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Motor Vehicle Finance Consumer Research

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1. Executive Summary

Background and objectives

On 11th January 2024, the FCA announced a review into whether motor finance customers have been overcharged because of the past use of discretionary commission arrangements (DCAs)¹. This follows a high number of complaints from customers to motor finance firms claiming compensation for commission arrangements, prior to the FCA banning discretionary commission arrangements in 2021.

The market for motor finance is large and the impact of any action taken could be significant. Insights from consumer research are essential for the FCA to have a well-rounded understanding of the market, including the impact of any potential intervention on consumer outcomes.

The FCA commissioned Yonder to conduct consumer research amongst motor finance customers to provide a robust evidence base on consumers' usage, understanding and decisions concerning motor finance, to better understand the experiences of motor finance holders, and the reasons why they use these products. The key research objectives included:

- How do consumers choose their motor finance, and do they shop around?
- What motor finance features (price and non-price features) do consumers care about?
- What impact would an increase in the price of motor finance have on consumer behaviour and decision making?
- If consumers had no access to motor finance products, would they still purchase a vehicle? If so, what finance alternatives would they use (such as personal loans and credit cards) to purchase a vehicle?
- Would / does disclosure of the commission influence consumers' decisions when getting motor finance?

Research sample and methodology

Research covered both current holders of motor finance (those who have taken out a product between 2019 and October 2024) and those who are currently considering motor finance, using both quantitative (n=5,000 online survey) and qualitative (20 in-depth interviews) methodologies.

The research provides a robust understanding of the purchase and experience of motor finance holding. However, as with any consumer research there are some limitations that need to be considered around sample selection, financial characteristics and the self-reported nature of results. See Chapter 2 ([Background and Methodology](#)) for further discussion on any limitations and sample details.

¹ Definition of DCAs: Discretionary Commission Arrangements (DCA) were an arrangement between lenders (the credit provider) and brokers (e.g. the dealership) where the amount received by the broker is linked to the interest rate that the customer pays and which the broker has the power to set or adjust

Throughout the report, the condition of vehicle (new / nearly new / used) and consumer characteristics are key groups analysed for differences in attitudes and behaviours. These areas of analysis are key as they are more likely to have an impact on consumer decision-making and consumer response to changes in the price of motor finance.

Consumer understanding and perceptions of motor finance

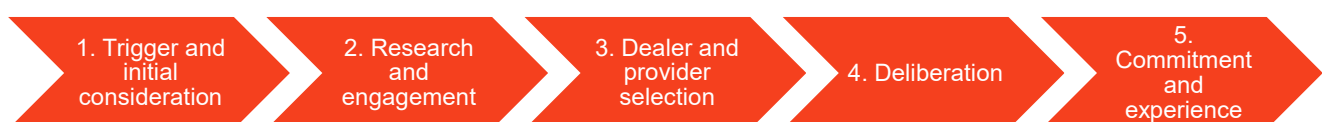
Consumers generally view motor finance favourably as it makes vehicles more affordable and accessible, therefore giving them access to vehicles which may otherwise be beyond their reach.

However, **engagement with the motor finance element of the vehicle purchase process was often found to be quite low**. Most consumers focus on getting the vehicle they want and ensuring that monthly payments are within their budget, while paying less attention to and showing a more limited understanding of other elements of the motor finance deal.

Consumer understanding of the relationship between vehicle dealers and motor finance can also be limited. Whilst consumers report a broadly negative perception of dealerships, this does not extend to their role in motor finance. Dealers are often viewed as playing intermediaries with little or no control over the financing arrangement.

The consumer motor finance purchase journey

As the chart below illustrates, for most consumers the **decision-making journey for motor finance comprises five broad stages**: trigger and initial consideration, research and engagement, dealer and provider selection, deliberation, and commitment and experience. For some consumers this process is well planned out and linear, whilst others may consider different motor finance options simultaneously, with triggers and the process being non-linear and less clear.



For consumers within our sample **motor finance purchases were often triggered by external factors** (e.g. necessity, financial changes) **or the ending of their previous motor finance deal**. At this stage consumers tended to focus on the vehicle purchase with decisions influenced by vehicle type or brand. Nevertheless, consumers also reported monthly payments for motor finance as a key consideration.

