

MOTION FINANCE

MAKE YOUR CAR FINANCE WORK
FOR YOU

PRODUCT INFORMATION
SHEET



FEATURES

Hire Purchase (HP) is a fixed cost, fixed period loan linked to the purchase of a vehicle.

HP is suitable for customers who want to own the vehicle once they have made all necessary payments.

The finance provider owns the vehicle until the point the customer has made all necessary payments.

There are no mileage restrictions, servicing requirements or other charges.

Customers can 'Voluntary Terminate' their credit agreement before the final payment is due provided they; (1) hand back the vehicle, (2) pay or have paid half of the total amount owed.

LIMITATIONS

The agreement is secured against your vehicle which means if you fail to keep up with repayments the vehicle could be repossessed.

If you put down a lower deposit it could mean a higher risk of negative equity if you settle early or want to change the vehicle before the end of your finance.

HIRE PURCHASE

CUSTOMER PROCESS

1. Usually pay a cash deposit or part exchange their old vehicle (or both)
2. Make all monthly payments. Typically between 3 and 5 years depending on the customer circumstances
3. Pay an 'Option to Purchase Fee' - a small payment which enables the customer to take ownership of the vehicle. Customers can also refuse to pay this fee and hand back the vehicle if they wish to.

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PERSONAL CONTRACT PURCHASE

FEATURES

Personal Contract Purchase (PCP) is the most popular form of motor finance because it gives the customer flexibility at the end of the agreement and a lower monthly payment compared to alternative products like Hire Purchase or Conditional Sale.

The finance provider owns the vehicle until all monthly payments, the GMFV and Option to Purchase Fee have been paid.

If a customer opts to hand the vehicle back at the end of the term or earlier they may be required to pay charges: (1) if mileage allowance is exceeded the customer will pay a pence per mile charge (2) if the vehicle is damaged beyond 'reasonable wear and tear' the customer will be required to pay a damage charge.

Customers are not guaranteed to have any equity at the end of their agreement.

1
Pay the GMFV and take ownership of the vehicle

2
Refinance the GMFV and continue making monthly payments on the outstanding balance

3
Hand the vehicle back and make no further payments subject to mileage and condition

4
Part exchange the vehicle by using any equity gained from the difference in vehicle value and GMFV if any

LIMITATIONS

The agreement is secured against your vehicle, if you fail to keep up with repayments your vehicle could be repossessed.

If you put down a lower deposit it could mean a higher risk of negative equity if you settle early or want to change the vehicle before the end of your finance.

Due to depreciation, it is possible that there will be no equity in the vehicle at the end of the agreement.

An excess mileage fee is payable at the end of the term if you exceed the agreed mileage parameters and wish to return the vehicle.

CUSTOMER PROCESS

1. Usually pay a cash deposit or part exchange their old vehicle (or both)
2. Agree a mileage allowance and term over which repayments will be made. The higher the mileage, the higher the monthly payment will be.
3. Be informed of how much the **Guaranteed Minimum Future Value** of the vehicle will be. Often called a 'balloon payment'.
4. Make all monthly repayments, typically 2 to 4 years.
5. At the end of the agreement the customer has 4 options:

CONDITIONAL SALE

FEATURES

Conditional Sale (CS) is a very similar product to Hire Purchase but **the customer commits to buying and owning the vehicle** when they sign the agreement. There is no Option to Purchase fee and therefore no option to hand the vehicle back at the end of the agreement. Like Hire Purchase, Conditional Sale is suitable for customers who are certain they would like to own the vehicle after they have made all necessary payments.

The finance provider owns the vehicle until the customer has made all necessary payments.

There are no mileage restrictions, servicing requirements or other charges.

Customers can 'Voluntary Terminate' their credit agreement before the final payment is due provided they; (1) hand back the vehicle, (2) pay or have paid half of the total amount owed.

LIMITATIONS

The agreement is secured against your vehicle which means if you fail to keep up with repayments the vehicle could be repossessed.

If you put down a lower deposit it could mean a higher risk of negative equity if you settle early or want to change the vehicle before the end of your finance.

CUSTOMER PROCESS

1. Usually pay a cash deposit or part exchange their old vehicle (or both)
2. Make all monthly payments. Typically between 3 and 5 years depending on the customer circumstances
3. After making the final payment title to the vehicle will pass to the customer and no further payments will be due.

