

# Car Finance - UK - 2021

Report Price: £2195 | \$2995 | €2600

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

## This report looks at the following areas:

- The impact of COVID-19 on the car finance market and the wider car retailing market.
- How driving habits have changed over the past year and whether these will prevail post-pandemic.
- Consumer intentions to buy a new/used car, roughly when and what type of vehicle.
- Attitudes towards car ownership and interest in car finance solutions.

55% of UK drivers say their car has become even more vital to them than it was before the coronavirus pandemic and 42% are using their vehicle more regularly since the start of the outbreak. Mintel's research also shows that driving habits are changing, with people using their cars less for commuting and more for shorter essential and leisure trips.

Yet COVID-19 has severely hampered demand for car finance over the past year. New car finance agreements taken out at the point of sale were down by a fifth in 2020, correlating with a sharp fall in both new and used car sales during the pandemic. Lockdown restrictions and consumers delaying major purchases were the main contributory factors to the decline.

In contrast, car subscription services – which are viewed as a potential future threat to car finance arrangements – have benefited from the recent change in driving habits, with providers reporting soaring demand. Nevertheless, Mintel's research shows that the majority of drivers still prefer to 'own their own car', with most dealer finance solutions providing that option.

The car finance market will rebound over the next few years, not least because most consumers view their car as an essential mode of transport. There is likely to be a fair amount of pent-up demand, which will help drive the recovery, along with increased interest in green cars. 41% of drivers who are planning a car purchase within the coming year expect to opt for a hybrid or electric



"It has been a very challenging time for the car finance market over the past 12 months, with a sharp decline in car sales and Brexit uncertainty dampening confidence."

- Sarah Hitchcock, Associate Consultant – Financial Services

## Buy this report now

Visit	store.mintel.com
EMEA	+44 (0) 20 7606 4533
Brazil	0800 095 9094
Americas	+1 (312) 943 5250
China	+86 (21) 6032 7300
APAC	+61 (0) 2 8284 8100

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.



model. This is a positive trend for providers of point-of-sale finance. As green vehicles tend to be more expensive than traditional models, this could potentially prompt more eco-conscious car buyers to consider buying on credit.

### What's included

- Executive Summary
- Full Report PDF
- Infographic Overview
- Powerpoint Presentation
- Interactive Databook
- Previous editions

### Did you know?

This report is part of a series of reports, produced to provide you with a more holistic view of this market.

All Mintel 2020 reports contain specific COVID-19 related research and forecasts. The world's leading brands rely on Mintel reports for the most complete, objective and actionable market intelligence.

### Buy this report now

Visit	<a href="https://store.mintel.com">store.mintel.com</a>
EMEA	+44 (0) 20 7606 4533
Brazil	0800 095 9094
Americas	+1 (312) 943 5250
China	+86 (21) 6032 7300
APAC	+61 (0) 2 8284 8100

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

## Table of Contents

### OVERVIEW

- Key issues covered in this Report
- COVID-19: market context
- Economic and other assumptions
- Products covered in this Report
- Source used for market size

### EXECUTIVE SUMMARY

- **Impact of COVID-19 on the car finance market**  
Figure 1: Short-, medium- and long-term impact of COVID-19 on the consumer car finance market, 1 June 2021
- **The market**
- **Market size and forecast**  
Figure 2: Forecast of the consumer point-of-sale car finance market, by total number of new contracts, 2016-26
- **New car registrations down by 29% in 2020...**
- **...although green cars bucked this trend**
- **Over 90% of new cars are sold via dealer finance**
- **Penetration is much lower in the used car market, but growing**
- **Discretionary commission banned**
- **Companies and brands**
- **Volkswagen, Ford and Vauxhall Finance are the largest captives...**
- **...while Santander and Black Horse are the leading third-party specialists**
- **Payment holidays prove popular with car finance customers**
- **Business shifts online...**
- **...and is set for future growth**
- **The consumer**
- **Impact of COVID-19 on driving habits**
- **Good prospects for both virgin and repeat business**  
Figure 3: Usage and consideration of the main types of car finance, April 2021
- **Finance enables people to replace their cars more frequently**
- **Car buyers use a mix of channels: in-person, online and virtual**  
Figure 4: Agreement with statements about arranging finance, in order of significance, April 2021
- **11% of car finance customers have taken a payment holiday in the past year**

### What's included

- Executive Summary
- Full Report PDF
- Infographic Overview
- Powerpoint Presentation
- Interactive Databook
- Previous editions

### Did you know?

This report is part of a series of reports, produced to provide you with a more holistic view of this market.

