



Finance Products Explained

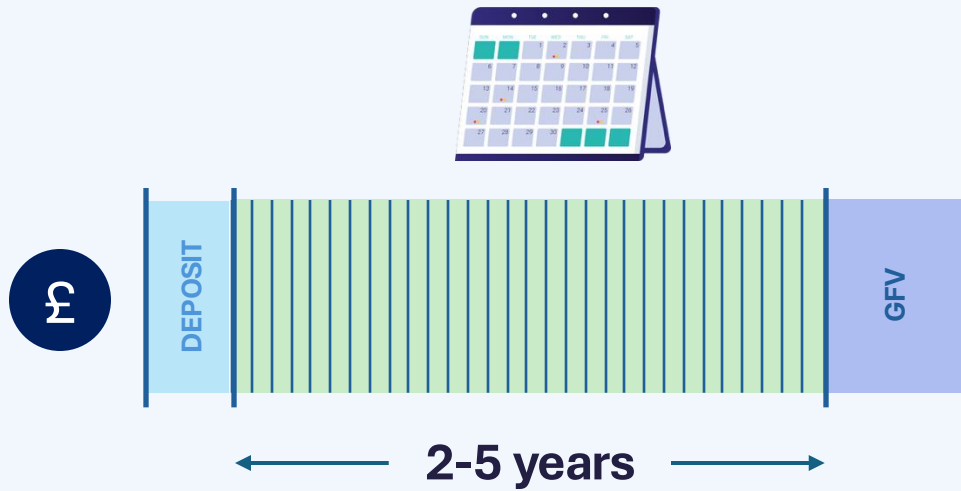
PCP
Hire Purchase/Conditional Sale

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LIMITED EXTERNAL



Personal Contract Purchase (PCP)






PCP is a regulated credit agreement where after deposit, a customer is required to pay monthly instalments followed by an Optional Final Payment/Guaranteed Future Value (GFV).

The GFV is calculated based on the value of the vehicle, contract term and annual mileage.

The remaining balance, after deposit and GFV have been taken into account, is split into equal fixed monthly instalments.

At the end of the contract a customer has 3 options:

-  Pay the final balloon payment along with an option to purchase fee and keep the vehicle.
-  Part exchange and use any equity as a deposit.
-  Provided the vehicle is in good condition and within the contract mileage then it can be handed back to the finance company.



Personal Contract Purchase (PCP)



Key features of Personal Contract Purchase



Fixed lower
monthly
payments



A lower
deposit

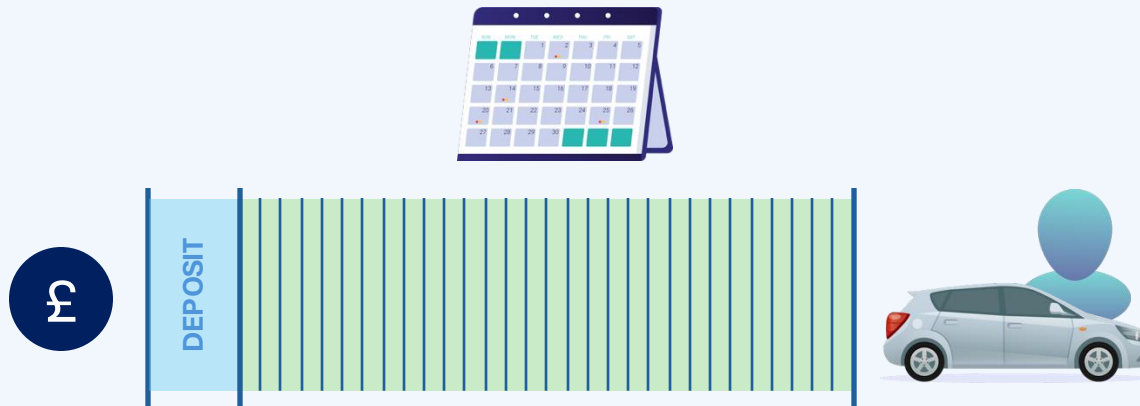


Flexibility at the
end of the
agreement



A guarantee of
the future value
of the car

Hire Purchase/Conditional Sale



Hire Purchase (HP) and **Conditional Sale (CS)** are regulated credit agreements where after an optional deposit is paid, a customer is required to pay monthly instalments until the full balance has been paid, usually over a term of 2-5 years.

