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U n i d r o i t

INTERNATIONAL INSTITUTE FOR THE UNIFICATION OF PRIVATE LAW

Alternative revised versions of the tentative draft
uniform rules on the sui generis form of leasing
transaction laid before the Study Group on the leasing
contract at its second session

Rome, June 1980

INTRODUCTION

1.- At its second session (Rome, February 1979) the Study Group on the leasing contract examined the tentative draft uniform rules on the sui generis form of leasing transaction, drawn up by the UNIDROIT Secretariat, with the assistance of Professor Réczei, Chairman of the Study Group, in the light of the discussions of the Study Group at its first session (Rome, November 1977) (Study LIX - Doc. 8). In the course of this examination the Study Group made various proposals for the amendment of the tentative draft, to which the UNIDROIT Secretariat strove to give effect in a revised version of the tentative draft which it subsequently drew up. This revised draft incorporated the redraft of Articles 9 and 10 of the tentative draft submitted by Professor Goode, member of the Study Group, in accordance with the request made of him by the Chairman of the Study Group during the Group's examination of those articles. It also incorporated related proposals made by the Chairman of the Group himself. This revised text was then the subject of consultation both within the Study Group and within a working group set up by the Council and Executive Committee of the European Federation of Equipment Leasing Company Associations (Leaseurope). This process of consultation yielded alternative revised texts of the tentative draft both from Mr Bey and Professor Gavalda, members of the Study Group, and from Leaseurope.

2.- This paper sets out parallelly:

- (i) the revised text of the tentative draft prepared by the UNIDROIT Secretariat, incorporating proposals by Professor Goode and Professor Réczei;
- (ii) a first alternative revised text of the tentative draft submitted, on the basis of (i) above, by Mr Bey and Professor Gavalda;
- (iii) a second alternative revised text of the tentative draft submitted, again on the basis of (i) above, by Leaseurope;
- (iv) a third alternative revised text of the tentative draft prepared by the UNIDROIT Secretariat in tandem with Professor Réczei, incorporating amendments to (i) above which were inspired by the alternative solutions offered by (ii) and (iii) above.

Revised text of the tentative draft uniform rules on the sui generis form of leasing transaction laid before the Study Group on the leasing contract at its second session, prepared by the UNIDROIT Secretariat, incorporating proposals by Professor Réczei, Chairman of the Study Group, and by Professor Goode, member of the Study Group.

First alternative revised text of the tentative draft uniform rules on the sui generis form of leasing transaction laid before the Study Group on the leasing contract at its second session, submitted by Mr Bey and Professor Gavalda, members of the Study Group.

PREAMBLE

THE STATES PARTIES TO THIS CONVENTION,

HAVING RECOGNISED the desirability of determining by agreement certain uniform rules relating to the sui generis transaction commonly referred to as "financial leasing",

HAVING RECOGNISED the feasibility of dealing only with the private law aspects of the said transaction to the consequent exclusion of the revenue and accounting aspects thereof,

HAVE DECIDED to conclude a Convention for this purpose and have thereto agreed as follows:

Article 1

This Convention applies to a triangular transaction in which one party (the financier), on the specifications of the user, purchases from a supplier plant, capital goods or equipment (hereinafter referred to as "equipment") the use of which the financier grants to the user for business or professional purposes. This transaction presents the following particular characteristics:

- it may be concluded on the basis of one or more than one contract;

PREAMBLE

THE STATES PARTIES TO THIS CONVENTION,

HAVING RECOGNISED the desirability of determining by agreement certain uniform rules relating to the sui generis transaction here referred to as "financial equipment leasing",

HAVING RECOGNISED the feasibility of dealing mainly with the private law aspects of the said transaction,

HAVE DECIDED to conclude a Convention for this purpose and have thereto agreed as follows:

Article 1

This Convention applies to a triangular transaction in which one party (the financier), on the specifications of the user, purchases from a supplier plant, capital goods or equipment (hereinafter referred to as "equipment") the use of which the financier grants to the user for business or professional purposes in return for payment of what are hereinafter referred to as "rentals". This transaction presents the following main characteristics:

- it is concluded on the basis of one contract or of a group of contracts;

Second alternative revised text of the tentative draft uniform rules on the sui generis form of leasing transaction laid before the Study Group on the leasing contract at its second session, submitted by the European Federation of Equipment Leasing Company Associations (Leaseurope).