As consumers have different entry points to motor finance, shopping behaviour and the amount of consideration can vary significantly. These are likely to be influenced by both past experiences with motor finance and dealerships (if any), and how urgently a vehicle is needed.

- **Around half of current finance holders (51%) shopped around for finance deals** and providers. Current holders with sub-prime characteristics were more likely to shop around for finance (67%).

- Consumers think they will shop around more (74% of considerers indicated that they will shop around) than actually do in practice.
- Consumers who did not shop around reported familiarity with the provider (47%) or thinking it was the only option they have (23%) as the main reason for their decision.

When it comes to selecting between deals and providers, **most consumers reported ensuring that monthly payments are within their budget as the main reason for choosing a motor finance deal** (reported by 68% of current holders and 49% of considerers). In addition to affordability considerations, recommendations from friends and family also play an important role in the decisions of consumers with near- and sub-prime characteristics.

In our sample, most current holders of motor finance agreed that the provider explained the terms of the finance clearly (78%) and that they understand what was going on at each stage (82%). While **most consumers reported a good level of understanding of the terms of their agreement**, this often proved to be more superficial when probed further.

- For example, **some consumers noted overlooking key contract details and remaining unaware of negotiation opportunities** (e.g. 29% of current holders reported not knowing that negotiation was possible).
- Where consumers reported negotiating, this mostly focussed on the price of the vehicle or add-ons rather than finance. Consumers with near- and sub-prime characteristics and those purchasing used vehicles were less likely to have negotiated.

Customer satisfaction with motor finance, which ultimately shapes whether consumers choose to use it again, was heavily influenced by early engagement as well as other factors such as the financial impact of monthly payments, satisfaction with their agreement and the quality of customer care from the dealer or provider.

Consumer reaction to changes in prices and motor finance availability

The research used advanced analytics, through a choice-based conjoint exercise, to understand the likely impact of changes in the price of motor finance.

Monthly payment amounts have the biggest influence on choice of motor finance option, followed by length of term. Generally, motor finance holders and considerers will choose options that reduce monthly payments over the overall cost of financing (preferring longer-term lengths if available).

Using a set of illustrative scenarios, **increasing motor finance interest rates** for consumers purchasing new and used vehicles **reduces take up of motor finance by between 1.5-3% per 1 percentage point increase in interest rates**, if consumers have no alternative finance options available, suggesting at least **some degree of price sensitivity** for these consumer groups.

- **Consumers with sub-prime characteristics appear less sensitive to increases in interest rates.**
This may reflect that, given their circumstances, these consumers generally have fewer alternatives

available and may therefore consider higher interest rates and monthly payments for motor finance to be more acceptable or necessary.

- Under a set of additional scenarios where consumers have an alternative finance option available (e.g. a personal loan with a constant interest rate) the decrease in the take up of motor finance in response to an increase in interest rate is slightly more pronounced. This is due to consumers switching to the alternative finance option (i.e. personal loan) rather than deciding not to purchase a vehicle. Taken together, **consumers appear to be more sensitive to changes in the price of motor finance when alternative finance options are also available to them.** At the same time, in cases where the interest rate for the personal loan remains below that of the typical motor finance product, **a sizeable share of consumers continues to prefer the typical motor finance deal offered despite the availability of an alternative finance option at a lower rate.**

If their current product became unavailable, most current holders of motor finance would be willing to switch to another form of motor finance. Current holders with both new and used vehicles would most commonly choose to switch to PCP, HP or Conditional Sale as their first-choice alternative. In addition, personal loans are more common as a first preference amongst used vehicle owners while those with new vehicles show a higher preference for switching to PCH or credit cards.

If no finance options were available to them, 65% of current motor finance holders would not have bought a vehicle, further highlighting the importance of motor finance in enabling the purchase of a vehicle.

Impact of discretionary commission arrangements

Few consumers have a good understanding of DCAs, with around half of current holders and two thirds of considerers having never heard of them. Even when consumers have heard of DCAs unprompted, their understanding is often quite limited.

