



Business Contract Purchase in more detail

There are two distinctive types of finance agreements Which one you choose depends on whether you wish to own the vehicle(s) at the end of the agreement or not:

A Purchase agreement is where you, the customer, have the right to obtain legal title to the vehicle. (Supply of Goods)

A Hire agreement is where you, the customer, have no option to gain legal title to the goods. (Supply of Services)

Business Contract Purchase (also known as PCP) is a purchase agreement and is a flexible finance option. This option provides fixed cost motoring so that monthly outgoings can be clearly planned in advance with many benefits:

The benefits of Business Contract Purchase?

- Consistent and accurate budgeting
- Low initial outlay
- Fixed interest rates
- Fixed cost maintenance available
- No risk for depreciation – underwritten by Finance Company
- No vehicle disposal issues at end of contract (option to hand back the car at the end of contract)
- Road License is often included
- Used vehicles are available on this scheme
- Ownership at the end of the contract period if required

If you choose to own the vehicle(s) at the end of the contract terms you will be quoted a pre-determined payment also known as a Balloon Payment.

More about Balloon Payment

A balloon payment is a calculation of the residual value of the vehicle. This calculation is based on the mileage the car is expected to complete and the length of time of the finance agreement. This payment does not only give you the flexibility to own the vehicles at the end of the contract but to keep the monthly payments to a minimum. If you decide not to keep the car at the end of the contract term then you can hand it back to finance company and have no further cost as long as it is within the mileage and condition terms.

Who should consider this finance option?

This finance option is suited to businesses who have high value vehicles (£12,000 and above) as the car will appear on the balance sheet as an asset but will avoid restricted tax recovery that is found on Hire Agreements.

Still not sure which finance option is best for you?

Why not take a quick glance at our Financial Comparison Chart to make sure that you have considered the advantages and disadvantages of each finance option. Our Comparison Chart provides a checklist of finance & tax, and running cost issues.

If you require any further information or would just like to talk to one of our Customer Service Team about your individual requirements then simply call us on **0161 406 3936**