**HOW IT WORKS**

Like a bank a pawnbroker earns income on the interest that is charged on the loan secured by a pledged item. In order to accept goods into pawn a pawnbroker makes an on-the-spot valuation of the goods. The customer and the pawnbroker will agree the sum to be advanced and the pawnbroker presents new customers or indeed existing customers who ask for it, a completed document called 'Pre Contract Information'. This is in a standard format so that loans from different providers can easily be compared. It allows the customer to confirm that they are happy to accept the terms of the loan. The customer having decided to go ahead with the transaction then signs the actual agreement which is an A4 document with details of his rights and protection under the Consumer Credit Act 1974 and the terms and conditions of the loan. The customer also receives as part of the document itself a pawn-receipt for presentation when redeeming the goods.

The agreement is usually (and as a minimum always) for a period of six months. A customer has the right to give notice to withdraw from the agreement within 14 days and also to make partial or full early repayments. They are also entitled to redeem property by payment of the original loan plus the amount due at any time during the contract period. When the loan and the interest are paid, the goods are returned to the customer. If the customer has not repaid the loan during this time and the loan was over £100 he will receive notice that the property is due to be sold, giving him a further statutory period of 14 days in which to redeem (the customer will normally however have the option at the end of the contract to renew the loan by the payment of interest only and the rewriting of a fresh agreement).

If the customer does not renew or respond to the notice served, the pawnbroker may take steps to dispose of the goods. Having served the notice of his intention to sell the goods the pawnbroker must obtain the true market value on the date of sale which ensures a fair price is obtained for the customer. Where the proceeds of sale are greater than the amount due to the pawnbroker, the balance is due back to the customer. Contrary to popular myth, only where the loan was for less than £75 (and contract period six months) does the pawnbroker gain title to the goods where the customer has not repaid the loan. Again, contrary to what people may believe, the pawnbroker does not wish to gain title to property as he is in the business of lending money and he wishes far more to see the loan repaid without needing to resort to the sale of property. This way not only is the debt cleared in full but the customer is happy at the return of his goods and has possession of them to return again at some stage in the future. This is proved by the very high volume of trade that is repeat transactions - nearly always with the same security and very often several times in a few months.