Had the presence of DCAs been disclosed as part of their deal at the point of sale, most respondents think they would have tried to negotiate their deal or looked at alternative options. However, it should be noted that the survey methodology can affect how respondents answer questions relating to sensitive topics such as DCA, in that respondents may be more likely to overclaim certain behaviours or actions through an online survey.

Ultimately, numerous additional factors may also influence how a consumer may act upon being informed of the presence of DCAs in motor finance deals, including understanding of what DCAs are, their tolerance for cost and mixed willingness to shop around. Even in a research discussion not all consumers recognised or understood that DCAs could cause them to ultimately pay more interest unnecessarily or clearly recognise the actual impact of higher interest on their overall finance costs.

2. Background and methodology

Project background and objectives

On 11th January 2024, the FCA announced a review into whether motor finance customers have been overcharged because of the past use of discretionary commission arrangements (DCAs). This follows a high number of complaints from customers to motor finance firms claiming compensation for commission arrangements, prior to the FCA banning discretionary commission arrangements in 2021.

At the time of writing this report, the FCA has [paused the deadline for motor finance firms](#) to provide a final response to relevant customers and is undertaking detailed analysis to review historical motor financial commission arrangements and sales across several firms, to determine the most appropriate next steps. The market for motor finance is large (estimated £39 billion² in 2024, Finance and Leasing Association) and the impact of any action taken could be significant. Insights from consumer research are essential for the FCA to have a well-rounded understanding of the market, including the impact of any potential intervention on consumer outcomes.

The FCA commissioned Yonder to conduct consumer research to provide a robust evidence base around consumers' usage, understanding and decisions around motor finance, to better understand the experiences of motor finance holders, and the reasons why they use these products. The key research objectives included:

- How do consumers choose their motor finance, and do they shop around?
- What motor finance features (price and non-price features) do consumers care about?
- What impact would an increase in the price of motor finance have on consumer behaviour and decision making?
- If consumers had no access to motor finance products, would they still purchase a vehicle? If so, what finance alternatives would they use (such as personal loans and credit cards) to purchase a vehicle?
- Would / does disclosure of the commission influence consumers' decisions when getting motor finance?

How many consumers hold motor finance?

To provide an illustration of the size of the motor finance market, the FCA's [Financial Lives Survey \(FLS\)](#) in 2024 found that 11% (approx. 6.1 million) of UK adults held a motor finance product at the time of the survey or in the previous 12 months. It also showed that 7% of UK adults who applied for motor finance products were refused.

This research extends the FLS results along several dimensions including:

² <https://fla.org.uk/news/fla-members-provided-155-billion-of-new-lending-in-2024/>

- Covering a longer timeframe (5 years vs 12 months).
- Assessing consumer choice and behaviour for both current holders and considerers of motor finance.
- Complementing the quantitative survey with in-depth interviews.
- Gathering evidence on broader aspects regarding motor finance, e.g. consumer reaction to price increases, impact of DCA disclosure.

The remainder of this report focusses on the primary data collected through the quantitative survey and qualitative interviews. As discussed earlier, this quantitative data is from holders and considerers of four of the most common types of motor finance (PCP, HP, Conditional Sale and personal loan) and therefore does not include finance types related to leasing, the use of credit cards for the purpose of purchasing a vehicle or other less common financing types. As such, our research sample can be considered as representative of the largest part of the market, but it does not cover the entirety of it.

Sample and methodology

In the research, we have spoken to a mixture of current holders of motor finance and those who are considering motor finance, using both quantitative and qualitative methodologies. This dual method approach was undertaken to capture both the depth of consumer perceptions and the customer journey through qualitative interviews, combined with a quantitative survey to provide robust data on broader consumer behaviour regarding the purchase of motor finance.

1. Quantitative survey: 25 minutes online survey n=5,000 in total:

4,000 current motor finance holders:

- The sample was designed to provide a robust understanding of holders of the following motor finance products of interest. Individuals were eligible for the survey if they took out any of the following in the last 5 years (2019):
- Personal Contract Purchase (PCP)
- Hire Purchase (HP)
- Personal loan for the purpose of buying a car / van
- Conditional Sale (CS)

This 5-year cut off period for holding a motor finance was chosen to match the usual maximum length of deals and so be representative of the current market and recent past. It was also felt that it would be too difficult for consumers to recall details of motor finance products taken out before then.

