



# VEHICLE FINANCE

## YOUR GUIDE TO BUYING A VEHICLE ON FINANCE

Vehicle finance helps to spread the cost of a new or used vehicle over a period of time, rather than paying the full amount upfront.

This guide provides you with the key features of a range of finance products to suit you or your business's preferences and circumstances, such as a Finance Lease, Personal Contract Hire, Business Contract Hire and Hire Purchase.

Please note finance is subject to status and is only available to UK residents aged 18 and over.

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Shire Leasing PLC is Authorised and Regulated by the Financial Conduct Authority for certain types of consumer credit lending and credit related activities that are regulated under the Consumer Credit Act 1974 and by the Financial Services and Markets Act 2000.





## ABOUT SHIRE LEASING

Shire has teamed up with the world's leading vehicle manufacturers to provide individuals and business customers with competitively priced cars, vans and commercial vehicles. It is our vision to provide a market leading service through innovation and expertise, delivering flexible funding solutions for British businesses.

Although finance options can improve cash flow, other options, such as a cash purchase, should be considered prior to signing an agreement. Our products are suited to individuals and businesses who would like to spread the cost of purchasing a vehicle.

### BEFORE OPTING FOR FINANCE YOU SHOULD BE AWARE:

- You should be sure you will need the vehicle for the agreement's duration.
- You need to continue paying for the vehicle, even if you no longer need the vehicle or it cannot be used.
- Failure to maintain contractual rentals may result in vehicle repossession.

The finance solution you select will depend on your circumstances. We advise you use this guide to consider the finance solution that will suit your needs and seek advice where necessary.

Shire act as an independent credit broker and work with a panel of funders. Sometimes we act as the lender ourselves. We do not charge you a fee for the work we do, but we may receive commission from the funder or dealer for our work.

## VEHICLE LEASING FUNDING OPTIONS

	Business Contract Hire	Finance Lease	Personal Contract Hire	Hire Purchase
Business or Personal?	Business	Business	Personal	Business / Personal
Deposit/Advanced Rental required?	Flexible Deposit Options - subject to status	Flexible Deposit Options - subject to status	Flexible Deposit Options - subject to status	Flexible Deposit Options - subject to status
Maximum Age of Vehicle at end of the Agreement?	5*	7*	5*	10*
Who owns the Vehicle?	The Finance Provider	The Finance Provider	The Finance Provider	You once the final repayment or balloon payment is made
Can I recover VAT on payments made?**	Yes***	Yes***	✗	Yes***
Is the Vehicle treated on or off Balance Sheet?	Off Balance Sheet	On Balance Sheet	N/A	On Balance Sheet
Can I claim tax relief?	Yes – Offset against profits for tax relief	Yes – Offset against profits for tax relief	✗	Yes – Provided via capital allowances
Final Lump Sum Repayment (Balloon) at the end of Agreement	✗	✗	✗	Optional
Fixed Payments?	✓	✓	✓	✓
Mileage Restrictions	✓	✗	✓	✗
Fully Comprehensive Insurance required?	✓	✓	✓	✓

\*Some exceptions apply

\*\*applies to VAT registered businesses only

\*\*\*different rules apply to commercial vehicles, cars used exclusively for business purposes and personal use of cars

# HIRE PURCHASE

## **Hire Purchase (HP) Agreements are available for both Individuals and Business Customers.**

It is an agreement designed to help you or your business eventually own the vehicle by spreading the cost over a fixed period.

The finance company hire the vehicle to you or your business for an agreed period of time at an agreed monthly sum.

The customer can gain ownership (title to the car by paying an additional sum called the "Option to Purchase Fee". The customer must, however, have paid everything else off to get title to the vehicle.

A deposit is normally optional (or a minimum/maximum amount may be set by the lender) and can be paid in cash or if the customer trades in an old vehicle(s) as a part-exchange. This reduces the finance provider's risk and also reduces the amount borrowed and payments by the customer.



# HIRE PURCHASE EXPLAINED

The finance provider buys the vehicle on your behalf less any deposit that you may have paid. The remaining balance plus interest is then paid over an agreed period of up to 5 years.

These are fixed costs, meaning that APR (Annual Percentage Rate) is set before the agreement begins and will not change.

