Abstract

The financial leasing contract is considered one of the commercial contracts which plays a basic role in consolidation the states economy, especially in the developing one where the lack of sufficient financial resources for running projects to produce the needed goods forms one of the problems to face.

The first use for the financial leasing contract started in America in 1952, Then it become known in France and in some Arab countries such as Morocco, Egypt.

In the seventh decade of this century, the international institute for the unification of private law (hereinafter UNIDROIT) started making uniform rules on international financial leasing. After many years of work a UNIDROIT committee of government experts adopted on April 30, 1987 a draft convention on international financial leasing, in a diplomatic conference that held in Ottawa – Canada from 9-28 may 1988. This convention entered in to force on may 1995 for France, Italy, Nigeria and for other countries latter on.

A financial leasing transaction involves three parties [the lessor, the lessee, and the supplier] that enter in tow contracts (the supply agreement) where the supplier turns over the lessee or lessor the equipment (that acquire by the lessor and with lessees selection) and receives the price from the lessor in return. The supply contract in that way could includes other kind of contracts (the sale), but in addition to normal sale contract the supply contract covers contract for work and services. And when the lessee authorizes the lessor to select the equipment and determine the price then the agency contract included as well. In addition to supply contract the financial leasing transaction
includes another contract (the leasing contract) between lessor and lessee under which the lessee uses the equipment and pays periodic rentals to the lessor in return plus the interests during the using period which connected to the supposition age of the equipment.

The lessee has three options for termination the leasing contract: returning back the equipment, renewing the leasing contract, purchasing the equipment.

As a matter of fact the advantages of financial leasing for the parties where important factors in the growth of this type of transaction. For the lessor, financial leasing is a better means in comparison to traditional security devices because the lessor is still the owner of the leased equipment, and the lessor’s real rights in the equipment shall be valid against the lessee’s trustee in bankruptcy.

The lessee on the other hand may circumvent the import restrictions of his country through this type of transaction and take the good opportunity to use and run the equipment, he didn’t pay completely the price. And for the supplier he would have the chance to get red of the stored goods and to use the money to get more equipment. Finally, as for as the national economy is concerned there is a big chance for running more projects and hiring more people.

Actually for the jurists it was a very hard mission to determine the legal nature of the leasing contract and they went to the opinion says that the leasing contract is one with very special nature for the non conformity of his main basis with any other nominate contract. And I, myself found some difficulties for the ambiguity of the legal nature of the financial leasing contract and I think this because of un stability of the legal setuation for this kind of contracts.

Nevertheless, I worked through this study on trying to clarify the legal concept for the legal nature of the financial leasing contract. And I
went into the rights and duties of the parties to the contract and the advantages and the importance of such contracts for the parties and the national economy.

In the end of this study I come to some conclusion and recommendations. One of them is for the Palestinian legislator to make a law on the financial leasing for the special nature of this contract.