1,000 motor finance considerers:

Individuals currently considering purchasing a vehicle through motor finance (PCP, HP, Conditional Sale, or personal loan) who have a good idea of what type of car or van they want, and a good idea of how they will pay for it.

The vast majority (99%) of considerers did not currently hold one of the four relevant motor finance products (PCP, HP, Conditional Sale or personal loan) however, 57% have held at least one of these products in the past.

Considerers were included in the research to ensure we had a current view on the market, price sensitivity and shopping behaviours.

Fieldwork took place in November 2024 using respondents from the YonderLive online panel.

2. **Qualitative interviews:** 20 x 60 minute in-depth-interviews (IDIs) with consumers regarding motor finance:

- 14 x Current motor finance holders.
- 6 x Considerers of motor finance.
- 5 of the interviews were with consumers with sub-prime characteristics.

Interviews took place November – December 2024 over video call.

It should be noted that the sample is not fully representative of all motor finance holders, as sample design focussed on obtaining robust data amongst holders and considerers of four of the most common types of motor finance (PCP, HP, Conditional Sale, personal loan), so does not include finance types related to leasing, where vehicles are purchased on credit card, or any other common financing types.

The proportions of consumers with each motor finance type are, however, similar to those found in the Financial Lives Survey (FLS) in 2024 (albeit the figures reported for motor finance within the FLS exclude personal loans), see figure 2-1, indicating a robust and broadly representative view of the market. The products included within the scope of this research also represent the four most common types of motor finance currently held by consumers.

Figure 2-1. Breakdown of motor finance types held in this sample vs the Financial Lives Survey 2024

	FLS 2024	Consumer motor finance – this survey	Consumer motor finance - rebased to exclude Personal loans
Hire purchase	36%	29%	35%
Personal contract purchase	59%	46%	56%
Conditional Sale	5%	7%	9%
Personal loan	N/A (not included in definition)	17%	N/A
Don't know	3%	N/A	N/A

A full overview of the research methodology, sampling and weighting can be found in a separate [Technical appendix](#).

Interpretation of findings: results are self-reported

The findings are based on consumer's recollection of their motor finance deals and their purchase behaviour at the time, their projected reactions to changes in the cost or availability of motor finance, and to Discretionary Commission Arrangements (DCAs), amongst other areas.

A common challenge in any market research is the potential gap between consumers stated claimed or likely behaviours and what they do in practice, and their ability to accurately recall past behaviour.

This can be mitigated by careful research design, such as appropriate framing of questions, and inclusion of 'don't know' codes in the surveys. Running qualitative research alongside the quantitative survey enables probing on consumers' actual understanding and recall of topics, which can be layered into the quantitative analysis as context.

Where appropriate in this report we have outlined where we feel that the difference between stated and actual behaviour or understanding may be significant. In particular this applies to:

- Discretionary Commission Arrangements: it is difficult for a consumer to say how they actually would have behaved if they had knowledge of them at the time, due to recent publicity around them, and what many find to be a complex and time pressured sales process.
- Finances of their own deal: many respondents, in both the qualitative and quantitative survey, did not recall what interest rate they were paying, as they focussed on the monthly payments.

Definitions used in this research

Motor finance

This research focussed on the four most common types of motor finance: PCP, HP, Conditional Sale, personal loan, and all research respondents currently hold or would consider at least one of these products. For the purposes of this report when we refer to the "motor finance market" or "motor finance products", we are referring to these products specifically.

Current holders and considerers

1. Current holders of motor finance	2. Considerers of motor finance
Currently hold one of Personal Contract Purchase (PCP), Hire Purchase (HP), Conditional Sale (CS) or a personal loan for the purpose of buying a car / van for personal use, and have taken out the product in the past five years.	Those who, at the time of the survey, were currently considering purchasing a car / van for personal use through motor finance (PCP, HP Conditional Sale, or personal loan), had a good idea of what type of car or van they want, and had a good idea of how they will pay for it. This definition was chosen to ensure that this group of respondents had enough context to answer

	questions on their likely behaviour around a future purchase involving motor finance.
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Those buying vehicles other than a car or van were excluded from the sample, alongside cars / vans not bought for personal use (e.g. for business use).

