

Even if you didn't *think* you were in the market for a new car, it'd be worth spending five minutes reading this to understand what Hollyfield Benefits can offer you, and why it might be worth a rethink!

Personal car leasing is becoming increasingly popular yet many drivers who could benefit from leasing their car are still taking out car loans or hire purchase agreements to buy their vehicles.

The main reason for the reluctance to lease is usually a lack of knowledge of the benefits of leasing and confusion caused by the terminology that surrounds it. Here we explain personal car leasing and why it may be the ideal choice for you.

Is leasing for me?

Everybody knows that as soon as you drive a new car off the forecourt it starts to lose value.

So, if you take out a car loan or hire purchase agreement to buy a car, you are simply paying a set amount a month for something that is losing, not gaining, value.

Is this you?

You finance a car over 60 months but in 3 years you want a new one. At first, you think you can sell your car until you realise...

YOU OWE MORE THAN IT'S WORTH!

So you go to the dealer to try and work a trade and you end up burying all that negative equity into another deal. And the cycle continues.

A lot of people have good intentions of paying off their car loan and keeping the car at least for the duration of the loan.

If you *actually* do this, you probably don't want to lease.

Unfortunately, most people end up trying to get out of their loan early because they want a different car. Or they decide they want a lower payment so they refinance their current loan.

How does it work?

There are two main options for private buyers:

- **Personal Contract Hire (PCH)**
- and **Personal Contract Purchase (PCP)**.

Personal Contract Hire (PCH) is an agreement between an individual and a car leasing company. It covers use of the car for a set period of time and mileage, in exchange for a set monthly fee. Usually, the car will be returned to the lease company at the end of the agreement.

This has the benefit of you not having to find a buyer, but you have to pay charges for any damage and additional mileage. PCH usually includes road tax.

Personal Contract Purchase (PCP) is a way of funding a vehicle through fixed monthly payments over a set period of time and mileage. The main difference is that at the end of the lease term you have the option of either buying the car, selling it and keeping any equity, or simply handing the car back.

If you choose to buy the car, the final payment is called the Balloon Payment, which is agreed before the lease is signed and is a guaranteed projected value of what the car will be worth at the end of the contract.

Peace of Mind

Both PCH and PCP can be supplemented by a maintenance package that covers the cost of all mechanical repairs and normal wear and tear on tyres in exchange for a set monthly fee.

If you are like most people, you will ALWAYS have a car payment. If you will ALWAYS have a car payment, you should *absolutely* consider leasing.

Personal Contract Purchase

PCP is a great alternative to buying a car (and losing all that money!). It can be a bit confusing though, so read on for a bit of an insight into how it works.

PCP's are made up of three elements:

- a deposit
- monthly payments, sometimes known as the rental
- the final optional payment - also known as the balloon.

All of these are flexible and can be varied according to your needs.

They are also affected by:

- the amount of mileage you'll do
- the length of time you want to keep the car for.

These factors affect the monthly figure that you will pay.

This figure is also affected by the APR that the bank charges (that's how they make their money).

A big factor that influences the price you pay is also the cost of the car, which depends on the discounts we negotiate with the manufacturer. We can negotiate big discounts with manufacturers (because we buy a lot of cars), but they do change all the time, according to market circumstances, and how much the manufacturer needs to sell cars to hit their targets that month! You can be confident though that the discounts we negotiate mean that your monthly payments will always be some of the most competitive in the market place.

All these factors go together to make a "profile".

The most typical profile is often referred to as a 3+35, 10k profile. This is what most leasing companies use to show a "typical cost". Usually, everyone uses the same profile so that it's easy for customers to compare. Remember though, if any of the factors are changed, there will be an effect on what the customer pays.

Lets say you want a small 3 door hatchback.

On a 3+35, 10k profile for example:

Monthly rental £135

Deposit (3x135) £405

Optional final payment £5000

You pay the £405 deposit at the beginning of the contract, then the first monthly payment at the end of the first month after delivery. Then there will be another 34 monthly payments.

(Please note that all PCP's are subject to status and the funder will do a credit check, but we will help you through the whole process and make it as easy as possible.)

If you pay a bigger deposit, the monthly payment will come down.

A lower APR will increase the monthly payment.

The more miles you do, the more the rental is likely to be.

The length of the contract can affect the monthly payments either way.

At the end of the contract you can choose to give the car back, buy the car (for the optional final payment amount agreed at the beginning), or you could take a loan for the final amount and keep the car (re-finance it). You can then start all over again in a brand new car!

Just to remind you quickly of some of the potential savings..

Manufacturers Roadside Assistance - means you can cancel your breakdown cover

Manufacturers Warranty - means you won't be paying huge repair bills on an old car

Road fund licence - this is part of the deal so your tax disk arrives in the post every year

Driving a car this way means you could sell your current car too.!

If you want to, you can also pay for a maintenance package, which means that all of your maintenance bills are covered. So when you have the car serviced, the labour costs and any parts etc not covered under warranty will be covered. The cost of the package is spread out over the term (the length of time you have the contract for), and it is paid with the rental. The amount will depend upon the car you choose and the profile (obviously, a higher mileage car will usually need more maintenance over the length of the contract).

The trick is not to get too hung up on a particular make or model. Think about how you'll be using the car.

The key questions are:

What sort of car do I want to fit my lifestyle? - small town car, hatchback, people carrier.

Are there any extras that are important to me? - air conditioning, CD player, metallic paint (these might be standard, or can be added into the price)

How much deposit do I want to pay?

What is my monthly budget?



How many miles do I think I'll do?

It pays to be as accurate as you can with your mileage predictions. If you've gone over the mileage, then there'll be a charge for each mile over the contract. This is in pence per mile, and isn't too much, but you're better off keeping as close as you can to your predicted mileage. Obviously, the value of the car you return after the contract is affected by the mileage - so if it's more than the agreed amount, the car will be worth less than the prediction (the balloon). The other thing to bear in mind is that any damage will have to be put right, so it pays to look after the car. The return standards are made clear at the beginning of the contract, so be sure to read them properly, and then look after your car! The standards are reasonable, everyone expects normal wear and tear, but obviously if the car is neglected it'll affect its value at the end too.

There you have it. If you've got any more questions, please give our call centre a shout.