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PERSONAL CONTRACT PURCHASE EXPLAINED

- Personal Contract Purchase (PCP) is a specific type of hire purchase (HP) finance agreement, and it will often be shown on a finance contract as a hire purchase. With a traditional hire purchase agreement, you pay off your entire borrowing in equal monthly instalments, whereas a PCP is different in that you have lower monthly instalments followed by a large final payment at the end. This final payment is also called the Guaranteed Future Value (GFV) or Balloon Payment. The difference with a PCP agreement is that you are repaying a much smaller amount each month and deferring a large amount (the balloon/GFV) to the end of the agreement
- It is made up of fixed monthly repayments and an Optional Final Payment which is deferred until the end of the agreement
- The finance company guarantees the minimum the vehicle will be worth at the end of the agreement known as the Guaranteed Minimum Future Value (GMFV) or Optional Final Payment (OFP), which is offset until the end of the agreement
- Then at the end of the agreement, you have a few options to choose from.

CONTACT US

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HOW DOES IT WORK?

1. Choose your vehicle
2. Tell us how long you would like to make your payments over
3. Tell us how much deposit you can put down
4. Tell us your expected annual mileage

YOUR MONTHLY PAYMENTS ARE BASED ON:

- The cost of the vehicle
- Length of your agreement
- Your expected annual mileage
- The size of your initial payment /deposit
- The Guaranteed Minimum Future value (plus any interest)

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GOOD TO KNOW

- It is your responsibility to tax and insure the vehicle whilst in your possession. You are also required to ensure the vehicle has a valid MOT throughout the duration of the agreement and that the vehicle is kept in good condition, maintained, and serviced in line with the manufacturers' guidelines
- There may be an arrangement fee charged by the lender and usually, this can/will be included as part of your regular repayments.

At the end of the agreement you can choose to:

Pay it off or refinance

You can pay the GMFV (plus any Option to Purchase fee) and keep the vehicle. You will become the legal owner

Part exchange or sell it

If the part-exchange value is greater than the GMFV, it can be used as a deposit for the next finance agreement or 'cash-back'. You could sell the vehicle privately once legal title is gained and settle the GMFV

Hand it back to the finance company

If it is worth less than the GMFV, you can return the vehicle and walk away (subject to mileage and condition)

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ADVANTAGES:

- You don't need to worry about the future trade-in or resale value of the vehicle, as the lender guarantees your vehicle will be worth a minimum sum at the end of the deal

- It's flexible. You have several options at the end of it - you can even buy the vehicle if you like

- Most vehicles are covered under the manufactures warranty (please note this may expire before the end of the contract), as PCP deals are usually only offered on new or nearly new vehicles.

BE AWARE:

- You will only own the vehicle at the end of the contract agreement if you pay off the GMFV/OFP

- If the predicted GMFV/OFP is set very close to the actual value of the vehicle you will have little equity to roll onto another deal

- Extra charges of 6-20p per mile if you go over the agreed set mileage

- The GMFV/OFP is based on keeping the vehicle in a good condition. You will be charged extra to put right anything that's not down to normal wear and tear.

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