Consumer credit risk characteristics

Throughout this report we have highlighted differences between consumers with different financial characteristics: prime, near-prime and sub-prime. The definitions are based on a combination of factors including the interest rates paid for motor finance, current financial situation, and other credit products held (full definitions below).

It should be noted that this categorisation was not designed to be a definitive categorisation of sub- / near-prime / prime audiences but identified respondents who demonstrated characteristics of these groups. As a result, due caution should be taken when drawing any conclusions from the data in the context of these audiences. Only current holders of motor finance were classified in this way, as interest rate of the current motor finance deal was a key input into the definition.

1. Prime characteristics	2. Near-prime characteristics	3. Sub-prime characteristics
<p>Pay a lower interest rate for their current motor finance, are not currently in financial difficulty or have not experienced any difficulty accessing loans or credit, and do not hold any high cost credit products.</p> <ul style="list-style-type: none"> Agree to 0 out of 3 statements about having current financial difficulties (Q47 1, 2 or 3)³. 	<p>Either pay a higher rate of interest for their motor finance product but are not now in financial difficulty and don't currently hold high cost credit products, or pay a relatively lower rate for their motor finance product but state they are now in financial difficulty or hold high cost credit products.</p> <ul style="list-style-type: none"> Anyone who does not fall into either prime or sub prime definitions. 	<p>Are currently in financial difficulty, and either pay a very high rate of interest for their motor finance product, or pay a relatively higher rate of interest for motor finance and also currently hold other high cost credit products.</p> <ul style="list-style-type: none"> Agree to at least 2 out of 3 statements about having current financial difficulties (Q47 1, 2 or 3). <p>And either:</p>

3. Over the past 6 months I have fallen behind on, or missed, any payments for credit commitments or domestic bills, for 3 months or more (not necessarily consecutive months)
 I tend to find that the rate for borrowing I am offered is higher than the rate advertised
 I can find it difficult to get loans or credit, but they are generally still available to me

<ul style="list-style-type: none"> Do not currently have either high-cost short-term credit or other high-cost credit product (Q48 5 / 7). Interest rate of their current motor finance product is 9% or below (Q22 / 23). 		<ul style="list-style-type: none"> Interest rate of their current motor finance product is 19% or above (Q22 / 23). Interest rate 13% and above and currently have either high-cost short-term credit or other high-cost credit product (Q48 5 / 7).
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During the data cleaning process, a small proportion of the sample (2.2%) were classified as “unclassified”, rather than prime, near-prime or sub-prime, and their results are not used for the market data analysis. See [Technical appendix](#) for further details on checks carried out.

Nearly new vehicles

Defined as “(e.g. less than 12 months old with fewer than 10,000 miles on the clock).”

New and used vehicles were not explicitly defined in the survey but only shown alongside ‘Nearly New’. In practice, for used vehicles, this implied vehicles older or with more miles than ‘Nearly New’.

