



Finance Products Explained

Choosing a Finance Product



At Jigsaw Finance we offer many different ways to finance your next car. This means that you can find a solution to suit your needs.

We also understand that choosing between the various options can sometimes be confusing. That's why we want to help you to understand all of the finance options available to you so that you can make an informed decision.

This guide explains our different finance products and how they work. The products that we have available are from a limited range offered through our panel of lenders. You may find that some finance options may not be applicable in your particular circumstances. You should also understand that alternative sources of finance may be available to you, such as through banks or internet aggregators.

Additional information can be obtained from organisations such as the Finance and Leasing Association www.FLA.org.uk or the Money Advice Service www.moneyadviceservice.org.uk

Jigsaw Finance Ltd is authorised and regulated by the Financial Conduct Authority FRN 679612. You can check this on the FCA's website www.FCA.gov.uk/register or by contacting the FCA on 0300 500 8082. We are a licenced credit broker offering finance products from a selected panel of lenders; we may receive a commission for introduction. Company registration number 4029232. VAT number 823826816.

The following products are products offered by Jigsaw Finance Ltd:

- Personal Contract Purchase (PCP)
- Personal Contract Hire (PCH)
- Business Contract Hire BCH
- Hire Purchase
- Conditional Sale
- Lease Purchase

Please note that not all products maybe not be available to you as restrictions may apply based on the vehicle type, age, millage or your personal credit profile.

After reading this brochure you do not feel that the product applied for is not right for you please call our team on 01782 366420 to discuss your options.

Personal Contract Purchase



What is Personal Contract Purchase?

A Personal Contract Purchase (PCP) is a loan secured against the vehicle, where your repayments are based on part of the value of the vehicle.

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). This is offset until the end of the agreement. PCP's can run from 2 to 4 years and your repayments are determined by the size of your deposit, how many miles you intend to do and the length of the agreement.

Summary

Initial Payment/ Deposit	You may be asked to pay an initial payment/ Deposit
Fees	An arrangement fee charged by the lender that can be paid at the start of the agreement or spread over the term of the agreement. There is also an Option to Purchase Fee to pay if you want to keep the vehicle at the end of the agreement.
Restrictions	The vehicle must be kept in good condition and serviced and maintained according to vehicle manufacturer's recommendations. Mileage restrictions may also apply. There may be excess mileage charges.
Ending the Agreement	At the end of the PCP agreement you have three options: <ul style="list-style-type: none">Hand it back If it is worth less than the GMFV, you can return the car and walk away – subject to mileage and condition.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 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 .

Advantages of Personal Contract Purchase

- You don't need to worry about the future trade-in or resale value of the car, as the lender guarantees your car 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 car if you like.
- Most cars are covered under 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 cars.

Disadvantages of Personal Contract Purchase

- You will only own the car 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 car you will have little equity to roll onto another deal.
- Extra charges of 7-10p per mile if you go over the agreed set mileage.
- The GMFV/OFP is based on keeping the car in a good condition. You will be charged extra to put right anything that's not down to normal wear and tear.

Personal Contract Hire & Business Contract Hire



What is Personal Contract Hire or Business Contract Hire?

Personal Contract Hire (PCH) or Business Contract Hire (BCH) allows you (the lessee) to choose the vehicle you want, use it for a set period of time and then give it back to the leasing company (the lessor) at the end of the period of hire. You will pay a fixed monthly rental payment for a fixed period of time, this is based on a fixed annual agreed mileage.

Some PCH and BCH agreements include Annual Vehicle Excise Duty (road tax). Service and maintenance plans are optional but can also be added to the contract.

You are not responsible for the disposal or sale price of the vehicle at the end of the contract. The car is owned by the finance company, you have no option to buy it, and you can not sell it. All rentals will attract VAT at the current rate.

Summary

Initial rental	Advance Rentals are usually paid at the start of the agreement, these are normally agreed by the lessor and lessee, but 3/6 advance rentals are most common.
Fees	The Lessor may charge additional fees, such as arrangement fees. If you are VAT registered, the VAT on the rentals can be wholly or partially reclaimed by the lessee.
Restrictions	You will pay for any excess mileage charge if you have exceed your agreed mileage and/or if the vehicle is not maintained and kept in good condition. The vehicle must be fully insured as well as in a good roadworthy condition.
Ending the Agreement	Once your agreed contract term has run out you can extend the lease on the car or you can choose to hand the car back, subject to restrictions. If you settle early there maybe penalties for doing so.

Advantages of Personal Contract Hire or Business Contract Hire

- Often the lowest upfront and monthly cost for a brand new car.
- Full manufacturer's warranty (please note this may expire before the end of the contract).
- Road tax, breakdown cover and servicing often included.
- You pay monthly rentals and then hand your car back to the finance company at the end of the contract.
- If you've got your own business and are VAT registered, you maybe claim an element of the VAT back.

Disadvantages of Personal Contract Hire or Business Contract Hire

- You won't own the car – you are just the driver for the term of the agreement.
- Limited mileage. Excess mileage charges range from 3p to 50p per mile.
- You will be charged if there is damage to the car.
- If the car is written off, and the insurer's value is less than the leasing company's, you may be liable for the difference.

Hire Purchase



What is Hire Purchase?

Hire Purchase (HP) is a hiring agreement between you and the finance company.

The loan is secured against the vehicle over a set period between 1 and 5 years, with fixed monthly repayments including interest.