At the end of this period, and once the Option to Purchase Fee has been paid (and assuming everything else has been paid under the agreement, title to the vehicle is transferred to the customer who then becomes the legal owner.

Hire Purchase is often used by individuals and businesses who don't want to be bound by mileage restrictions.

If your business is VAT registered you can reclaim between 50% and 100% of the VAT depending on whether you are leasing a car or a commercial vehicle.

## EARLY SETTLEMENT

A Hire Purchase Agreement can be settled at any time provided that all the repayments are paid.

If the agreement is regulated, the customer may also have the right to voluntarily terminate the agreement before the final payment falls due and hand it back under the Consumer Credit Act 1974.



# BENEFITS

## Individuals

- You will own the vehicle once all payments and the Option to Purchase Fee have been made.
- Fixed regular payments – frees up cash and gives you peace of mind.
- No mileage restrictions.
- Choose any new or used car up to ten years' old.

## Business

- You will own the vehicle once all payments and the Option to Purchase Fee have been made.
- The vehicle is retained as a company asset and appears on your balance sheet and can be written down against taxable profits.
- Fixed regular payments – frees up cash and gives you peace of mind.
- No mileage restrictions.
- Choose any new or used car up to ten years' old.

# RISKS

- You do not own the vehicle until all the payments and Option to Purchase Fee has been paid.
- You must have fully comprehensive insurance.
- You have no protection against depreciation as a result of any unexpected fall in the value of the vehicle.
- Lenders may impose certain restrictions on the use of the vehicle or the location.

# WHAT YOU WILL PAY



Flexible deposit options  
– 0% deposit may be  
available subject  
to status

Balance (plus fixed interest) paid over  
a chosen period 1 - 5 years in equal  
monthly payments

After all repayments have  
been made and the Option  
to Purchase Fee has been  
paid YOU OWN THE CAR

## CASE STUDY

Mr Joe Bloggs is a director of a Limited Company.  
He takes out a Hire Purchase Agreement.

As the Limited Company is VAT registered and the  
vehicle is used exclusively for business purposes,  
any VAT paid on the vehicle can be claimed back.

Once the final repayment is paid, ownership of the  
vehicle transfers to the business.

Duration:	42 Months
Cash Price:	£19,570.00
Customer Deposit:	£3,000.00
Total Amount of Credit: (Balance Financed)	£16,570.00
Monthly Payments:	£443.82
Total Amount Payable:	£21,640.42
Annual Mileage:	Unlimited

# **BUSINESS CONTRACT HIRE**

**Business Contract Hire is a fixed-cost, rental agreement for business customers such as Sole Traders, Partnerships and Limited Companies.**

You choose a new or used vehicle, agree the maximum annual mileage, the desired length of the agreement and then pay an initial rental followed by fixed monthly rentals to suit your budget.

You can even choose to cover vehicle maintenance costs as part of your agreement (subject to paying a maintenance charge which is added to your monthly rental).

VAT registered businesses may be able to (subject to status) re-claim a proportion of the VAT element on the rental payments.



# BUSINESS CONTRACT HIRE EXPLAINED

If your company leases a vehicle on a Contract Hire basis, you will pay monthly rentals for a fixed term. Once the agreement has finished the vehicle is returned to the finance company.

Business Contract Hire is a Hire Agreement where you cannot become the legal owner of the vehicle as you are merely renting it from the finance provider, a flexible option allowing you to drive a newer model vehicle.

At the end of the contract once the vehicle is returned you will have nothing further to pay provided the vehicle is in good condition and has not exceeded the agreed mileage.

Business Contract Hire is often used by companies who want to avoid the financial risk and administrative burden of owning their own vehicle.

## EARLY SETTLEMENT

A Business Contract Hire Agreement can be settled at any time provided the remaining repayments are paid and the vehicle is returned immediately.

## BENEFITS

- Flexible terms to meet your business requirements - choice of advance rental, contract period and mileage available.
- VAT registered businesses may claim back VAT on the rental payments (subject to status):
  - 100% for commercial vehicles.
  - 100% on cars used exclusively for business purposes.
  - 50% for cars used for both business & personal use.
- Zero depreciation risk - no disposal worries simply return the vehicle at the end of the agreement.
- Fixed regular payments.
- Road Tax included - renewed annually.
- Maintenance of vehicles can be purchased.