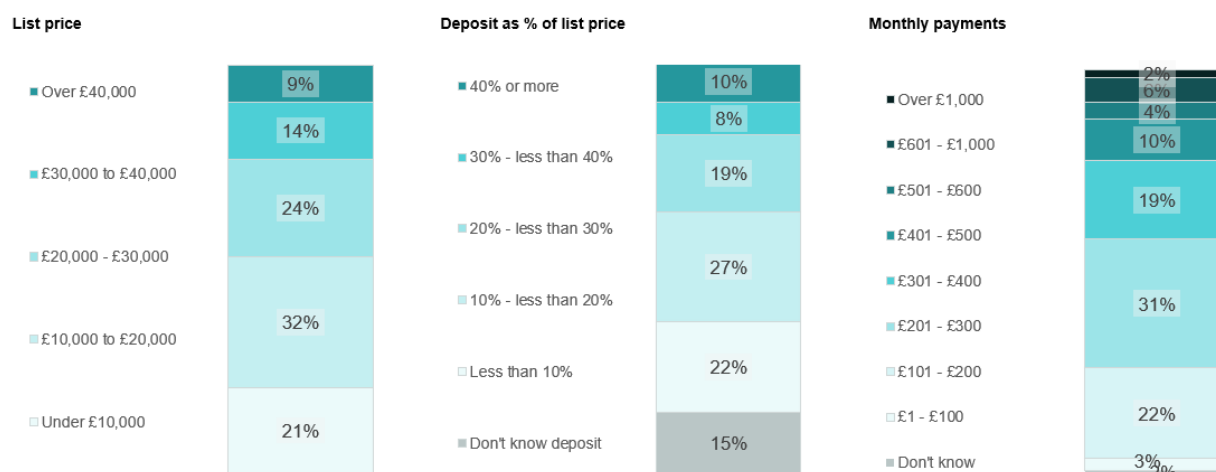
Summary of the quantitative sample

- Around half (47%) of current holders used motor finance to purchase a new vehicle, whilst 22% purchased nearly new and 31% purchased used cars.
- PCP is the most commonly held type of motor finance (46%), followed by HP (31%), personal loan (16%) and Conditional Sale (7%). New vehicles are more likely to be bought by consumers with prime characteristics and using PCP, whilst used vehicles are more likely to be purchased by consumers using personal loans.
- There is a wide spread of vehicle list prices, with new vehicles having an average list price of just over £30,000 and used having an average of just over £13,000.
- The most common range of monthly payments is between £201 and £300 (31% of all motor finance deals), with 22% between £101 and £200 and 19% between £301 and £400. Average monthly payments are significantly higher for new vehicles compared to nearly new and used vehicles. Looking at consumer characteristics, average monthly payments are similar for prime and near-prime consumers (£332 and £347 respectively), and higher for sub-prime (£400).

- The average deposit is near 20% of list price for all types of vehicles and different consumer characteristics, with around a third of deposits over 20%.
- 55% of current holders report having deals with interest rates below 6.99%, whilst 19% have deals with interest rates above 15%. The average reported interest rate is 7.4% for new vehicles, 8.5% for nearly new and 9.1% for used vehicles. Unsurprisingly, interest rates are significantly higher amongst consumers with sub-prime characteristics.
- Compared to those who already have motor finance, considerers are more likely to be looking at nearly new (51%), or used vehicles (50%), rather than new vehicles (36%). This indicates that for at least some considerers, motor finance is an aspiration that they may not be able to afford in practice, especially if interest rates were to become higher for any reason.

Figure 2-2. 201-£300 is the most common range of monthly payments

All current holders, excluding deposit for those purchasing with a personal loan



Q18. What was the price of the [vehicle type] you bought using [current holder deal] in £? Current Holders: (4001) Q19. How much did you put down as a deposit in £ when you bought the [vehicle type]? Base: All current holders except with personal loan (3342) Q20. How much is the monthly payment for your [current holder deal] agreement? Current Holders: (4001)

Figure 2-3. Mean list price, deposit amount, monthly payments and interest rates by type of product, condition or vehicle and consumer characteristics

Current holders

		Condition of vehicle			Consumer characteristics		
	All current holders	New	Nearly New	Used	Prime	Near-prime	Sub-prime
List price	£22,640	£30,650	£19,300	£13,070	£25,180	£20,420	£17,290
Deposit as % of list price	20.0%	20.0%	21.2%	18.9%	20.8%	19.4%	19.2%
Monthly payments	£342	£415	£330	£243	£332	£347	£400
Interest rate	8.2%	7.4%	8.5%	9.1%	5.3%	9.7%	24.2%

Q18. Price in £; Q20. Monthly payments; Q22. & Q23 Interest rates; Q21 Length of term. Base: Current Holders: (4001), Hire purchase (1246), Personal contract purchase (1822), Conditional Sale (274), Personal loan (659), New (1868), Nearly New (933), Used (1200), Prime: (1617), Near-prime: (2160), Sub-prime characteristics: (111) Q19. Deposit; Current Holders (3342), Hire purchase (1246), Personal contract purchase (1822), Conditional Sale (274), Personal loan (-), New (1728), Nearly New (769), Used (845), Prime: (1299), Near-prime: (1839), Sub-prime characteristics: (98). Green cells are significantly higher than the total

See [Appendix one: overview of consumer motor finance deals](#) for more data on the motor finance deal information of the research sample.