Third alternative revised text of the tentative draft uniform rules on the sui generis form of leasing transaction laid before the Study Group on the leasing contract at its second session, prepared by the UNIDROIT Secretariat and Professor Réczei, Chairman of the Study Group.

PREAMBLE

THE STATES PARTIES TO THIS CONVENTION,

HAVING RECOGNISED the desirability of determining by agreement certain uniform rules relating to the sui generis transaction here referred to as "financial equipment leasing",

HAVING RECOGNISED the feasibility of dealing with the private law aspects of the said transaction,

HAVE DECIDED to conclude a Convention for this purpose and have thereto agreed as follows:

Article 1

This Convention applies to a triangular transaction in which one party (the lessor), on the specifications of the user, purchases from a supplier plant, capital goods or equipment (hereinafter referred to as "equipment") the use of which the lessor grants to the user for business or professional purposes in return for payment of what are hereinafter referred to as "rentals". This transaction presents the following main characteristics.

- it is concluded on the basis of one contract or of a group of contracts:

PREAMBLE

THE STATES PARTIES TO THIS CONVENTION,

HAVING RECOGNISED the desirability of determining by agreement certain uniform rules relating to the sui generis transaction here referred to as "financial equipment leasing",

HAVING RECOGNISED the feasibility of dealing with the private law aspects of the said transaction,

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Article 1

This Convention applies to a triangular transaction in which one party (the financier), on the specifications of the user, purchases from a supplier plant, capital goods or equipment (hereinafter referred to as "equipment") the use of which the financier grants to the user for business or professional purposes in return for payment of what are hereinafter referred to as "rentals". This transaction presents the following main characteristics:

- it is concluded on the basis of one contract or of a group of contracts;

- the choice of the equipment lies with the user;
 - the equipment is acquired by the financier on the basis of a contract providing for its use which has either been concluded or is to be concluded between the financier and the user;
 - the financier is owner of the equipment throughout the term of the contract providing for its use;
 - the contract between the financier and the user is concluded for a term which takes the period of amortisation of the equipment into consideration;
 - the parties may choose from among various options either during the course or at the end of the contract between the financier and the user, unless this is contrary to the law of the place where the transaction is concluded.
- the free choice of the equipment and the supplier lies with the user and is his own responsibility;
 - the equipment is acquired by the financier in pursuance of the contract, hereinafter referred to as the "leasing agreement", which has either been concluded or is to be concluded between the financier and the user;
 - the financier is owner of the equipment throughout the term of the leasing agreement;
 - the leasing agreement is concluded for a term which takes the period of amortisation of the equipment into consideration;
 - the parties may choose from among various options either during the course or at the end of the leasing agreement, unless this is contrary to the law of the place where the leasing agreement is concluded.

Article 2

1. - Where a transaction is recognised in the State in which the contract providing for the use of the equipment (hereinafter referred to as "the leasing agreement") was concluded as a valid transaction for the purposes of Article 1, it shall also be so recognised for the purposes of the present Convention in any Contracting State.

2. - The fact that a transaction is not recognised in the State in which the leasing agreement was concluded as a valid transaction for the purposes of Article 1 shall not affect its validity for the said purposes under the terms of the law applicable according to the rules of private international law of the forum.

Article 2

1. - Where the transaction in question is recognised in the State in which the leasing agreement was concluded as a valid transaction for the purposes of Article 1, it shall also be so recognised for the purposes of the present Convention in any other Contracting State.

