



## I CO-SIGNED TO PURCHASE A CAR

**You agree to co-sign a credit sale contract for the purchase of a car at the request of your spouse, who otherwise would never have received the necessary financing. A few monthly payments are not made and the Bank claims the balance owing from you. Are you obliged to repay the Bank? In what circumstances could the contract between you and the Bank be cancelled?**

### THE FACTS

In May 2001, a 19-year old woman agrees to co-sign an installment payment contract for the purchase of a car, with her spouse. She also agrees to be named as co-owner. However, only her boyfriend will actually be using the car. She agreed to co-sign only to help him get credit and she never thought that she would be liable for the debt. After the contract was signed, her boyfriend made only three payments and then defaulted on his payments. Now, the Bank is claiming that they are jointly responsible for the balance. The young woman felt holding her to the obligation was exorbitant, abusive, excessive and disproportionate. She contended that the car was not for her and that the Bank was in a position to know that she could not afford to contract a financial obligation in excess of \$17,000.

### THE ISSUE

Can a contract entered into between a young person who is legally an adult and the Bank be cancelled?

### THE DECISION

The judge cancelled the contract. However, the action was allowed against her spouse.

### THE GROUNDS

When the contract was formed, there was an imbalance between the loan from the Bank for the benefit of the young woman, and her contractual obligation towards the

financial institution. She thought that by signing the contract, she was simply helping her boyfriend get the credit he wanted. She never used the car and now finds herself jointly liable for the payment of the balance of the loan. The judge held that the Bank had exploited the young woman considering her weak financial situation. The Bank was in a position to know that her financial situation was precarious but despite that, it required her to co-sign the contract. By virtue of that fact, there was a serious imbalance of power between the parties, which adversely affected the young woman. The judge decided that the contract she entered into with the financial institution should be cancelled.

#### References

*Bank of Montréal v. Grandmont*, Court of Québec - Civil division (C.Q.) Montréal 500-22-067815-020, 2004/01/29 (J.E. 2004-555; available on the Web at the following address: [www.jugements.qc.ca](http://www.jugements.qc.ca))

*Consumer Protection Act*, (R.S.Q., chapter P-40.1), sections 8 and 9.

The judgement discussed in this article was rendered based on the evidence submitted to the court.

Each situation is unique. If in doubt, we suggest you consult a legal aid lawyer.

### Contact us

Commission  
des services juridiques  
2, Complexe Desjardins  
Tour de l'Est, bureau  
1404  
C.P. 123  
Succursale Desjardins  
Montréal (Québec)  
H5B 1B3

Phone : 514 873-3562  
Fax : 514 873-8762  
[www.csj.qc.ca](http://www.csj.qc.ca)

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