3. Consumer understanding and perceptions of motor finance

Key insights on consumer perceptions of motor finance:

- Motor finance is generally viewed very favourably by consumers for making vehicles more affordable and accessible, giving them access to vehicles which may otherwise be beyond their reach.
- In general, consumers tend to focus on monthly payments and ensuring they can get the vehicle they want within their budget rather than trying to understand the different types of finance, or the varying elements of the deal (e.g., the interest rate).
- However, understanding of different elements of the deal and different types of motor finance can be limited, even amongst current holders. For example, 61% of current holders said that they did not know the interest rate they were paying on their motor finance product when initially asked in the survey.
- Consumers do not often have a clear idea of the relationship between vehicle dealers and motor finance. Whilst a broadly negative perception of dealerships exists, this does not extend to their role in motor finance.
- Many consumers view brokers and dealerships as intermediaries with little influence or control over the types of financial products or the terms of motor finance products offered.

This chapter covers insight from the qualitative interviews and quantitative surveys including:

- General views and perceptions of motor finance.
- Consumer understanding of motor finance deals and the different elements involved, and the impact that differing consumer levels of financial confidence and understanding of motor finance can have on this.
- Consumer understanding of the role of dealerships in motor finance and where motor finance providers fit in, including levels of trust in providers.

Note on qualitative research findings

This and following chapters include analysis of consumers' perceptions and behaviours around motor finance taken from qualitative interviews with current holders of motor finance (15 interviews) and considerers of motor finance (5 interviews), alongside the quantitative survey data.

Qualitative research provides rich, detailed insights into people's thoughts, feelings, behaviours, and experiences. This depth is crucial for understanding more nuanced or complex areas that are difficult to explore in depth in quantitative surveys and allows further probing on topics of interest uncovered in the interviews.

When combined with quantitative data, qualitative insights can validate, elaborate, or explain statistical findings, and add richness and depth to research: understanding “why” as well as “what”.

For the common themes emerging across the qualitative interviews (for example, perceptions of motor finance and behaviours around shopping and negotiation), we have analysed consumer typologies based on a holistic reading of the interviews (what is said, and as importantly, what is not said). The inferences and conclusions reached reflect our experience in insight, supported by the evidence from the qualitative interviews. In some of these areas, however, there are no comparable data points from the quantitative survey.

General perceptions of motor finance

When speaking to consumers qualitatively, motor finance was generally viewed very favourably for making vehicles more affordable and accessible, giving them access to vehicles which may otherwise be beyond their reach.

“I’d describe motor finance as convenient and affordable; there are so many options to suit you and help you get a car.”

Current holder, PCP

The generally positive view of motor finance uncovered in the qualitative interviews is supported by the findings from the quantitative survey that a large majority of current holders have previous experience with these products and decided to purchase again. In particular, 76% of current motor finance holders have held at least one of these motor finance products⁴ previously.

Consumers with sub-prime characteristics are even more likely to have used one of these types of motor finance (89%, compared to 74% of prime and 75% of near-prime consumers), indicating a strong reliance on motor finance as a means to get access to vehicles. Those who have purchased new cars with their current motor finance product are also slightly more likely to have used motor finance before (81%, compared to 69% for those who currently have a used vehicle on finance).

⁴ This includes PCP, HP, Conditional Sale and Personal Loans.

Figure 3-1. Consumers who new vehicles on finance are more likely to have used finance before

