**Chapter 17: Leasing and Bailment**

**Lease** – an arrangement where the owner of property allows another person to have possession and use of the property for a stipulated period in return for the payment of rent

**Lessor** – the owner of the leased property

**Lessee** – the person who takes possession of the leased property

**Hire-Purchase** – an agreement to lease an item of property with an option for the lessee to purchase it at the end of the stipulated term

**Operating Lease** – a lease under which there is no intention to transfer ownership

**Purchase Lease** – a lease whereby ownership is intended to change hands at the end of the lease term

**Security Lease** – a purchase lease in which the lessor provides the credit

**Finance Lease** – an arrangement where a third person provides credit financing, becomes the owner of the property, and leases it to the lessee

**Sale-and-Leaseback** – a transaction in which the owner of property sells it and immediately leases it back from the new owner

Common terms in chattel leases:  
- duration  
- rent  
- insurance/other costs payable by the lessee  
- purchase option  
- early termination – minimum payment

**Quiet Possession** – a warranty that there will be no interference with the lessee’s possession or use of the asset

**Bailment** – a transfer of possession of personal property without a transfer of ownership

**Bailor** – owner or transferor of the goods

**Bailee** – party accepting possession of goods from a bailor

Nature of Bailment  
- sale – a sale transfers ownership but doesn’t involve a change in possession  
 - a bailment does not alter ownership but does require a change in possession

**Gratuitous Bailment** – a bailment where one party provides no consideration, or where there is no intention to create a contractual relationship

**Sub-bailee** – a person who receives a bailment of property from a bailee

**Bailments for Value** – contractual bailment

**Quantum Meruit** – an amount a supplier deserves to be paid for goods or services provided to the person requesting them

**Fungible Goods** – goods that may be replaced with different but identical goods

**Common Carrier** – a business that holds itself out to the public as a transporter of goods for reward

Defences to carriers who transport goods:  
 a) an act of God  
 b) inherent vice in the goods  
 c) default by the shipper

**Inherent Vice** – a latent defect or dangerous condition of goods

**Innkeeper** – a person or firm that maintains an establishment offering lodging to any member of the public

**Pledge** or **Pawn** – a bailment of personal property as security for repayment of a loan where possession passes to the bailee

**Pawnbroker** – a business that loans money on the security of pawned goods

The most common types of bailment are:  
- storage and safekeeping  
- repairing  
- transportation  
- innkeeping  
- pledge or pawn