

OILING THE WHEELS of motor finance

Wherever you're next posted, the chances are you'll need a car – and that like 93 per cent of the UK population, you'll use finance to get your car. Which is fine.

But Service personnel, unlike most of the population, can get posted to a different location on a regular basis, including abroad. That's fine too.

But it does mean it's important that the type of finance you use reflects that possibility.

For the vast majority, one of the following four types will be the most suitable:

Personal loan: A simple repayment loan – you borrow money to pay for the car and repay what you've borrowed, plus interest.

You'll own the car from day one. But if you get posted elsewhere and sell the car before you've paid back all you borrowed, you'll have to keep making your payments until you have.

Hire purchase: Similar to a personal loan, but you're hiring the car until your last payment, at which point you own it.

The interest rate and monthly payments are usually lower. Because the finance company owns the car while you're hiring it, you'll need to get permission if you want to take it abroad (which is usually granted – see below).

Personal contract purchase (PCP): Similar to hire purchase, but you're only paying for how much the car's value depreciates, not the whole cost, which brings monthly payments down a lot.

If you want to own the car after your last monthly payment, you pay a 'balloon' payment which is an amount similar to what the car is then worth. This is the most popular type of finance currently.

Personal contract hire (PCH): Similar to PCP, but you won't own the car and must hand it back when you've made your last payment.

If you hand it back early, you'll still have to make the remaining payments – which could be costly if you get posted abroad and won't be taking the car with you. Because of this risk, this will usually be the least suitable type of finance for Service personnel.

The vast majority of Service personnel choose the right product for their circumstances, and they keep their car, leave it behind or sell it without anything going wrong.

But some Service personnel have faced substantial charges or haven't been able to take their car with them, maybe because they took out the wrong type of finance, or took it out for the wrong length of time.

This is preventable, but it does require the right people getting the right information at the right time, and some thought about the right type of finance under the circumstances, before you sign on the dotted line.

So what can be done to prevent things going wrong?

By all working together and raising awareness.

The Armed Forces Covenant team is doing this by drawing up a protocol, agreed by motor finance providers, car dealers and the MOD.

Each is committing to a number of things:

Car dealers will take into account your circumstances (especially the likelihood of an overseas posting) in their recommendations, and explain how the type of finance they're recommending works and what the options are if you get posted;

If you're posted overseas before the end of your finance agreement, **motor finance providers** will do their best to find a solution including, if you wish, taking your car with you; and

The **MOD and Finance Leasing Association (FLA)** will continue to work together behind the scenes to make this work, for example by ensuring that dealership staff are trained in Service personnel issues, by raising awareness across the industry and the Services, and by resolving complaints.

You too can make a big difference – when buying a car and talking finance, let the dealer know you're in the Services and the likelihood of an overseas posting and when it might be.

The dealer will then be able to recommend the right finance option – which should mean one less thing for you to worry about when you next get posted.