All Mintel 2020 reports contain specific COVID-19 related research and forecasts. The world's leading brands rely on Mintel reports for the most complete, objective and actionable market intelligence.

### Buy this report now

Visit	store.mintel.com
EMEA	+44 (0) 20 7606 4533
Brazil	0800 095 9094
Americas	+1 (312) 943 5250
China	+86 (21) 6032 7300
APAC	+61 (0) 2 8284 8100



Report Price: £2195 | \$2995 | €2600

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

- **7 million are planning to purchase a car in the next 12 months...**  
Figure 5: When planning to get (next) car, April 2021
- **...of which, around 3 million are intending to buy green**  
Figure 6: Type of car expected to get, by when planning to get next car, April 2021
- **Flexible terms and shorter contract periods would prompt more to consider car finance**  
Figure 7: Agreement with statements about car ownership and finance, by those who used a finance/lease agreement to obtain current car versus those who bought outright or with a loan, April 2021

ISSUES AND INSIGHTS

- **Changing driving habits, as a result of COVID-19 and the green agenda, will benefit the car finance market**
- **Digital channels will become ever more important and influential**

THE MARKET – KEY TAKEAWAYS

- **Recovery will gather pace towards the end of 2021 and into 2022**
- **COVID-19 has wreaked havoc on the UK car market**
- **Lockdown restrictions boost Click and Collect sales**
- **Car subscription represents a small potential threat**
- **Ban on discretionary commission comes into effect**

MARKET SIZE AND FORECAST

- **Demand for car finance falls as pandemic prompts slump in car sales**  
Figure 8: Short-, medium- and long-term impact of COVID-19 on the consumer car finance market, 1 June 2021
- **Number of consumer car finance contracts down by a fifth in 2020**  
Figure 9: Volume and value of consumer car finance contracts sold at the point of sale, 2016-20
- **Outlook: market will rebound over the next two years**  
Figure 10: Forecast of the consumer point-of-sale car finance market, by volume and value, 2021-26  
Figure 11: Volume of consumer car finance contracts sold at the point of sale, 2016-26  
Figure 12: Value of consumer car finance contracts sold at the point of sale, at current prices, 2016-26
- **Market drivers and assumptions**

What's included

- Executive Summary
- Full Report PDF
- Infographic Overview
- Powerpoint Presentation
- Interactive Databook
- Previous editions

Did you know?

This report is part of a series of reports, produced to provide you with a more holistic view of this market.

All Mintel 2020 reports contain specific COVID-19 related research and forecasts. The world's leading brands rely on Mintel reports for the most complete, objective and actionable market intelligence.

Buy this report now

Visit	store.mintel.com
EMEA	+44 (0) 20 7606 4533
Brazil	0800 095 9094
Americas	+1 (312) 943 5250
China	+86 (21) 6032 7300
APAC	+61 (0) 2 8284 8100



Report Price: £2195 | \$2995 | €2600

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 13: Key drivers affecting Mintel’s market forecast (prepared on 1 June 2021), 2016–25

- **Conditions are very different from the last recession**

Figure 14: Volume and value of consumer car finance contracts sold at the point of sale, 2007-12

- **Forecast methodology**

### MARKET SEGMENTATION

- **New car sector hit hardest by pandemic**

Figure 15: Volume and value of consumer car finance contracts sold at the point of sale, by condition of car, 2016-20

- **Used car sector continues to account for a growing share of new business**
- **Vehicle prices rise, despite COVID-related pressure, pushing up average advances**
- **Over 90% of new private car sales are funded by dealer finance...**

Figure 16: Proportion of new private car sales bought with a finance agreement at the point of sale, 2016–20

- **...versus just 18% of used car sales**

Figure 17: Proportion of used car sales bought with a car finance agreement at the point of sale, 2016–20

- **PCPs remain the preferred choice for new car buyers**

Figure 18: Proportional distribution of consumer car finance contracts sold at the point of sale, by product type, 2020

- **Why PCPs are popular**
- **Unsecured loans represent a very small part of the dealer product mix**

### CHANNELS TO MARKET

- **Franchised dealers distribute the lion’s share of new car finance...**

- **...and a significant proportion of used car finance sales**

Figure 19: Channel used to purchase last car by those who have bought a used car within the past two years, November 2018 and November 2020

- **Online channels heavily utilised in early stages of buying process...**
- **...and for researching finance options**

### MARKET DRIVERS

- **An immensely difficult trading environment...**

### What's included

Executive Summary

Full Report PDF

Infographic Overview

Powerpoint Presentation

Interactive Databook

Previous editions

### Did you know?

This report is part of a series of reports, produced to provide you with a more holistic view of this market.