2. - The fact that the transaction in question is not recognised in the State in which the leasing agreement was concluded as a valid transaction for the purposes of Article 1 shall not affect its validity under the terms of the law applicable according to the rules of private international law of the forum.

- the free choice of the equipment and the supplier lies with the user and is his own responsibility;
- the equipment is acquired by the lessor in pursuance of the contract, hereinafter referred to as the "leasing agreement", which has either been concluded or is to be concluded between the lessor and the user;
- the lessor is owner of the equipment;
- the leasing agreement is concluded for a term which takes the period of amortisation of the equipment into consideration;
- the parties may choose from among various options either during the course or at the end of the leasing agreement, unless this is contrary to the law of the place where the leasing agreement is concluded.

Article 2

1. - Where the transaction in question is recognised as a valid transaction for the purposes of Article 1, in the State in which the leasing agreement was concluded, it shall also be so recognised for the purposes of the present Convention in any other contracting State.

2. - The fact that the transaction in question is not recognised as a valid transaction for the purposes of Article 1 in the State in which the leasing agreement was concluded shall not affect its validity under the terms of the law applicable according to the rules of private international law of the forum.

- the free choice of the equipment and the supplier lies with the user and is his own responsibility;
- the equipment is acquired by the financier in pursuance of the contract, hereinafter referred to as the "leasing agreement", which has either been concluded or is to be concluded between the financier and the user;
- the financier is owner of the equipment throughout the term of the leasing agreement;
- the leasing agreement is concluded for a term which takes the period of amortisation of the equipment into consideration;
- the parties may choose from among various options either during the course or at the end of the leasing agreement, unless this is contrary to the law of the place where the leasing agreement is concluded.

Article 2

1. - Where the transaction in question is recognised as a valid transaction for the purposes of Article 1 in the State in which the leasing agreement was concluded, it shall also be so recognised for the purposes of the present Convention in any other Contracting State.

2. - The fact that the transaction in question is not recognised as a valid transaction for the purposes of Article 1 in the State in which the leasing agreement was concluded shall not affect its validity under the terms of the law applicable according to the rules of private international law of the forum.

Article 3

Once the transaction referred to in Article 1 has been concluded and unless otherwise agreed, the agreement between the supplier and the financier may not be varied without the consent of the user, just as the specifications given by the user to the supplier may not be varied without the consent of the financier.

Article 4

The financier's title to the equipment provided for the use of the user shall not be enforceable against third parties who are in good faith if he has not given public notice of the leasing agreement in accordance with the requirements laid down by the law of the place where the property is to be used. /Such notice shall permit the identification of the parties and of the property./

Article 5

Where the equipment provided for use has become a fixture and to the extent that the financier has priority, under the law of the State where the real property is situated, over the claim of any person having an interest in the real property concerned, the financier may upon breach by the user of his contractual duties remove his equipment from the real property.

Article 3

Once the transaction referred to in Article 1 has been concluded and unless otherwise agreed by way of contract, the agreement between the supplier and the financier (hereinafter referred to as the "sale contract") may not be varied without the consent of the user, just as the specifications given by the user to the supplier may not be varied without the consent of the financier.

Article 4

The financier's title to the equipment provided for the use of the user shall not be enforceable against third parties who are in good faith if he has not given public notice in summary form of such features of the leasing agreement as permit the identification of the parties and of the property, in accordance with the requirements laid down by the law of the place where the property is to be used.

Article 5

Where the equipment provided for use has become a fixture and to the extent that the financier has priority, under the law of the State where the real property is situated, over the claim of any person having an interest in the real property concerned, the financier may upon breach by the user of his contractual duties remove his equipment from the real

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Once the transaction referred to in Article 1 has been concluded, and unless otherwise agreed by way of contract, the agreement between the supplier and the lessor (hereinafter referred to as the "sale contract") may not be varied without the consent of the user, just as the specifications given by the user to the supplier may not be varied without the consent of the lessor.

Article 4

The lessor's title to the equipment provided for the use of the user shall not be enforceable against third parties who are in good faith unless the lessor has complied with such rules as may exist in this respect in the State where the property is to be used.

