

## Personal Contract Purchase (PCP)

Ideal for: People who want lower monthly repayments and prefer to change cars on a regular basis

Personal Contract Purchase, or PCP, is a variation of a Hire Purchase agreement. The key difference is that the value of the car at the end of the contract is calculated at the start of the agreement and this value is deferred. This deferred sum is usually referred to as the Guaranteed Minimum Future Value (GMFV) and is based on a number of factors including how old the car will be at the end of the agreement and how many miles it is expected to have covered. The future value of the car is guaranteed by the lender so will not fluctuate. Deferring the GMFV to the end of the agreement in this way means that your regular monthly payments are lower than those on a comparable HP agreement over the same term.

A PCP agreement also gives you the flexibility to decide whether you would like to own the car outright at the end of the agreement by paying the deferred value (GMFV), or returning the car to the lender and entering into a new car finance agreement.

### At the beginning of the agreement

Under a PCP agreement, you agree with the dealer the amount you want to borrow, less any deposit payment and the value of any car you are part-exchanging. Your dealer then submits your application for finance to the motor finance companies and, provided you pass their credit checks, the lender pays for the car on your behalf.

### During the agreement

During the agreement, you pay the full price of the car plus interest, minus the guaranteed future value of the car. This means that the monthly payments are usually less than they would be under a comparable HP agreement over the same term.

### At the end of the agreement

You will have three options:

1. You can either pay the guaranteed future value in full and own the car outright
2. Hand back the car and walk away
3. Trade the car in by using any existing equity (if the guaranteed future value is actually lower than the current market value of the car) as a deposit for a new finance agreement.

If you want to hand the car back but have exceeded the mileage allowance you agreed at the start of the contract, you will need to pay an excess mileage charge.

You can partially or fully settle a PCP agreement at any time, but should check the terms and conditions of the agreement as each finance company has its own procedures on how to do this.

### Advantages of Personal Contract Purchase

- ✓ Lower monthly payments than Hire Purchase for a comparable car and term.
- ✓ A low deposit at the start of the agreement.
- ✓ Unless you opt out, your agreement will be regulated which means you have certain legal rights and protections.
- ✓ Flexibility at the end of the agreement on what you would like to do with the car.
- ✓ Fixed monthly payments throughout the term of the agreement.

### Things to remember

- PCPs could work out more expensive overall than a Hire Purchase agreement for an equivalent car, especially if you decide to enter into a second finance agreement to pay the deferred future value of the car.
- Be careful how you estimate your annual mileage as you'll be charged for each additional mile.
- If you return the car, it has to be in good condition and any damage will result in charges.

### Northridge Personal Contract Purchase Features/Benefits

- Minimum credit amount £5,000
- Minimum term 36 months
- Maximum term 48 months (asset age dependent)
- Requires accurate estimation of anticipated annual mileage
- No upfront fees
- Guaranteed Future Value (GFV) set at lower than predicted CAP value (aims to prevent foreseeable harm & leave customer in the best position) – typically set at 90% of CAP
- Digital distance sign process
- Digital self-serve
- Telephone service available 5 days a week
- **Northridge 'In life' Free of charge service (no fees or default interest)**
- Excess mileage charges may apply if vehicle returned to Northridge.  
Charges based on vehicle price: <£14,999.99 : 9ppm  
£15,000-£29,999.99 : 15ppm  
>£30,000 : 22ppm
- No damage or excess mileage charges applied when GFV attained, and account cleared
- Refinancing of GFV available at end of term