All Mintel 2020 reports contain specific COVID-19 related research and forecasts. The world’s leading brands rely on Mintel reports for the most complete, objective and actionable market intelligence.

### Buy this report now

Visit [store.mintel.com](https://store.mintel.com)

EMEA +44 (0) 20 7606 4533

Brazil 0800 095 9094

Americas +1 (312) 943 5250

China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100



Report Price: £2195 | \$2995 | €2600

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

- **...but there are some positives: vaccine roll-out and the EU trade deal**
- **Click and Collect is here to stay**
- **A high savings ratio and low interest rates will help drive the recovery**
- **New and used car sales have fallen**  
Figure 20: Volume of new car registrations and used car sales via dealers, 2016-20
- **Private sales account for a falling proportion of total new registrations**  
Figure 21: Number of new car registrations, by type of customer, 2016-20
- **Around one in five cars on the road are financed**
- **Electric cars accounted for nearly one in six new car registrations in 2020**
- **Alternatives to car ownership see growth**
- **Ban on discretionary commission comes into effect**

**COMPANIES AND BRANDS – KEY TAKEAWAYS**

- **Supply end of the market offers little scope for newcomers to make significant inroads...**
- **...unlike the distribution side, which is more crowded**
- **Payment holidays prove popular with car finance customers**
- **Digitising the car-buying journey boosts online sales of car finance...**
- **...and offers the greatest opportunity for future growth**

**THE MAIN SUPPLIERS**

- **Most of the largest manufacturers are served by ‘captive’ operations**
- **Ford and Volkswagen are the most popular car marques in the UK**  
Figure 22: Share of new car registrations (private, business and fleet), by manufacturer, 2019 and 2020
- **Volkswagen Financial Services maintains its market leader position**
- **Ford Credit’s UK portfolio declined by nearly a fifth in 2020**
- **Banque PSA Finance increases penetration rate**
- **Other large captives**
- **Just two big-name specialists remain**
- **Santander Consumer UK**
- **LBG and Black Horse**
- **Significant others**

**What's included**

- Executive Summary
- Full Report PDF
- Infographic Overview
- Powerpoint Presentation
- Interactive Databook
- Previous editions

**Did you know?**

This report is part of a series of reports, produced to provide you with a more holistic view of this market.

All Mintel 2020 reports contain specific COVID-19 related research and forecasts. The world’s leading brands rely on Mintel reports for the most complete, objective and actionable market intelligence.

**Buy this report now**

Visit	store.mintel.com
EMEA	+44 (0) 20 7606 4533
Brazil	0800 095 9094
Americas	+1 (312) 943 5250
China	+86 (21) 6032 7300
APAC	+61 (0) 2 8284 8100

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

### COMPETITIVE STRATEGIES AND INNOVATION

- Car finance is becoming increasingly digitised
- COVID-19 has accelerated this shift
- FCE Bank restructures and launches digital channel
- Banque PSA Finance continues to digitally transform its processes
- Santander Consumer establishes new joint venture with Volvo
- V12 Vehicle launches new prime HP product
- Alphabet launches new PCH platform
- Manufacturers offer interest-free payment holidays to woo new car buyers during pandemic

### ADVERTISING AND MARKETING ACTIVITY

- Car finance attracts a small amount of above-the-line adspend...
- ...which was down 7% in 2020  
Figure 23: Total above-the-line, online display and direct mail advertising expenditure on car finance and unsecured personal loans, 2016-20
- Zuto accounted for more than 70% of total adspend in 2020  
Figure 24: Top six advertisers of car finance products via above-the-line, online display and direct mail channels, 2018-20
- Digital advertising accounted for 84% of total adspend  
Figure 25: Share of above-the-line, online display and direct mail advertising expenditure on car finance, by media type, 2018
- Nielsen Ad Intel coverage

### THE CONSUMER – KEY TAKEAWAYS

- The pandemic has altered driving habits but people’s commitment to the car is as strong as ever
- Good prospects for both virgin and repeat business
- Point-of-sale finance will face increased pressure from online channels
- 7 million are planning to purchase a car in the next 12 months
- Flexible terms and shorter contract periods would prompt more to consider car finance

### IMPACT OF COVID-19 ON CONSUMER BEHAVIOUR

- 42% of drivers have been using their car more often during the pandemic

### What's included

- Executive Summary
- Full Report PDF
- Infographic Overview
- Powerpoint Presentation
- Interactive Databook
- Previous editions

### Did you know?

This report is part of a series of reports, produced to provide you with a more holistic view of this market.

