

Car Finance - UK - January 2012

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"Over the past two years car finance providers have improved their finance penetration of private new car sales, which is helping to drive profitability in a difficult trading environment. Maintaining this level of penetration will be crucial to the market's success going forward."

– Sarah Hitchcock, Senior Analyst – Financial Services



In this report we answer the key questions:

- How has the car finance market performed recently?
- And how is the wider motor retailing industry faring?
- What is the outlook for the new car market in 2012?
- How often are people replacing their cars?
- Will changes in the automotive distribution chain hit demand for car finance?
- Are car supermarkets making much of an inroad into the used car market?
- How has the industry reacted to the idea of further changes to consumer credit regulation?

The point-of-sale car finance market, like the car retail market, is divided into two main sectors: new and used. The main financing options are:

- Hire purchase (HP)
- Personal contract purchase (PCP)
- Lease purchase.

These products are distributed through dealer networks and other retail outlets, and supplied by specialist motor finance providers and the finance arms of car manufacturers.

Industry regulation

All the above products are regulated by the Office of Fair Trading (OFT) under the Consumer Credit Act 1974 and subsequent revisions, including changes introduced by the Consumer Credit Act 2006.

Further revisions to the Consumer Credit Act have been made following implementation of the Consumer Credit Directive, a new European Union (EU) directive that came into force on 1 February 2011. Further details can be found in the Internal Market Environment section.

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