



What is the PPSR?

The Personal Property Securities Register (PPSR) is the single, national online database of security interests in personal property in Australia.

Personal property generally includes all forms of property other than land, buildings and fixtures.

Buyers can check the PPSR to see if the valuable second-hand goods they want to buy are debt-free and safe from repossession. A search fee is \$2.00.

For a business selling on terms — such as retention of title or commercial consignment, or hiring or leasing out goods for longer terms – properly registering helps protect its interest, for instance should a customer not pay or go broke. A registration fee starts from \$6.00 for 7 years.

PPSR CASE STUDY 2/V2

Automotive – Treadright wheels

Scenario – manufacturer’s ‘security interest’ in the wheels it makes and sells ...

In legal terms, this is known as the protection of your security interests in the event of ‘accession.’

Concepts covered:

- retention of title
- accession
- register before supply of goods
- taking free rules.

*Treadright is a company that manufactures wheels, supplying to customers on a **retention of title** basis.*



One of Treadright’s customers, MotoScoot, fits the wheels to motorised scooters, which it makes for elderly and disabled people.

MotoScoot has a stock of Treadright’s wheels in its factory warehouse, plus it recently sold about 30 motorised scooters with Treadright’s wheels to a local hospital.

MotoScoot has hit hard times and still owes Treadright for invoices on all wheels it has in stock, plus the wheels it fitted to the scooters it sold to the hospital.

Because Treadright has a contract and a retention of title clause, and it has registered a purchase money security interest (PMSI) on the PPSR before delivering its wheels, it can claim ownership over the wheels until they’ve been fully paid for.

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If this sounds like a scenario that could apply to your business, you might want to consider these things ...

Scenario A – Even if Treadright did NOT register its security interest against its wheels on the PPSR, it still has the right to reclaim its wheels, and that right continues in the ‘**accession**’ when the wheels are fitted to the scooters.

Tip

Without registration, Treadright may lose out to a party who later takes an interest of any type, whether registered or not, in the scooters, such as MotoScoot’s bank.

Scenario B – Because of its contract terms *and* PPSR registration, Treadright has the right to repossess any wheels not paid for (whether fitted on scooters or not), which are still in MotoScoot’s warehouse (providing those items haven’t been already sold).

Tip

Because it also registered its security interest as a PMSI, Treadright has super-priority over the wheels and is likely to be paid before other creditors, such as MotoScoot’s bank.

Scenario C – The hospital is protected

Once the hospital bought the scooters, the law’s ‘taking free’ rules would usually apply, which means the hospital does not need to search the register and will own the goods free of Treadright’s security interest, even though it was registered.

So the hospital is protected when it buys the scooters, but Treadright would still have a security interest in the proceeds of sale (against MotoScoot) to secure its unpaid invoices for the wheels.

Tip

The taking free rules protect buyers or lessees of goods – if it is usual that the type of goods are sold or leased in that business – and covers most retail and hiring transactions.

The technical stuff

Retention of title refers to the types of clauses that may be included in contracts where a purchaser may take possession of property, but does not acquire title to the property from the seller until the full purchase price is paid. A retention of title agreement is a purchase money security interest.

Note that a security interest in goods that are affixed to other goods is referred to in law as an accession. The security interest in the ‘accession’ continues after it is affixed, but it can be superceded by other rights, such as a purchaser of the whole item, or another secured party taking security in the whole item (whether registered or not). That’s why it’s so important to register your security interest in goods BEFORE delivering to your customer.

This is a general scenario intended to provide typical examples.

This scenario is not legal advice about how the law applies to your particular business and dealings.

You may wish to seek professional advice from your accountant, financial adviser or lawyer.

For more information about the Australian Government’s Personal Property Securities Register (PPSR) go to:

Website: www.ppsr.gov.au

Email: enquiries@ppsr.gov.au

Telephone: 1300 007 777