

## **Hire Purchase**

This is the traditional way of purchasing an item over a period of time, and is favoured by most people who are unable to find the total amount when first making the purchase.

Once having paid an initial deposit, the balance of capital and interest accrued are repaid in fixed monthly payments. Repayment periods can run from 1 to 5 years and upon full repayment of the facility, ownership of the vehicle rests with you or your business.

All interest charges are allowable against any taxable profits of your business and repayments are not liable for VAT. The vehicle will be considered an asset and shown on your balance sheet. Any vehicles funded by this approach are suitable for writing-down allowances which can be offset against taxable profits, this offers you an effective method of funding for businesses where ownership is a priority.

## **Contract Hire**

If you would like a total, fixed cost motoring package then Contract Hire is the answer for your business. Essentially an operating lease, contract hire can include the provision of maintenance, a relief vehicle, emergency cover, road fund license and vehicle collection and disposal. Because we take care of everything you can concentrate on running your business. All you have to do is to arrange for insurance and pay for fuel.

With a low initial outlay (usually 3 months' rental in advance) and fixed monthly rentals, you'll know exactly what your monthly motoring costs will be. So no more unexpected bills or problems and less time spent on administration.

Contract Hire is also very efficient because the vehicle is treated as "off balance sheet" which improves the gearing ratio in your accounts. The rentals can be offset against taxable profits for maximum tax efficiency. As with leasing, if your business is VAT registered you can also reclaim 50% of the VAT on the finance element of the rentals or 100% if the vehicle is exclusively for business use. All VAT payable on the maintenance element of the rental is fully recoverable, irrespective of use.

## **Contract Purchase**

Contract Purchase offers a tax efficient form of funding, with all the benefits of non-maintenance contract hire, especially for higher value vehicles. An added attraction is the accountancy treatment offering a potentially off-balance sheet facility, subject to auditor's approval. Many business users would like to benefit from having the future residual value removed from their balance sheet.

A choice is provided at the end of the agreement. For a small fee payable at the end of the contract, you can enter either into a sales agency agreement, enabling you to either return the vehicle to your appointed garage so we may sell it on your behalf, or make an additional payment (plus any excess mileage charge) so ownership of the vehicle may be transferred to you. Of course you can also part exchange the motor car using any equity towards a deposit on a replacement vehicle.

Very simply, the plan provides a new or used motor car with a range of repayment schedules to suit different business requirements. A final payment will be agreed at the outset of your contract, along with the period, deposit and the proposed annual mileage. The final payment will be set and remain fixed throughout the length of the period, regardless of any changes in the market place or economy, and will be 'guaranteed' by the underwriters.

With this facility there is a distinct advantage because if the vehicle is sold for greater value, net of disposal costs, any remaining sum will be returned to you.

This facility also offers reduced VAT liability for VAT exempt and partially exempt companies that may prove an additional benefit.

## **Finance Purchase**

For those of you who require a minimum outlay with a maximum tax efficiency, but without actual ownership, consider Finance Lease. This facility provides many organisations with the most cost effective way to run vehicles.

Lease your motor cars through us, and your company could enjoy the benefits of valuable cost savings too. Very simply, the cost of financing will be calculated on the VAT exclusive price, because we can recover the VAT on the purchase price of any leased car. Therefore, the cost of your monthly rental will be reduced.

Cash flow can also be enhanced by deferring monthly rentals to a balloon payment that falls due at the end of the contract. The projected annual mileage is factored into the agreement and a realistic balloon is calculated. At the end of the term the vehicle is sold and the balloon is realised.

## **Lease Purchase**

Our Lease Purchase Plan is similar to Hire Purchase but offers businesses greater flexibility.

Very simply, it provides all the advantages associated with Hire Purchase, including being able to claim writing-down allowances and offset interest charges against tax, without having to fund the full cost of the vehicle straight away. In addition, by offering an array of rental patterns, our Lease Purchase Plan provides a far more flexible option than a more conventional hire purchase agreement. Yet, it still combines a low initial outlay with the option of ownership at the end of the contract, providing you with a chance to minimise the drain on your business's capital.

Monthly payments may be further reduced by the inclusion of a deferred final payment. Known as a 'balloon payment', this lump sum is based upon the estimated residual value of the motor vehicle at the end of the facility. The balloon payment will be set at a level to reflect the use and anticipated mileage undertaken during the agreement. We believe this is important in allowing you to have sufficient equity to put towards a deposit for your next vehicle.

At the end of the agreement you have the choice of either paying the lump sum and keeping the vehicle, or part exchanging it, using any remaining amount towards a deposit on a replacement vehicle.

## Personal Contract Purchase (PCP)

Owning a car is an essential part of every day life for many people. But the use of a quality newer car for a fixed low monthly payment, has increasingly become a much more important consideration. With the ever increasing costs, high depreciation and running expenses often associated with ownership, it's now making more and more sense to evaluate the most affordable way to drive the car of your choice.

Many motorists are turning to a Personal Contract Purchase Plan (PCP) for their motoring needs. Simply because it offers them low monthly payments, plus flexibility to eventuate own the car, hand it back, or to take out a new agreement on another vehicle.

PCP is a new flexible finance scheme that lets you drive a new, higher specification vehicle every 2 or 3 years, for a lower monthly payment than traditional finance plans. Aimed at helping people who want to drive a newer, quality car without over-committing themselves, PCP offers many benefits; just think of the lower maintenance and repair costs, plus greater reliability.

So, if you want a spacious estate for a couple of years, followed by a powerful saloon, then a rugged 4x4, PCP can make it possible.

PCP is a purchase plan, which, unlike conventional car purchase, can offer a lot more flexibility and a lot more features:

- New and used cars
- Agreement period up to 3 years
- Lower deposits
- Lower monthly payments

### *PCP - the options*

The agreement term normally runs for 2 or 3 years and at the end of this you are given a choice.

1. Another car - Simply sell or part exchange the car against a newer one, making the final payment (GFV) through your dealer, If the part exchange price is greater than the Guaranteed Future Value, you can keep the difference, or put it towards deposit on your next car.

2. Keep the car - pay off the Guaranteed Future Value and it's yours.

3. Return the car to the funder - with nothing to pay\*, so you won't have any worries about resale values, a benefit few other schemes on the market offer.

### *Guaranteed Future Value*

The Guaranteed Future Value (GFV), calculated at the beginning of your agreement, is based on what the car's estimated value will be at the end of the plan, taking into account its future conditions and mileage. This sum is guaranteed\* no matter what option you decide to take at the end of the contract.

All funders aim to set GFV's at a level which should provide you with a surplus amount which can be used as a deposit on your next car, or if the car is returned, refunded to you - less sales expenses and commissions. As you can see PCP can offer you the best of both worlds. Affordable monthly repayments with an ownership option and no worries about resale values.

\* Subject to the mileage and condition terms.