Finance Products Explained

Car finance products can be a helpful way of driving away in your next car as long as you understand how they work.

Our aim is to make things clear so that you're happy the finance package you choose is right for you. If you have any questions about your options before signing an agreement please ask and we will explain anything you are not clear about.

Here are the main options available from us:

Hire purchase (HP)

With this type of finance, the lending is secured against the vehicle itself and you do not own it until you have made the final payment. You typically pay a deposit and then repay the balance in instalments, plus interest, over the loan period. At the end of the loan period, you own the vehicle outright.
You should note that the vehicle can be repossessed if you miss payments. It could prove more expensive than an independent loan and you can't sell the vehicle without the lender's permission (although you have set rights in regard to returning the vehicle to the lender after at least half the balance owing has been paid off).

Pros:

- An HP agreement can sometimes be approved more easily than other personal loans because it is secured against the vehicle.
- HP can be a helpful product for those who want to spread the cost of a vehicle which they plan to keep for a while but cannot afford to buy outright.
- At the end of the agreement after all payments you will own the car.
- You can cover any mileage in the car without penalty.

Cons:

- As the car is owned by the finance company until the final payment is made, it must be kept in good condition. Damage must be professionally repaired. Service and maintenance must be up to date. If it's not, the finance company may penalise you if the vehicle were voluntarily returned to them or repossessed during the agreement.
- If you do not keep up the monthly payments the vehicle may be repossessed.

Car Loan / Motor Loan

This is similar to Hire Purchase with fixed monthly payments with interest with the full amount of the car being paid by the end of the loan term.

Pros:

- You can do any mileage in the vehicle without penalty.
- As the loan is not usually secured against the vehicle, you own the car right away.
- Damage to the vehicle does not result in any penalty from the finance provider.

Cons:

- You lose the right to hand the car back (by using voluntary termination half way through the amount owed, which is provided by law for HP and PCP agreements.)

Personal Contract Hire (PCP)

This typically involves paying a deposit, then monthly instalments with interest over a fixed period. A significant part of the amount borrowed is deferred to the end of the agreement. At the end, you can either pay this as a lump sum (often called the 'final payment' or 'balloon payment') to purchase the vehicle outright. Or you can return the vehicle (or trade it in) to pay off this final payment. If the car is worth less than the final payment, you can return it to the lender. The lender will provide a 'minimum guaranteed future value' which is the amount they will guarantee to give for the car at the end of the agreement. This means when you return the car in good condition this value will always pay off your final payment. If the car is worth the same, or more, than the final payment, you can trade in the car and have the dealer pay off your final payment. Your annual mileage is chosen at the start and will alter the final value and therefore alter your monthly payments. It's important to adhere to the agreed mileage limits and to keep the vehicle in good condition to avoid penalties when handing the car back. You will not own the vehicle until paying the final payment (if you choose to).

Pros:

- The monthly payment will be lower (as part of the borrowed amount for the car is deferred to the final payment, which you don't need to pay in cash if you return the car.)
- This means a more expensive or newer car can be affordable.
- You have options at the end and you get to choose whether to keep the car or hand it back. (But if you definitely know you want to keep the car longer than the pcp term you would get better value from an HP agreement which is designed for this purpose, provided you can afford the monthly payments on HP.)
- PCP can be a helpful product to allow changing your car every few years with a lower monthly budget for those customers who would like to do that.
- If the vehicle value is lower than expected at the end of the agreement you can still hand it back and be given the guaranteed final value (as long as it's not damaged of course).

Cons:

- The car must be kept in good condition. Damage must be professionally repaired. Service and maintenance must be up to date. If it's not, the finance company may penalise you if the vehicle is returned to them during or at the end of the agreement.
- PCP usually has a lower age limit on the car at the start of the agreement.
- You are limited to the mileage per year set out in your agreement or you will charged for additional miles if returned at the end of the agreement.
- If you need to change vehicle part way through the agreement the vehicle may be worth less than what is owing on the agreement which can make stopping or changing agreement part way through difficult.

Important information

We are Authorised and Regulated by the Financial Conduct Authority (The Car Source (Vehicle Supplies) Ltd t/a The Car Source, Firm Reference Number 977735). We are a credit broker and not a lender.

We work with a number of credit providers / lenders who may be able to offer you finance for your purchase. We typically receive a commission fee from whichever lender offers your finance. You can ask us for details of any fee. Please read our IDD (Initial Disclosure Document) on our website before applying for finance.

Finance is subject to status. Over 18s only. UK residents only.

Terms and conditions apply which will be provided by the lender before agreement.

Figures given for our cars on advertisements, on our website or by using the finance calculator are representative examples and may not be available to all customers or for all vehicles.

Your interest rate is also influenced by a number of factors which may include your credit profile, the profile of the vehicle being purchased (such as the age or value of the vehicle) and the amount being borrowed.

If you do not keep up payments on your finance agreement your vehicle may be repossessed by the lender and your credit rating may be adversely affected.

Representative example: Cash Price£12,995.00 Cash Deposit: £2,995.00 Finance type: Hire purchase, Term: 48 months, First Payment: £260.34, 46 Monthly Payments: £260.34, Final Payment: £260.34, Total Deposit: £2,995.00 Amount of Credit: £10,000.00
Total Charge for Credit: £2,496.32 Total Amount Payable: £15,491.32 Admin Fee: £0.00
Representative A.P.R.: 12.0% Rate of Interest (fixed): 11.39%