Distinction between
Hire Purchase and Instalment System

Hire Purchase System	Instalment System
1] Governing Act:	
It is governed by The Hire Purchase Act, 1972.	It is governed by The Sale of Goods Act, 1930
2] Nature of Contract:	
It is an agreement of hiring.	It is an agreement of sale.
3] Ownership:	
The title of goods passes on payment of last instalment.	The title to goods passes immediately as in the case of usual sale.
4] Parties involved:	
The parties involved are called hirer and hire vendor.	The parties involved are called buyer and the seller.
5] Relationship between parties involved:	
The relationship between hirer and hire vendor is that of Bailee and Bailor.	The relationship between the buyer and the seller is that of a debtor and a creditor till the payment of last installment.
6] Component other than cash price:	
Component other than cash price included in instalment is called Hire Charges.	Component other than cash price included in installment is called Interest.
7] Right to return goods:	
The hirer may return goods without further payment, except for accrued installment.	Unless seller defaults, goods are not returnable.
8] Sellers right to repossess:	
The seller may take possession of the goods, if hirer is in default.	The seller can sue for price if the buyer is in default. He cannot take possession of the goods.
9] Right to Dispose off:	
Hirer cannot hire out, sell, pledge or assign entitling transferee to retain possession as against the hire vendor.	The buyer may dispose off the goods and give good title to the bonafide purchaser.
10] Treatment to installment:	
Installment is treated as a hire charges.	Installment is treated as repayment of the principal amount together with interest.