Article 5

Where the equipment provided for the use of the user has become a fixture and to the extent that the lessor has priority, under the law of the State where the real property is situated, over the claim of any person having an interest in the real property concerned, the lessor may, upon breach by the user of his contractual duties, remove his equipment from the real property.

Article 3

Once the transaction referred to in Article 1 has been concluded, and unless otherwise agreed by way of contract, the agreement between the supplier and the financier (hereinafter referred to as the "supply contract") may not be varied without the consent of the user, just as the specifications given by the user to the supplier may not be varied without the consent of the financier.

Article 4

1.- The financier's title to the equipment provided for the use of the user shall not be enforceable against third parties who are in good faith if he has not given public notice of the leasing agreement in accordance with the requirements laid down by the law of the place where the property is to be used. /Such notice shall permit the identification of the parties and of the property./

2.- If, under the law of a Contracting State, there is no public notice requirement of the type referred to in the first paragraph of this article, the financier's title to the equipment provided for the use of the user shall not be enforceable against third parties who are in good faith unless the financier has complied with such rules as may exist in this respect in the State where the property is to be used.

Article 5

Where the equipment provided for the use of the user has become a fixture and to the extent that the financier has priority, under the law of the State where the real property is situated, over the claim of any person having an interest in the real property concerned, the financier may, upon breach by the user of his contractual duties, remove his equipment from the real property.

Unless otherwise agreed, the financier shall in such a case reimburse any encumbrancer or owner of the real property who is not the user of the equipment for the cost of restoring the real property to the condition it was in up until the time when his equipment became a fixture thereof.

Article 6

1.- The financier shall not, subject to the provisions of the second and third paragraphs of this article, be liable in respect of any of the contractual and tortious duties that would ordinarily flow from the supply by him of the equipment provided for the use of the user.

2.- The financier shall, notwithstanding the provisions of the first paragraph of this article, be liable to the user where the latter's quiet possession is disturbed by the lawful act of a person having a superior title or right.

3.- The financier shall, notwithstanding the provisions of the first paragraph of this article, be liable in respect of any of the contractual and tortious duties that would ordinarily flow from the supply by him of the equipment where and to the extent that he or his agents or servants have actively intervened at a technical level as regards the equipment to be supplied.

Article 7

1.- The user shall have a direct right of action for damages against the supplier for any loss or damage sustained by him as a result of the supplier's failure to deliver the equipment in accordance with the

property. He shall in such a case, after allowance has been made for the normal wear and tear of the real property in question, reimburse any encumbrancer or owner of the real property who is not the user of the equipment for the cost of restoring the real property to the condition it was in before the equipment became a fixture thereof.

Article 6

1.- The financier shall not, subject to the provisions of the second and third paragraphs of this article, be liable in respect of any of the contractual and tortious duties that would ordinarily flow from the purchase by him of the equipment provided for the use of the user.

2.- The financier shall, notwithstanding the provisions of the first paragraph of this article, be liable to the user where the latter's quiet possession is disturbed by the lawful act of a person having a superior title or right.

3.- The financier shall, notwithstanding the provisions of the first paragraph of this article, be liable in respect of any of the contractual and tortious duties that would ordinarily flow from the delivery by him of the equipment where and to the extent that he has actively intervened at a technical level in the choice of the equipment to be supplied or in its use.

Article 7

1.- The user shall have a direct right of action for damages against the supplier for any damage sustained by him as a result of the supplier's failure to deliver the equipment in accordance with the terms of

He shall in such a case, after allowance has been made for the normal wear and tear of the real property in question, reimburse any encumbrancer or owner of the real property who is not the user of the equipment for the cost of damage, caused by the repossession of the equipment, to that part of the real property where it was fixed.

Article 6

1.- The lessor shall be liable to the user where the latter's quiet possession is disturbed by the lawful act of a person having a superior title or right.