## RISKS

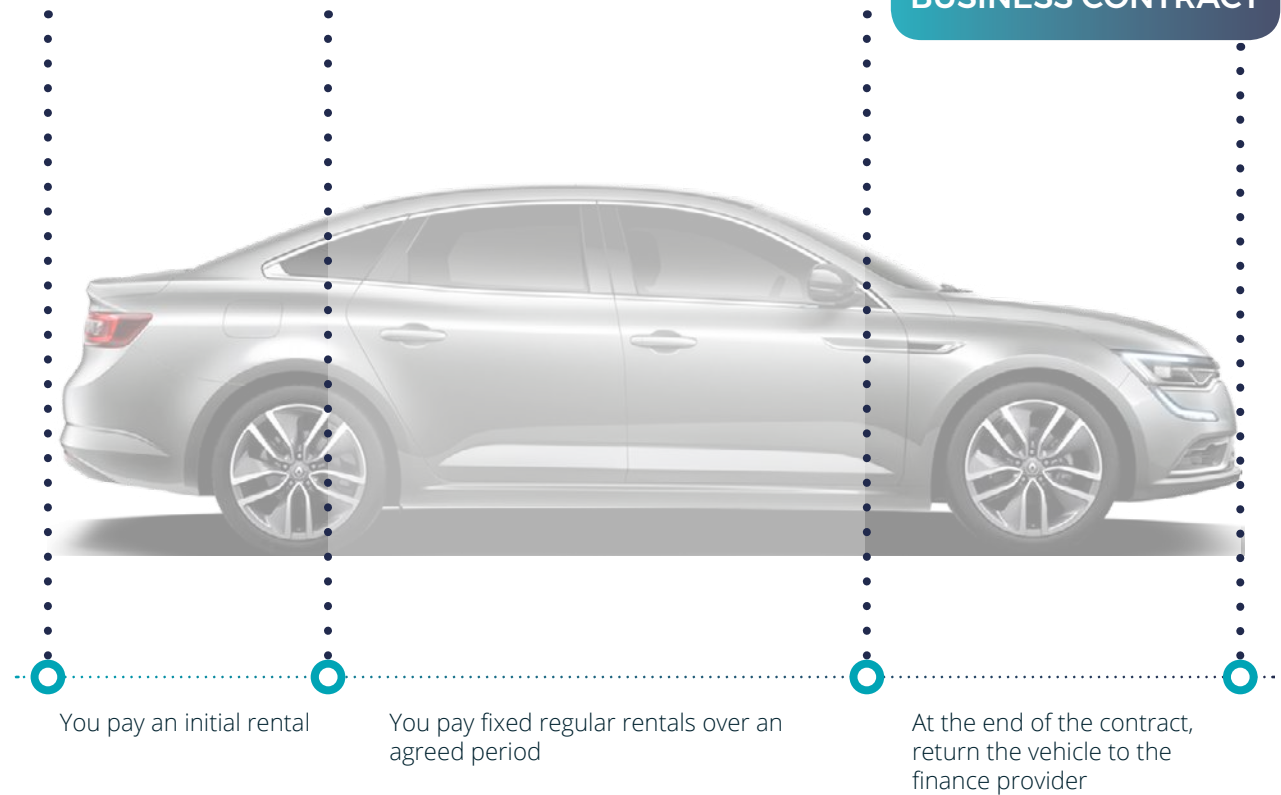
- Ownership - you cannot buy the vehicle at the end of the contract.
- You must have fully comprehensive insurance.
- Any damage over and above the stated Fair Wear and Tear Guide will be subject to additional charges.
- Exceeding the agreed annual mileage will be subject to additional charges.
- Maintenance - you must maintain the vehicle in accordance with the contract conditions, even if you have not chosen the optional maintenance package.

## END OF CONTRACT

At the end of the contract, the customer must return the vehicle and will have nothing further to pay provided the vehicle is in good condition and has not exceeded the agreed mileage. If the vehicle has exceeded the agreed mileage, a pence per mile charge plus VAT will apply to each mile over the contracted amount.

If the vehicle returned does not meet the agreed mileage and return condition terms, excess charges may apply.

