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### **Personal Contract Hire (PCH)**

Personal Contract Hire (PCH) is based on a fixed term contract where customers pay an agreed monthly rental for the use of a vehicle for a set period. It benefits customers wishing to eliminate the financial risk associated with disposal of a vehicle. Contracts are usually taken over two, three or four years, providing a high level of flexibility. Some contracts can be formally extended beyond the end of contract date if required. PCH is very similar to business Contract Hire; both are based on a fixed annual mileage agreed on inception of the contract. You will need to work out how many miles you drive each year before a quote can be obtained. If you do exceed the agreed mileage at the end of your contract you will pay an excess mileage charge, which will have been agreed upon prior to signing your finance agreement. If you want fixed motoring costs consider adding maintenance to your contract. Maintenance generally covers servicing, routine maintenance, tyres, exhausts and batteries etc. It is important that the vehicle is returned in accordance with the guidelines set out in the 'Fair Wear and Tear Guide', a copy of which is made available to customers at the beginning of their PCH agreement.

#### **Advantages**

- Flexible initial rental
- Fixed term contract
- Flexible term and mileage to suit your requirements
- You only pay for the use of the vehicle
- At the end of your contract simply hand the vehicle back
- Option of including maintenance with the contract
- No depreciation or disposal risk

#### **Disadvantage**

- Early termination can be expensive
- If you do more miles than stated in your contract you will be charged excess mileage for each mile over that stated in your contract
- You must look after the vehicle and return it in a well maintained condition otherwise you will be charged for any damage over and above that stated in the 'Fair Wear and Tear Guide'
- You must have fully comprehensive vehicle insurance
- You will never own the vehicle as there is no option to buy it

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### **Personal Contract Purchase (PCP)**

Personal Contract Purchase (PCP) is ideal for any individual who would like options at the end of their finance agreement. PCP customers make an initial payment when they first take out their contract, then they pay fixed monthly payments and finally have an Optional Final Payment (OFP) at the end at the end of the contract which is also referred to as a GFV (Guaranteed Future Value). You can trade-in your vehicle at a dealership and take another vehicle from them, if the trade-in value is larger than the OFP you will be able to use the difference towards a deposit on your next new vehicle. Or, you can simply return the vehicle to the funder, as long as you have not exceeded the mileage and the vehicle is in an appropriate condition for its age there will be no charge. Finally, you can keep the vehicle, either by paying the OFP in full, or, by finding a company to re-finance the OFP.

#### **Advantages**

- Low initial payment
- Fixed monthly payments
- You may be able to refinance the OFP
- No depreciation concerns if you wish to walk away at the end
- Maintenance and servicing can be included
- Fixed OFP when you first take out the contract

#### **Disadvantages**

- At the end of the contract you will have to decide whether you wish to sell the vehicle, return it or keep it
- You must have fully comprehensive vehicle insurance
- If you decide to return the vehicle at the end of the contract, it must be returned in a well maintained condition otherwise you will be charged for any damage over and above that stated in the 'Fair Wear and Tear Guide'