2.- The lessor shall not be liable in respect of any of the contractual and tortious duties that would ordinarily flow from the supply, by him, of the equipment provided for the use of the user.

3.- The lessor shall, notwithstanding the provisions of the second paragraph of this article, be liable in respect of any of the contractual and tortious duties that would ordinarily flow from the supply by him of the equipment where and to the extent that he has actively intervened, at a technical level, in the choice of the equipment to be supplied or in its use.

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2.- The financier shall, notwithstanding the provisions of the first paragraph of this article, be liable to the user where the latter's quiet possession is disturbed by the lawful act of a person having a superior title or right.

3.- The financier shall, notwithstanding the provisions of the first paragraph of this article, be liable in respect of any of the contractual and tortious duties that would ordinarily flow from the supply by him of the equipment where and to the extent that he has actively intervened, at a technical level, in the choice of the equipment to be supplied or in its use.

Article 7

1.- The user shall have a direct right of action for damages against the supplier for any loss or damage sustained by him as a result of the supplier's failure to deliver the equipment in accordance with the

terms of the contract between the supplier and the financier (hereinafter referred to as "the supply contract"). This right shall in no way prejudice the financier's rights of action against the supplier under the supply contract.

2.- The user shall have the right, as against the financier, to reject a tender of the equipment which is not made within a reasonable time after the delivery date stipulated in the supply contract (or if none, within a reasonable time after the making of that contract) or which otherwise fails in a material respect to conform to the terms of the supply contract. The right to reject shall be exercised by notice to be given within a reasonable time after the user discovered the defect or could with reasonable diligence have discovered it. Rejection for non-conformity of the equipment under the supply contract shall not preclude a fresh tender of conforming equipment if made within the time stated above.

/ Variant I

3.- Any proceedings against the supplier under the first paragraph of this article or for breach of the supply contract shall be brought in the joint names of the user and the financier (neither of whom shall be entitled to object to being so joined if offered a suitable indemnity as to costs) and any judgement or order against the supplier shall reflect the separate interests of the financier and the user in the equipment and in the rights given by the supply contract. /

/ Variant II

3.- Until the supplier has made a valid delivery of the equipment pursuant to the supply contract the user shall, unless it has been otherwise agreed by the parties,

the sale contract. This right shall in no way prejudice the financier's rights of action against the supplier under the sale contract.

2.- The user shall have the right, as against the financier, to reject a tender of the equipment which is not made within a reasonable time after the delivery date stipulated in the sale contract (or if none, within a reasonable time after the making of that contract) or which otherwise fails in a material respect to conform to the terms of the sale contract. The right to reject shall be exercised by notice to be given to the financier within a reasonable time after the user discovered the defect or ought with reasonable diligence to have discovered it. Rejection for non-conformity of the equipment under the sale contract shall not preclude a fresh tender of conforming equipment if made within a reasonable time.

3.- The user shall have the right to bring legal proceedings to compel the supplier to make a normal delivery of the equipment within a reasonable time.

terms of the sale contract. This right shall in no way prejudice the lessor's rights of action against the supplier under the sale contract.

2.- The user shall have the right, as against the lessor, to reject a tender of the equipment which is not made within a reasonable time after the delivery date stipulated in the sale contract (or if none, within a reasonable time after the making of that contract) or which otherwise fails in a material respect to conform to the terms of the sale contract. The right to reject shall be exercised, by notice to be given to the lessor, within a reasonable time after the user has discovered the defect or ought with reasonable diligence to have discovered it. Rejection for non-conformity of the equipment under the sale contract shall not preclude a fresh tender of conforming equipment if made within a reasonable time.

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3.- The user shall have the right to bring legal proceedings to compel the supplier to make delivery of the equipment in accordance with the terms of the supply contract.

have the right to exercise against the supplier the financier's rights in this respect. /

4.- Once the equipment has been delivered it is placed in the care of the user whose use of it shall be consistent with a normal user of such equipment and who shall ensure that it is kept in good condition.