# WHAT YOU WILL PAY



## CASE STUDY

Miss Rebecca Jones is a Sole Trader and needs a car. She takes out a Business Contract Hire Agreement.

Miss Jones is VAT registered, 50% of any VAT paid on the monthly rentals can be claimed back.

Once the Agreement has ended Miss Jones returns the vehicle to the finance provider and decides to take out a new Business Contract Hire Agreement for a new vehicle.

Duration:	60 Months
Cash Price:	£27,570.00
Initial Payment:	£2,000.00
Monthly Payments:	£462.82
Total Amount Payable:	£29,306.38
Annual Mileage:	12,000

# PERSONAL CONTRACT HIRE

**Personal Contract Hire is a fixed-cost, rental agreement for individuals.**

You choose a new or used vehicle, agree the maximum annual mileage, the desired length of the agreement and then pay an initial rental followed by fixed monthly rentals to suit your budget. You can even choose to cover vehicle maintenance costs as part of your agreement (subject to paying a maintenance charge which is added to your monthly rental).



# PERSONAL CONTRACT HIRE EXPLAINED

If you lease a vehicle on a Contract Hire basis, you will pay monthly rentals for a fixed term. Once the agreement has finished the vehicle is returned to the finance company.

Personal Contract Hire is a Hire Agreement where you cannot become the legal owner of the vehicle as you are merely renting it from the finance provider. The finance provider is listed as the registered keeper on the DVLA V5 form as they are the owner. A flexible option allowing you to drive a newer model vehicle.

At the end of the contract once the vehicle is returned you will have nothing further to pay provided the vehicle is in good condition and has not exceeded the agreed mileage.

## EARLY SETTLEMENT

A Personal Contract Hire Agreement can be settled at any time provided the remaining repayments are paid and the vehicle is returned immediately.



# BENEFITS

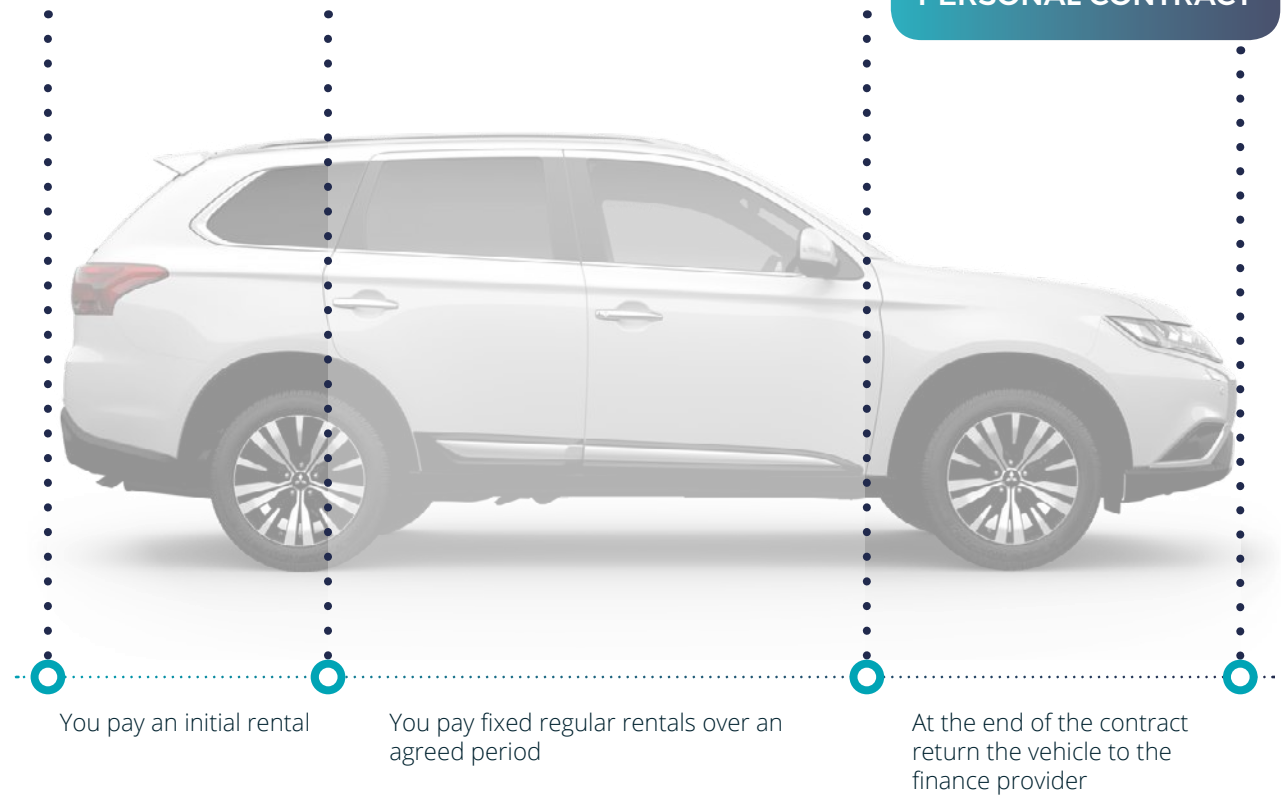
- Flexible terms to meet your requirements - choice of advance rental, contract period and mileage available.
- Zero depreciation risk - no disposal worries. Simply return the vehicle at the end of the agreement.
- Fixed regular payments – frees up cash.
- Road Tax included - renewed annually.

