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Car buyers not in control of finance as dealers drive the process

A quarter of drivers who pay for their car on finance didn't understand the finance options open to them when they took the agreement out, while nearly three-quarters (72%) took the first product recommended by a single car dealer without shopping around for the best deal, new research has found.*

The study for [RAC Flexiloan](#) of drivers reveals a picture of confusion and even timidity on the part of car buyers with a majority not having the confidence to challenge a dealer or finance company, nor perhaps the willingness to ensure they don't end up with a poor deal that costs them dear.

A third (30%) of those buyers surveyed said they felt they had little or no control over deciding how much deposit to put down, the size of their monthly payments and the scale of their optional final payment, with the dealer or finance company driving the process.

Of those drivers that ended up arranging finance through a car dealer, a quarter (25%) said they thought the dealer was in more control than they were and a fifth (20%) felt under pressure to take the finance the dealer offered.

One in 10 said that they do not feel in complete control of the payments they are making now – a worrying statistic given what a financial responsibility paying for a car can be.

And of those drivers who have previously paid for a car on finance and have found it difficult to make the payments, nearly half (45%) struggled on but cut back on other expenditure, 12% decided to hand the car back but paid a

penalty for doing so, while 6% worked more hours in order to make ends meet.

Alastair Crossley of RAC Flexiloan said: “It’s easy to see the appeal of driving away a new or nearly new car by paying a low deposit with low monthly payments as this is something that is used by car dealers across the country to encourage us to part with our hard-earned cash. But our research suggests just how in control dealers and car finance companies are when it comes to deciding how much buyers end up spending – which is a worry.

“Let’s face it – a car is one of the single biggest financial commitments we can make and we should, in theory, enter any financial agreement armed with the right information and the confidence to challenge a poor deal when we see one. But our research suggests that it is actually the dealer or finance company that is really running the show. This is something the RAC wants to begin to challenge with the launch of our new flexible loan product, RAC Flexiloan.”

The RAC Flexiloan product offers the sorts of benefits enjoyed by those used to popular Personal Contract Purchase (PCP) car finance plans – including options for a low deposit and monthly payments and a choice of how to pay off the remainder of the balance – with the added bonuses of being able to buy any car at least two years old from a dealer or private seller, ownership of the car from day one and no prospect of penalty fees at the end of the agreement.

Much like a conventional car loan, the buyer is provided with funds up-front to pay for the car of their choice outright – and unlike with existing finance products like PCP this could be anything from a car just a few year’s old sold through a main dealer right through to a used vehicle featured on a private listing on the likes of RACcars.co.uk

The customer can select their deposit, monthly payments, loan term and final payment on the Flexiloan website and easily see how changing one can affect another – so for instance, if they have a bigger deposit to put down in the first place, they can correspondingly choose lower monthly payments and/or a smaller final payment.

At the end of the agreement, customers can choose how to pay off the remainder – either in one go, re-finance what is remaining of the loan, or sell

the car to cover the cost of the final payment. And because they are in complete control of the loan, there are no nasty surprises such as excess mileage charges to pay.



[Watch video on YouTube here](#)

Key features of RAC Flexiloan are:

- Choose from any car that is at least two years old on sale anywhere in the UK – you're not tied to one specific manufacturer or dealer
- Easily see how changing one part of your payment affects other parts – complete transparency of what you'll pay
- Full ownership of the car from day one
- No extra charges payable at the end of the finance period
- Know your interest rate via a quick 'soft' credit check which has no effect on your credit report

Alastair continued: "We saw an opportunity to provide those looking for their next car with a radically different offering and one that puts them in complete control from beginning to end. Flexiloan gives buyers the flexibility which schemes like PCP offer, but then offers so much more: buyers can

choose to buy any car that is at least two years old and can arrange their finance securely online, meaning there is no need for awkward conversations with pushy sales agents.

“Just as the RAC has innovated to help its members at the roadside – such as being the first breakdown company to provide drivers with a universal spare wheel if their car doesn’t have one in the boot – we are now determined to do the same when it comes to finance.”

Notes to Editors

* Sample: RAC Opinion Panel research of 400 drivers who paid for their last vehicle on finance

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