There is no contracted mileage or guarantee about the cars future value but also no large final payment at the end. Once all fixed equal instalments have been paid, the customer will own the car outright.

Key features of both products

- Suitable for customers that are certain they would like to own the vehicle.
- The finance provider owns the vehicle until all payments made.
- No mileage restrictions, service requirements or other charges.
- The customer can “voluntarily terminate” before the final payment is due, but they must:

Pay, or have paid at least half of the total amount owed

hand the vehicle back to the finance company

Difference



At the end of a **Hire Purchase** agreement, the customer must pay the option to purchase fee included in the final payment to keep the vehicle or choose to hand the vehicle back to the finance company.



At the end of a **Conditional Sale** agreement, there is no option to purchase fee to be paid and the customer automatically owns the vehicle once all payments have been made.

Key features of Hire Purchase/Conditional Sale



Fixed monthly
payments



Fixed interest
rate



You will own the
car at the end of
the agreement

Key Common Features of all 3 products



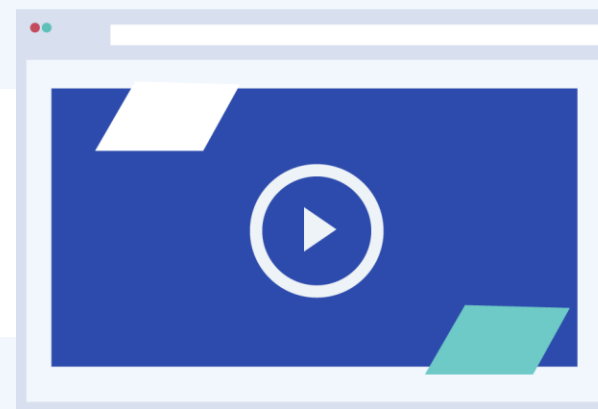
Personal Contract Purchase (PCP), Hire Purchase (HP) and Conditional Sale (CS) all share some common features for you to be aware of.

- ▶ **Regulated by the Consumer Credit Act 1974.**
- ▶ Unregulated when:
 - ▶ the balance exceeds £62,260.
 - ▶ the agreement is for a high-net-worth individuals.
 - ▶ the vehicle is purchased by a sole trader or partnership (of up to 3 partners or less) but is solely for business use.
 - ▶ Partnerships with 4 or more partners and limited companies.
- ▶ **Tri Partite agreements** involving a supplier (dealer), Debtor (customer) & Creditor (Lender)
- ▶ Customers must be provided with a **Pre Contract Credit Information** document which will contain essential information, key features and cost of the agreement.
- ▶ Customers should be given sufficient time to read the **PCCI** and understand before entering the agreement.
- ▶ **On PCP, HP & CS the loan is secured against the vehicle** and the finance company holds legal title to the vehicle until all payments have been made including any fees, until then the customer is just the registered keeper.
- ▶ Until the customer has paid **a third of the total amount payable** the finance company can repossess the vehicle if the customer defaults or breaches the terms of the agreement. After this point a court order may be required.
- ▶ Customers can **partially or fully settle the agreement** at any stage and the finance company will offer a rebate of interest charges in line with the regulations.
- ▶ Customers are also required to **keep the vehicle** in their possession, in a good state of repair and maintain to manufacturers recommendations, hold a valid MOT and Road Fund License. Often within the terms of the loan is the requirement for comprehensive insurance and customers must check the terms before taking the vehicle out of the country.

| Explanation



A full explanation of the features and benefits of each finance product can be viewed in the videos below:



Personal Contract Purchase

[Personal Contract Purchase \(PCP\) Explanation](#)

Hire Purchase & Conditional Sale

[Hire Purchase \(HP\) or Conditional Sale Explanation](#)