# RISKS

- Ownership - you cannot buy the vehicle at the end of the contract.
- You must have fully comprehensive insurance.
- Any damage over and above the stated Fair Wear and Tear Guide will be subject to additional charges.
- Exceeding the agreed annual mileage will be subject to additional charges.



# WHAT YOU WILL PAY



## CASE STUDY

Mr John Smith takes out a Personal Contract Hire Agreement.

Once the Agreement has ended, Mr Smith returns the vehicle to the finance provider and decides to take out a new Personal Contract Hire Agreement for a new vehicle.

Duration:	48 Months
Cash Price:	£21,500
Initial Payment:	£3,500
Monthly Payments:	£450
Total Amount Payable:	£24,650
Annual Mileage:	10,000





## FINANCE LEASE

**A Finance Lease Agreement is a popular choice for businesses needing cars, vans and commercial vehicles where Contract Hire is not a suitable choice.**

This type of agreement is only available to business customers, including Limited Companies, Sole Traders and Partnerships, it is not available to Private Individuals.

The Customer 'hires' the vehicle and at the end of the Agreement sells it on behalf of the Finance Provider and receives a percentage of the sale proceeds.

A Finance Lease Agreement is popular for businesses because it offers flexibility and tax advantages to eligible companies who require one or more vehicles but don't have the accessible funds to pay for them up front.

# FINANCE LEASE EXPLAINED

If your company chooses to take out a Finance Lease on a new or used vehicle, you will hire it for an agreed period of time where you will make fixed monthly payments to lease it from the finance provider. Alternatively opt for a balloon payment payable at the end to reduce your monthly payment.

Your business will be able to have use of a car or van without facing the high upfront costs of a new vehicle. This is also shown as your company's asset on your balance sheet.

If your business is VAT registered you can reclaim between 50% and 100% of the VAT depending on whether you are leasing a car or a commercial vehicle.

At the end of the Agreement the vehicle can either:

1. Be sold by the user to a third party (with the finance providers permission);
2. Returned to the finance provider to sell to a third party.

## EARLY SETTLEMENT

A Finance Lease Agreement can be settled at any time provided the remaining repayments are paid and the vehicle is returned immediately.

# BENEFITS

- Although you will not own the vehicle, you will receive a percentage of the sale proceeds if the vehicle is sold to a third party.
- Fixed regular payments – frees up company money and gives you peace of mind.
- Your monthly payments can normally be offset against taxable profits (special rules apply to cars).
- Road Tax included - renewed annually.
- No penalty charges for additional mileage at the end of the Agreement.