5.- The fact that the user has a free choice of the equipment and the supplier means that he is liable to the financier in the event of the supplier's breach of the sale contract. He cannot seek to make the financier liable for the non-performance or the imperfect performance of the leasing agreement resulting therefrom.

Article 8

1.- The user shall be entitled to withhold payment of rent under the leasing agreement until the supplier has made a valid tender of the equipment pursuant to the supply contract.

2.- Where the supplier fails to make a valid tender of the equipment within the time specified in Article 7 (2) the user shall be entitled to terminate the leasing agreement and to recover any rentals or

Article 8

1.- The user shall not be entitled to withhold payment of the rentals due under the leasing agreement.

2.- Where the supplier fails to make a valid tender of the equipment within the time specified in Article 7 (2) the user shall be entitled to terminate the leasing agreement and to recover any rentals or

4.- Once the equipment has been delivered it is placed in the care of the user whose use of it shall be consistent with that of a normal user of such equipment and who shall ensure that it is kept in good condition.

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/ Variant I

5.- The fact that the user has a free choice of the equipment and the supplier means that he is liable to the lessor in the event of the supplier's breach of the sale contract. He cannot seek to make the lessor liable for the non-performance or the imperfect performance of the leasing agreement resulting therefrom. /

5.- The fact that the user has a free choice of the equipment and the supplier means that, in the event of the supplier's breach of the supply contract, the financier shall not be liable to the user for the non-performance or the imperfect performance of the leasing agreement resulting therefrom.

/ Variant II

5.- The fact that the user has a free choice of the equipment and the supplier means that he is liable to the lessor in the event of the supplier's breach of or non-performance of the sale contract. He cannot seek to make the lessor liable for the non-performance or the imperfect performance of the leasing agreement resulting from the supplier's breach of or non-performance of the sale contract. /

Article 8

1.- The user shall not be entitled to withhold payment of the rentals due under the leasing agreement.

2.- Where the supplier fails to make a valid tender of the equipment within the time specified in Article 7 (2) the user shall be entitled to terminate the leasing agreement and to recover any rentals or

Article 8

1.- The user shall not be entitled to withhold payment of the rentals due under the leasing agreement, unless the financier has failed to perform his obligations under the supply contract.

2.- Where the supplier fails to make a valid tender of the equipment within the time specified in Article 7 (2) the user shall be entitled to terminate the leasing agreement and to recover any rentals or

other sums paid in advance, but shall have no other claim against the financier for non-delivery, delay in delivery or defective delivery of the equipment except to the extent to which this results from the financier's breach of the supply contract.

Article 9

1. - Without prejudice to any other penalty laid down in the contract between the financier and the user, in the event of default by the user in the performance of his contractual duties toward the financier, the latter shall, subject to the provisions of the second paragraph of this article, have the right to terminate the said contract and to possession of the equipment. He shall in addition have the right to such compensation from the user as will put him back as nearly as possible into the position in which he would have been had his contract with the user run its full term. The financier shall have the right either to sell or to re-lease the equipment in a commercially reasonable manner; the compensation to be paid by the user shall in such case be reduced by the sum obtained in this way by the financier.

2. - Notwithstanding the provisions of the first paragraph of this article, the financier shall not automatically have the right to terminate his contract with the user upon default by the latter in the payment of one of his rentals until he has given the user notice of his duty to bring his rentals up to date timeously. The user in such a case shall be liable to the financier for interest on the said payment to be calculated at the discount rate current in the State of payment.

other sums paid in advance, so far as Article 7 (5) permits. He shall have no other claim against the financier for non-delivery, delay in delivery or defective delivery of the equipment except to the extent to which this results from the financier's improper breach of the sales contract.

