This report looks at the following areas:

- Market size and forecast for the car finance market.
- Economic context and market drivers.
- Competitive strategies, launch activity and advertising initiatives in the market.
- Car purchasing intentions and intended use of car finance.
- Popular car finance features and attitudes towards the market.

Car finance is most popular amongst younger consumers. 33% of Younger Millennials with a driving licence purchased their current car using finance. However, this group is also more interested in alternatives to car ownership, including car subscription services and car clubs. This is therefore an important group to focus on, ensuring that products and innovation attract and retain these customers. This could be through product bundles, such as insurance or electric vehicle (EV) packages, deferred payment options or vehicle return policies.

The car finance market faces considerable uncertainty as a result of inflationary pressure and the conflict in Ukraine. Whilst growth is expected in 2022, it will be a challenging year for providers. The impact that the macroeconomic environment has on household finances cannot be ignored and consumers will be looking at ways to save money and maximise value. Cutbacks on spending on cars and driving will be a necessity for some, while others will be more conscious of the costs associated with driving and car ownership and open to changes in this area.

Supply chain issues also pose a major threat to the market. The number of car sales dropped significantly in 2020 and although some recovery was observed in 2021, levels are still down compared to before the pandemic. Further delays as a result of reliance on components and raw materials from Ukraine and Russia mean that consumers face long wait times for new cars. This is driving up...
the price of used cars, prompting more people to turn to car finance in order to purchase a used car.

The pressure on household finances paired with rising car prices does create an opportunity for car finance, especially among people who may not have considered the product before. Demonstrating added value to consumers will be crucial in widening consideration. By offering transparency through online policy management and flexibility using deferred payment terms and vehicle handback policies, car finance providers can retain current customers whilst also attracting new consumers to the market.
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