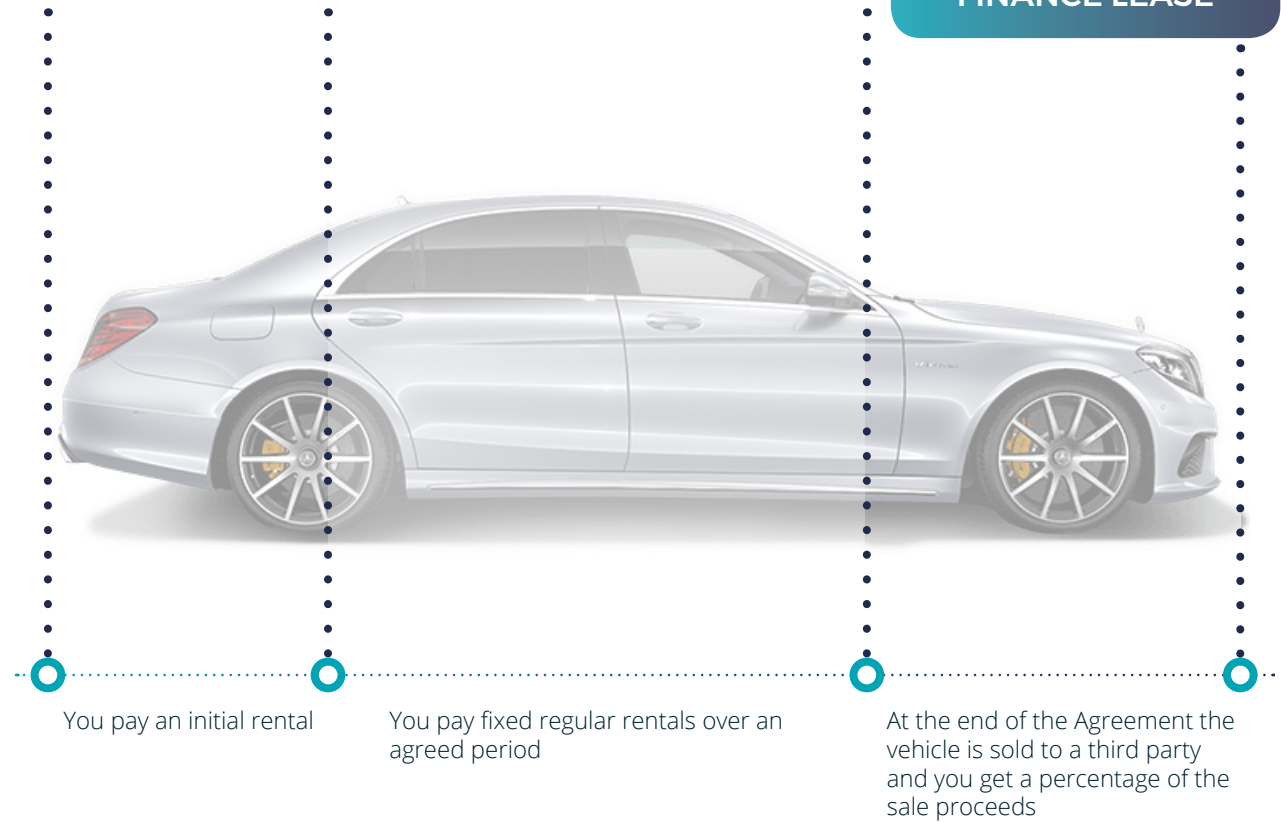
# RISKS

- Ownership - you cannot buy the vehicle at the end of the contract.
- You must have fully comprehensive insurance.
- You have no protection against depreciation as a result of any unexpected fall in the value of the vehicle.
- You have the residual value risk.





# WHAT YOU WILL PAY



## CASE STUDY

Mrs Kelly Walker is a Partner in a Partnership and takes out a Finance Lease Agreement.

Once the Agreement has ended Mrs Walker contacts a third party and sells the vehicle and receives 95% of the sale proceeds.

Duration:	60 Months
Cash Price:	£34,650.00
Initial Payment:	£1,500
Monthly Payments:	£626.45
Total Amount Payable:	£38,460.55
Annual Mileage:	Unlimited

# VEHICLE FINANCE PRODUCTS

## HIRE PURCHASE

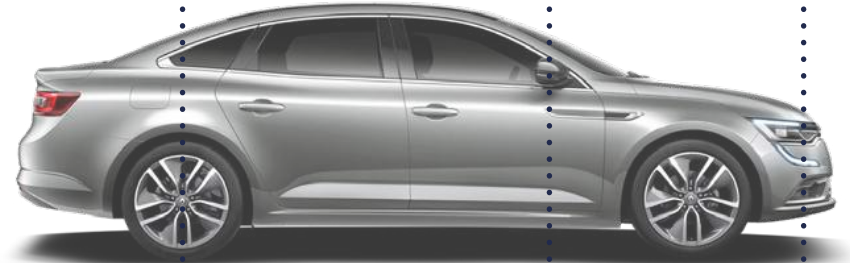


Flexible deposit options – 0% deposit may be available subject to status

Balance (plus fixed interest) paid over a chosen period 1 - 5 years in equal monthly payments