During or at the end of agreement (if the balance has been paid in full), you have the option to own the vehicle by paying an additional sum called the Option to Purchase Fee, you will then own the title to the car and become the legal owner.

You are the registered keeper of the car and responsible for insuring and maintaining it, but the finance company remains the legal owner until the amount you borrowed has been fully repaid.

Summary

Initial payment/ Deposit	You may be asked to pay an initial payment/ Deposit
Fees	There is usually an arrangement fee charged by the lender and any fees can be included as part of the regular repayments.
Restrictions	There are no mileage restrictions under a HP agreement. Lenders may impose certain restrictions on the use and location of the vehicle.
Ending the Agreement	You can make an early repayment to your finance provider before the end of the agreement. At the end of the agreement or once all repayments have been made including the option to purchase fee, title to the vehicle passes to you.

Advantages of Hire Purchase

- It's flexible – with terms from 1-5 years (the longer the term, the more interest you'll pay).
- Once you've made all payments including the option to purchase fee, you will own the car.
- HP can be easier to get than a standard, unsecured loan for people with poor credit histories (as the loan is secured against the car).

Disadvantages of Hire Purchase

- Monthly payments are higher than for Personal Contract Purchase and Leasing deals.
- You don't own the car until you make the final payment.
- You cannot sell or modify the car over the contract term without the finance company's permission.
- If you fail to keep up all your payments, the finance company can repossess the car.

Conditional Sale



What is Conditional Sale?

A Conditional Sale (CS) agreement is similar to Hire Purchase (HP).

These are different from ordinary credit agreements because under CS and HP agreements you do not own the car until you have paid off the agreement.

The key difference between a CS and HP agreement is that you will become the legal owner of the vehicle, once all repayments have been made to the lender, where as on HP there will be an option to purchase fee at the end of the contract before you legally own the vehicle.

The finance is secured against the vehicle.

Summary

Initial payment/ Deposit

You may be asked to pay an initial payment/ Deposit

Fees

There is usually an arrangement fee charged by the lender that can be paid at the start of the agreement or included as part of regular repayments for the term of the agreement.

Restrictions

There are no mileage restrictions under a Conditional Sale, lenders may impose certain restrictions on the use and location of the vehicle and condition of the vehicle.

Ending the Agreement

The agreement can be settled at any time by paying the total balance outstanding to the lender. At the end of the agreement, once all repayments have been made, title to the vehicle passes to you.

Advantages of Conditional Sale

- There is no option to purchase fee at the end of the agreement, so you would own the car once you've made all payments.
- Flexible terms from 1-5 years (the longer the term, the more interest you will pay).

Disadvantages of Conditional Sale

- Monthly payments are higher than for Personal Contract Purchase and Leasing deals.
- You don't own the car until you make the final payment.
- You cannot sell or modify the car over the contract term without the finance company's permission.
- If you fail to keep up all your repayments, the finance company can repossess the car.

Lease Purchase



What is Lease Purchase?

On a Lease Purchase (LP) an amount of the total cost of the vehicle will be deferred (estimated future resale value/ residual value) until the end of the agreement. Your monthly payments will be based on the total cost less the deferred amount. The deferred payment must be paid at the end of the agreement to own the vehicle. On a LP agreement the deferred element (residual value/final payment) is estimated based on the vehicle usage, meaning the vehicle could be worth less than the lenders estimation which could result in negative equity. The difference between a Lease Purchase and a Personal Contract Payment PCP is that the deferred payment on a Lease Purchase is an estimate of how much the car maybe worth, where as on a PCP the Guaranteed Minimum Future value (GMFV) is the minimum the car will be worth and there is no option to return the car.

Summary

Initial Payment	You may be asked to pay an initial payment		
Fees	An arrangement fee charged by the lender that can be paid at the start of the agreement or spread over the monthly payments. There is an Option to Purchase fee at the end of the agreement if it is based on a Hire Purchase contract.		
Restrictions	There are no mileage restrictions however lenders may impose certain restrictions on the use and location of the vehicle.		
Ending the Agreement	At the end of the LP agreement you can: <table><tbody><tr><td>Pay off or refinance the final payment Once all payments have been made, including the deferred payment and the Option to Purchase fee if applicable, the title to the vehicle will pass to you the customer.</td><td>Part exchange or sell If the dealer's part-exchange value is greater than the deferred payment, this can be used as a deposit towards your next finance agreement or received as `cash-back`. Alternatively, you can sell the vehicle privately and settle the deferred payment. Note: There is no option to return the car.</td></tr></tbody></table>	Pay off or refinance the final payment Once all payments have been made, including the deferred payment and the Option to Purchase fee if applicable, the title to the vehicle will pass to you the customer.	Part exchange or sell If the dealer's part-exchange value is greater than the deferred payment, this can be used as a deposit towards your next finance agreement or received as `cash-back`. Alternatively, you can sell the vehicle privately and settle the deferred payment. Note: There is no option to return the car.
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Advantages of Lease Purchase

- Lower monthly repayments because advance payments (initial payments) are generally paid at the beginning of the agreement and a final payment is deferred until the end.

Disadvantages of Lease Purchase

- There is no return option at the end of the agreement.
- You must have sufficient funds or be able to refinance the deferred value/final payment if you want to own the car.
- Depending on current market conditions, the value of the outstanding final payment may be higher than the actual market value of the car.

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