All Mintel 2020 reports contain specific COVID-19 related research and forecasts. The world’s leading brands rely on Mintel reports for the most complete, objective and actionable market intelligence.

### Buy this report now

Visit	store.mintel.com
EMEA	+44 (0) 20 7606 4533
Brazil	0800 095 9094
Americas	+1 (312) 943 5250
China	+86 (21) 6032 7300
APAC	+61 (0) 2 8284 8100



Report Price: £2195 | \$2995 | €2600

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 26: Type of transport used more often during pandemic, by drivers and non-drivers, April 2021

- **Frequency of car usage set to return to normal post-pandemic**

Figure 27: Frequency of using a car/other private motor vehicle before pandemic and expected frequency afterwards, April 2021

- **Pre-pandemic, over 80% of drivers used their car for frequent 'essential' trips**

Figure 28: Reason for using a car/other private motor vehicle before the pandemic, April 2021

- **Many consumers will remain wary of using public transport**

Figure 29: Agreement with statements about using public and private modes of transport, April 2021

- **Most people think cars will remain the most convenient form of travel**

Figure 30: Agreement with statement about cars being the most convenient mode of transport, April 2021

#### USAGE AND CONSIDERATION OF CAR FINANCE

- **There is a large target audience for car finance...**

Figure 31: Proportion of adults aged 17+ with a driving licence, by gender and age, April 2021

- **...with 35 million car drivers**

Figure 32: Type of vehicle currently driven by licence holders, April 2021

- **HP is the most commonly used type of car finance**

Figure 33: Usage and consideration of the main types of car finance by drivers with a full licence, April 2021

- **Good prospects for repeat business**

Figure 34: Usage and consideration of the main types of car finance (netted responses), April 2021

- **64% of drivers would consider using car finance**

Figure 35: Usage and consideration of the main types of car finance (netted responses), April 2021

#### HOW AND WHEN OBTAINED CURRENT CAR

- **4% of drivers are leasing their car**

Figure 36: How acquired current car, April 2021

- **Couples with a household income of £50K-£75K have a strong propensity to buy a car on finance**

- **42% have had their car for less than three years**

#### What's included

Executive Summary

Full Report PDF

Infographic Overview

Powerpoint Presentation

Interactive Databook

Previous editions

#### Did you know?

This report is part of a series of reports, produced to provide you with a more holistic view of this market.

All Mintel 2020 reports contain specific COVID-19 related research and forecasts. The world's leading brands rely on Mintel reports for the most complete, objective and actionable market intelligence.

#### Buy this report now

Visit [store.mintel.com](https://store.mintel.com)

EMEA +44 (0) 20 7606 4533

Brazil 0800 095 9094

Americas +1 (312) 943 5250

China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100



Report Price: £2195 | \$2995 | €2600

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 37: Length of time had car (drivers who bought or lease their car only), April 2021

- **45% acquired a new car**

Figure 38: Length of time had car and condition when acquired, April 2021

- **Used car finance faces greater competition from personal loans**

Figure 39: How acquired current car, by length of time had it and condition when acquired, April 2021

### PRE-PURCHASE BEHAVIOUR

- **Majority research online prior to purchasing a new car**

Figure 40: Agreement with statements about arranging finance, in order of significance, April 2021

- **Price comparison sites play a key role in personal loan sector of the market**

Figure 41: Agreement with statements about arranging finance, by type of product used to buy current car, April 2021  
 Figure 42: Assessing what people consider the most important factor in determining affordability, April 2021

### CHANGES TO CONTRACT TERMS AND MONTHLY PAYMENTS

- **11% of car finance customers have taken a payment holiday over the past year...**

Figure 43: Changes made to payments or contract term over the past year, by type of product used to acquire current car, April 2021

- **...5% extended their contract term**

### CAR-BUYING INTENTIONS

- **16% of licence holders are planning to buy a car within the coming year**

Figure 44: When planning to get (next) car, April 2021

- **53% expect their next car to be 'new' car...**

Figure 45: Type of car most likely to get, April 2021

- **...while 39% are set to go green**

Figure 46: Type of car most likely to get, by when planning to get next car, April 2021

- **25% expect to acquire their car with finance**

Figure 47: Funding method likely to use, by when planning to get next car, April 2021

### ATTITUDES TOWARDS CAR OWNERSHIP AND FINANCE

- **Vast majority will go for the best car they can afford**

### What's included

Executive Summary

Full Report PDF

Infographic Overview

Powerpoint Presentation

Interactive Databook

Previous editions

### Did you know?

This report is part of a series of reports, produced to provide you with a more holistic view of this market.