After all repayments have been made and the Option to Purchase Fee has been paid YOU OWN THE CAR

## BUSINESS CONTRACT HIRE



You pay an initial rental

You pay fixed regular rentals over an agreed period

At the end of the contract, return the vehicle to the finance provider.

## PERSONAL CONTRACT HIRE



You pay an initial rental

You pay fixed regular rentals over an agreed period

At the end of the contract return the vehicle to the finance provider

## FINANCE LEASE



You pay an initial rental

You pay fixed regular rentals over an agreed period you get a percentage of the sale proceeds

At the end of the Agreement the vehicle is sold to a third party and you get a percentage of the sale proceeds

## GLOSSARY & USEFUL INFORMATION

### Agreement Term

The length of time over which you agree to repay the finance – also referred to as the Length of Agreement.

### Annual Percentage Rate (APR)

The APR shows the annual cost of a finance agreement over and above the amount you have borrowed. The APR will include interest rate charges and any other fees included in the agreement, such as administrative fees. You can use the APR to compare the cost of different finance products.

### Contract Hire

'Rental' agreements where you cannot become the legal owner of the vehicle as you are merely renting it from the finance provider. The finance provider as the owner is listed as the Registered Keeper on the DVLA V5 form.

### Credit Agreement

A credit agreement is a legally-binding agreement between you (the customer and the finance company. It must include details of the finance amount, the term, rates of interest, other charges and your rights and responsibilities for the duration of the agreement. You will receive a copy of the agreement.

### Deposit

A deposit is often required to secure and finance your vehicle. The larger the deposit the less you will need to borrow and this could mean lower monthly

repayments. Deposits for commercial Hire Purchase agreements will often be made up of the VAT paid upfront.

### Depreciation

A vehicle is an asset, but inevitably with age and wear and tear it will reduce in value, this is depreciation.

### Early Settlement

This is when you pay off a finance agreement before the agreed term is completed.

### Hire Purchase (HP)

The finance provider buys the vehicle on your behalf less any deposit that you have paid the dealer. The amount paid by the finance provider plus interest is then paid by you over agreed period.

### Non-Regulated Agreement

A credit agreement not regulated by the Consumer Credit Act. Not bound by the same legal requirements or protection as a regulated agreement.

### Option to Purchase Fee

A voluntary repayment at the end of some finance agreements (such as hire purchase) which, if paid, transfers ownership of the vehicle from the finance company to the customer.

### Regulated Agreement

Most types of credit and hire agreements are covered by the Consumer Credit Act which gives you some important rights such as your

right to cancel the agreement within your given time, and protection against both the lender and the seller for faulty goods. An agreement covered by the Act is called a regulated agreement. An agreement will be regulated if:

- It is not an exempt agreement – exempt agreements include things like gas and electricity agreements and loans from employers, these agreements are not regulated by the Consumer Credit Act.

If your agreement is regulated with the Consumer Credit Act, the finance provider will provide you with the information before, during and after the agreement is taken out and the finance provider will give you a written copy of the agreement setting out:

- information before, during and after the agreement is taken out and the finance provider will give you a written copy of the agreement setting out:
- What type of credit agreement it is, for example hire purchase
- The true cost of the credit, called the Annual Percentage Rate (APR). The APR includes both the rate of interest and any other fees that may be applicable
- The amount of each repayments, when it is due to be paid, and how it is made up (finance, interest, administration charge)

- Any repossession rights the finance provider may have in the event of non-repayment.

### Satisfactory Quality

By law, goods sold must be of satisfactory quality and fit for purpose for which they were intended. Where there is a credit agreement in place the finance provider has a responsibility for the quality of the goods and to resolve any disputes where the goods are not of the required standard.

### Voluntary Termination

You have the right to end the agreement by giving the finance provider written notice. If you do so you must immediately return the goods to the finance provider which includes making the remaining repayments detailed in the agreement.