

Things to consider when taking out motor finance

Consider:

Which is the best type of finance agreement for me?

Carefully consider which types of motor finance agreement you would be comfortable with taking out (if any) to suit your circumstances.

How much can I put down as a deposit?

Speak to your lender or motor trader/broker about what is possible, and the level of deposit you can afford.

Are there any other fees or charges?

Check for any administration fees, document fees, set-up costs, option-to-purchase fees, exit fees or extras, as well as how and when these are paid.

How long is the loan term?

Think about whether you can manage a shorter-term loan with higher monthly payments, because this should cost you less in the long run.

What will this loan cost me overall?

Do not only consider the monthly repayment amount – compare the annual percentage rate (“APR”) and the total cost of credit of different loans before going ahead with an application.

Does this loan include a balloon payment?

If you are unsure whether the loan involves a balloon payment, or if you have any questions about how it works or when it becomes payable, we recommend you speak to your lender or motor trader/broker.

Will my motor trader receive any commission if they arrange motor finance for me?

Licensees must disclose to you whether any commissions will be paid or received for arranging your finance agreement.

What happens if I change my mind about the loan once I have signed the agreement?

You are entitled to a two-week “cooling-off period”. Ask your lender/broker about these rights, and how they would work.

 **What would happen if I wanted to pay off the loan early?**

Lenders must allow you to make full early payment of your loan. There are limits to the amount of early repayment fees that licensees can charge. Ask your lender or motor trader/broker about how early repayment would work, and any fees/charges that would apply.

Remember:

- 1) Take your time and ask questions.
- 2) Do not enter into a motor finance agreement if you are feeling pressured, or if it does not feel right for you.
- 3) You are entitled to shop around.
- 4) If your financial situation changes and you may not be able to make loan repayments, keep your lender informed.
- 5) If you are not satisfied with the financial services you have received, you are entitled to raise a complaint with the firm, which will be the lender and/or motor trader/broker, as applicable.

Key words:

APR	Annual percentage rate – the total yearly cost of borrowing money, expressed as a percentage.
Balloon payment	A large, one-off payment due at the end of certain finance agreements (such as personal contract purchase).
Cooling-off period	A 14-day period during which you can cancel your finance agreement.
Loan term	The length of time over which you agree to repay a loan.
Total cost of credit	The total amount repaid over the life of the loan, including all interest and fees.