All Mintel 2020 reports contain specific COVID-19 related research and forecasts. The world's leading brands rely on Mintel reports for the most complete, objective and actionable market intelligence.

### Buy this report now

Visit	store.mintel.com
EMEA	+44 (0) 20 7606 4533
Brazil	0800 095 9094
Americas	+1 (312) 943 5250
China	+86 (21) 6032 7300
APAC	+61 (0) 2 8284 8100

Report Price: £2195 | \$2995 | €2600

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 48: Agreement with statements about car ownership and finance, April 2021

- **More flexible payment terms and short contracts could widen appeal**

Figure 49: Agreement with statements about car ownership and finance, by those who used a finance/lease agreement to obtain current car versus those who bought outright or with a loan, April 2021

**APPENDIX – DATA SOURCES AND ABBREVIATIONS**

- **Abbreviations**
- **Consumer research methodology**
- **Other sources**

**APPENDIX – MARKET SIZE AND FORECAST**

- **Total market forecast**
- **Volume of total new business**  
 Figure 50: Volume of consumer car finance contracts sold at the point of sale – fan chart, 2016-26  
 Figure 51: Forecast of consumer car finance contracts at the point of sale – best- and worst-case scenarios, 2021-26
- **Value of total new business**  
 Figure 52: Value of consumer car finance contracts sold at the point of sale – fan chart, 2016- 26  
 Figure 53: Forecast of consumer car finance advances at the point of sale – best- and worst-case scenarios, 2021-26
- **Sector forecast: new**
- **Volume of new car business**  
 Figure 54: Volume of consumer new car finance contracts sold at the point of sale – fan chart, 2016-26  
 Figure 55: Forecast of consumer new car finance contracts at the point of sale – best- and worst-case scenarios, 2021-26
- **Value of new car business**  
 Figure 56: Value of consumer new car finance contracts sold at the point of sale – fan chart, 2016- 26  
 Figure 57: Forecast of consumer new car finance advances at the point of sale – best- and worst-case scenarios, 2021-26
- **Sector forecast: used**
- **Volume of used car business**  
 Figure 58: Volume of consumer used car finance contracts sold at the point of sale – fan chart, 2016-26

**What's included**

- Executive Summary
- Full Report PDF
- Infographic Overview
- Powerpoint Presentation
- Interactive Databook
- Previous editions

**Did you know?**

This report is part of a series of reports, produced to provide you with a more holistic view of this market.

All Mintel 2020 reports contain specific COVID-19 related research and forecasts. The world’s leading brands rely on Mintel reports for the most complete, objective and actionable market intelligence.

**Buy this report now**

Visit	store.mintel.com
EMEA	+44 (0) 20 7606 4533
Brazil	0800 095 9094
Americas	+1 (312) 943 5250
China	+86 (21) 6032 7300
APAC	+61 (0) 2 8284 8100

Report Price: £2195 | \$2995 | €2600

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 59: Forecast of consumer used car finance advances at the point of sale – best- and worst-case scenarios, 2021-26

- Value of used car business**

Figure 60: Value of consumer used car finance contracts sold at the point of sale – fan chart, 2016- 26

Figure 61: Forecast of consumer used car finance advances at the point of sale – best- and worst-case scenarios, 2021-26

- Forecast methodology**

### What's included

Executive Summary

Full Report PDF

Infographic Overview

Powerpoint Presentation

Interactive Databook

Previous editions

### Did you know?

This report is part of a series of reports, produced to provide you with a more holistic view of this market.

All Mintel 2020 reports contain specific COVID-19 related research and forecasts. The world's leading brands rely on Mintel reports for the most complete, objective and actionable market intelligence.

### Buy this report now

Visit [store.mintel.com](https://store.mintel.com)

EMEA +44 (0) 20 7606 4533

Brazil 0800 095 9094

Americas +1 (312) 943 5250

China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100



## About Mintel

Mintel is the **expert in what consumers want and why**. As the world's leading market intelligence agency, our analysis of consumers, markets, product innovation and competitive landscapes provides a unique perspective on global and local economies. Since 1972, our predictive analytics and expert recommendations have enabled our clients to make better business decisions faster

Our purpose is to help businesses and people grow. To find out how we do that, visit **[mintel.com](https://www.mintel.com)**.