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PERSONAL LOAN

FEATURES

Personal Loans are **unsecured finance agreements** that the customer will arrange directly with a finance provider. They are not tri-partite finance structures like typical motor finance products.

Personal Loans are suitable for customers who are certain they want to own the vehicle. The customer owns the vehicle once they have signed their agreement and paid the retailer.

The customer can terminate the credit agreement early but there is no right to 'voluntary terminate' and hand the car back to the finance provider as there would be with HP, PCP or CS.

The customer can sell the vehicle at any time but they must continue making the monthly repayments until the finance is settled.

LIMITATIONS

Customers have no right to terminate under voluntary termination rights (Consumer Credit Act 1974).

Not available to corporate entities.

The outstanding balance on your agreement may be greater than the value of the vehicle.

CUSTOMER PROCESS

1. Select the vehicle they wish to finance.
2. Apply for a personal loan, sign the agreement and receive the funds directly into their bank account. There may be fees included as a part of the loan.
3. Complete the purchase of the vehicle and make a cash payment to the vehicle retailer.
4. Make all of the monthly repayments to the finance provider.

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FEATURES

Lease Purchase is a similar product to Personal Contract Purchase but **the customer must pay the balloon payment at the end of the agreement.**

I.e. the customer cannot hand the vehicle back at the end of the agreement. The customer owns the vehicle after paying all required payments including the balloon payment and Option to Purchase fee. There are no mileage restrictions, servicing requirements or other charges.

LIMITATIONS

No return option at the end of the agreement.

The balloon payment must be paid off at the end of the agreement.

The value of the outstanding balloon payment may be higher than the actual market value of the vehicle at the end of the agreement.

LEASE PURCHASE

CUSTOMER PROCESS

1. Usually pay a cash deposit or part exchange their old vehicle (or both)
2. Make all monthly payments. Typically between 2 and 5 years depending on the customer circumstances
3. After paying the balloon payment and Option to Purchase fee ownership passes to the customer.

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SUMMARY

Potentially lower monthly payments by deferring part of the loan to the end of the agreement

Fixed monthly payments

Several options at the end of the agreement

Early settlement is possible if the outstanding balance is paid (including the GMFV)

PCP

Potential for added mileage and condition charges at the end of the agreement

Ownership is transferred once you have made all necessary payments

Over payments can be made during the course of the agreement with no penalty

Initial deposit, part exchange and agreement term can help to tailor the agreement to your budget

Fixed monthly payments

Agreement is secured on your vehicle meaning it could be repossessed if you do not make payments

Early settlement is possible if the outstanding balance is paid

HP

No added charges for excess mileage or vehicle condition

Ownership is transferred once you have made all necessary payments

Over payments can be made during the course of the agreement with no penalty

Customer owns the vehicle from the inception of the agreement

Fixed monthly payments

Not available to corporate entities

Early settlement is possible if the outstanding balance is paid

PL

No added charges for excess mileage or vehicle condition

The outstanding balance on the agreement may be greater than the value of the vehicle

Over payments can be made during the course of the agreement with no penalty

Potentially lower monthly payments by deferring part of the loan to the end of the agreement

Fixed monthly payments

The balloon payment must be paid at the end of the agreement

Early settlement is possible if the outstanding balance is paid (including the GMFV)

LP

The balloon payment may be higher than the value of the vehicle at the end of the agreement

Ownership is transferred once you have made all necessary payments

Over payments can be made during the course of the agreement with no penalty

Initial deposit, part exchange and agreement term can help to tailor the agreement to your budget

Fixed monthly payments

Agreement is secured on your vehicle meaning it could be repossessed if you do not make payments

Early settlement is possible if the outstanding balance is paid

CS

No Option to Purchase Fee, the vehicle must be purchased at the end of the agreement

Ownership is transferred once you have made all necessary payments

Over payments can be made during the course of the agreement with no penalty

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PCP

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CONDITIONAL SALE

LEASE PURCHASE

Mileage Limitations



Fixed monthly payments



You own the vehicle outright from the outset



Defer part of the vehicle price to reduce monthly payments?



Finance secured against the vehicle



Able to Voluntary Terminate & hand the vehicle back to the lender



Can settle the finance early or make over payments