Article 9

1. - Without prejudice to any other penalty laid down in the leasing agreement, in the event of default by the user in the performance of his contractual duties, the financier shall, subject to the provisions of the second paragraph of this article, have the option either, on the one hand, to terminate the said agreement and use of the equipment, or, on the other hand, to require the user to pay him such compensation as will put him back into the position in which he would reasonably have been had his contract with the user run its full term. He shall in addition have the right either to sell or to re-lease the equipment, provided that he does so in a commercially reasonable manner; in such a case the price obtained by the financier or the basis of the rentals shall be deducted, at the time of its payment, from the amount of compensation actually paid by the user.

2. - Notwithstanding the provisions of the first paragraph of this article, the financier can only terminate the leasing agreement upon default by the user in the payment of one of his rentals after he has given him formal notice of his duty to bring his rentals up to date timeously. The user shall be liable to the financier for interest on the amount owed to be calculated at the discount rate current in the State of payment.

other sums paid in advance, so far as Article 7 (5) permits. He shall have no other claim against the lessor for non-delivery, delay in delivery, or defective delivery of the equipment except to the extent to which this results from the lessor's improper breach of the sale contract.

Article 9

1.- Without prejudice to any other penalty laid down in the leasing agreement, in the event of default by the user in the performance of his contractual duties, the lessor shall, subject to the provisions of the second paragraph of this article, be able, on the one hand, to terminate the said agreement and use of the equipment and, on the other hand, to require the user to pay him such compensation as will put him back into the position in which he would reasonably have been had his contract with the user run its full term. He shall in addition have the right either to sell or to re-lease the equipment, provided that he does so in a commercially reasonable manner. In such a case the net price obtained by the lessor on the basis of the rentals shall be deducted, at the time of its complete payment, from the amount of compensation actually paid by the user.

2.- Notwithstanding the provisions of the first paragraph of this article, the lessor can only terminate the leasing agreement upon default by the user in the payment of one of his rentals after he has given the user formal notice of his duty to bring his rentals up to date timeously. The user shall be liable to the lessor for interest on the amount owed to be calculated at the rate current in the State of payment.

other sums paid in advance, so far as Article 7 (5) permits. He shall have no other claim against the financier for non-delivery, delay in delivery, or defective delivery of the equipment except to the extent to which this results from the financier's breach of the supply contract.

Article 9

1.- Without prejudice to any other penalty laid down in the leasing agreement, in the event of default by the user in the performance of his contractual duties, the financier shall, subject to the provisions of the second paragraph of this article, be able, on the one hand, to terminate the said agreement and use of the equipment and, on the other hand, to require the user to pay him such compensation as will put him back into the position in which he would reasonably have been had his contract with the user run its full term. He shall in addition either sell or re-lease the equipment in a commercially reasonable manner. In such a case the net price obtained by the financier on the basis of the rentals shall be deducted, at the time of its complete payment, from the amount of compensation owed by the user.

2.- The financier can only terminate the leasing agreement upon default by the user in the performance of his contractual duties, in particular in the payment of one of his rentals, after he has given the user formal notice of his duty to comply with his contractual duties, and in particular to bring his rentals up to date timeously. The user shall be liable to the financier for interest on the amount owed in respect of such rentals to be calculated at the rate current in the State of payment.

3.- In the event of termination by the financier of his contract with the user in accordance with the provisions of the first paragraph of this article, the user shall make the equipment available for collection by the financier in good working order, subject to normal wear and tear. Failing this, the user shall be liable to the financier for equivalent compensation.

3.- In the event of termination by the financier of the leasing agreement in accordance with the provisions of the first paragraph of this article, the user shall return the equipment to the financier in good working order, subject to normal wear and tear; failing this, the user shall be liable to the financier for equivalent compensation.

3.- In the event of the termination by the lessor of the leasing agreement in accordance with the provisions of paragraph 1 of this article, the user shall return the equipment to the lessor in good working order, subject to normal wear and tear; failing this, the user shall be liable to the lessor for equivalent compensation.

3.- In the event of the termination by the financier of the leasing agreement in accordance with the provisions of paragraph 1 of this article, the user shall return the equipment to the financier in good working order, subject to normal wear and tear; failing this, the user shall be liable to the financier for equivalent compensation.