the Consumer Credit Act No 29 of 1982

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