

PERSONAL CONTRACT HIRE

Personal Contract Hire is contract hire for private individuals.

The car is leased for a predetermined period by the individual and although it is held in their possession the car is not actually owned by them. To all intents and purposes, they are purchasing the usage of the car for that period rather than purchasing the car itself.

At the end of the contract period, the individual can simply walk away by returning the car to the leasing company.

In determining the amount of the payments, the leasing company will take into account the initial cost of the vehicle and the expected value at the end of the contract to account for depreciation and the effect of mileage/wear and tear on the vehicle.

The repayments essentially cover the cost of funding this difference.

Advantages

- ✓ No unexpected depreciation to fund - the leasing company estimates the final depreciation at the outset and the amount repayable is based on this estimate and not the actual depreciation.
- ✓ No tying up large lumps of money - by only paying for the expected change in value over a period of time, this can provide access to more prestigious vehicles rather than requiring the whole amount be funded included the portion that would then be repaid back upon sale of the car in the future.
- ✓ Running costs included - it is usual for personal contract hire arrangements to include maintenance of the vehicle (servicing, tyres etc), Roadside Assistance and road fund license for the entire term.
- ✓ Affordable repayments - the repayment rate for a personal contract hire arrangement will likely be lower than for a comparable loan, although this varies.
- ✓ Fixed cost motoring for up to 4 years.
- ✓ Full Manufacturer Warranty.
- ✓ Possible tax advantages by opting out of Company Car Schemes and avoiding BIK company car tax.

Personal Contract Hire can be summarised as a NO risk form of vehicle funding that relieves the problems and costs associated with owning a car.