Current holders

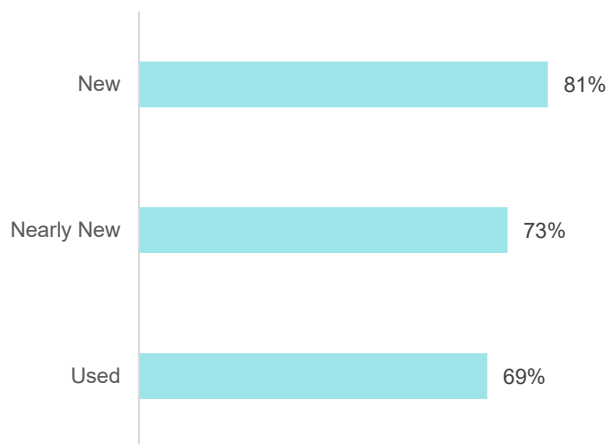
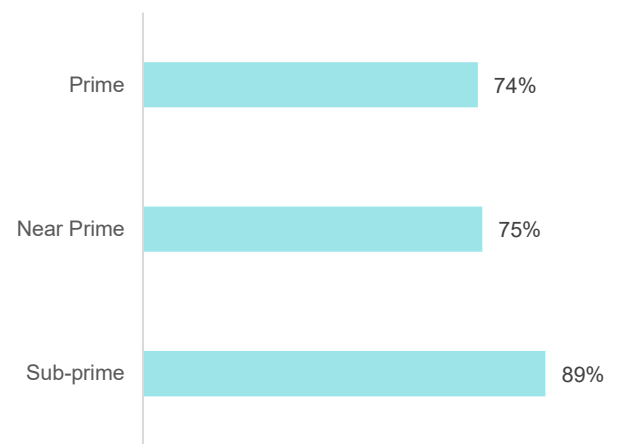


Figure 3-2 Sub-prime consumers are most likely to have used it before

Current holders



Q28. Have you used other motor finance before your [current holder deal] deal? If so, which types of motor finance have you used before? Current Holders (4001)

However, engagement with the motor finance element of a vehicle purchase was often quite low, with the end outcome of getting the vehicle typically being the sole focus for consumers. Motor finance was often regarded merely as a process to go through to get what they want.

Despite the generally positive qualitative perception of motor finance, those who have experienced unexpected financial strain or hidden costs had developed a more nuanced and critical view, while others were unaware of or had not fully considered potential downsides (such as mileage limits or not owning the vehicle at the end without an extra payment).

"I feel more and more people are getting motor finance nowadays like my friends and family and it's quite an open sector now." Current holder, HP

Understanding of motor finance by different consumer types

Whilst consumers are broadly positive about motor finance, varying levels of financial confidence and understanding of motor finance manifest in different types of consumers. The qualitative interviews suggest three

broad groups of consumers in this context. These profiles are not exhaustive but serve to help frame the narrative and provide structure to the insights:

1. Low financial confidence and low understanding of motor finance

- These interviewees had low financial awareness and understanding of mechanisms such as interest, repayments, etc.
- They were aware of their own type of motor finance but generally could not determine how it was distinguished from other motor finance products.
- They tended to see motor finance as a means to an end (i.e., they get a vehicle).

2. Overestimated confidence in financial matters and motor finance

- They tended to consider themselves to be well informed on financial processes and feel confident in navigating motor finance.
- They tended to have limited understanding beyond the type of finance they had chosen and could not always determine what the key features of their product were.
- They tended to think they were getting a better deal out of their motor finance than they actually appeared to be.

3. High financial confidence and high understanding of motor finance

- These interviewees tended to be older and to have had more engagement with financial products.
- This was mainly through poor previous experiences or through more 'life experience'.
- They tended to be financially savvy and typically cautious and would research carefully before making a decision.
- These interviewees felt their approach enabled them to make the most out of motor finance, possibly even 'game' the system.

For the purposes of this research, financial confidence refers to someone's perception of their ability to assess what is a good deal and make trade-offs and judgements between elements such as interest rate, the quality of the vehicle, repayment period, and any conditions of the deal.

Understanding of the different types and elements of motor finance

The qualitative research suggested that whilst general perceptions are positive, consumer understanding of the difference between types of motor finance can be limited, even amongst current users, as summarised in

figure 3-3 below.

Figure 3-3. Summary of the understanding of the different types of motor finance

	Personal Contract Purchase	Hire Purchase	Personal Loan	Conditional Sale
Perceptions and understanding	<p>High awareness due to popularity of product.</p> <p>The product which is the most promoted by dealers.</p> <p>Some negative associations with balloon payments and people getting stung.</p>	<p>“Not PCP”.</p> <p>Actual understanding of the distinction between PCP and HP is limited.</p>	<p>High familiarity compared to other options.</p> <p>Seen as offering either higher or lower interest rates than motor finance offers (there is not a clear understanding here).</p>	<p>Lowest awareness within our sample.</p>
Drivers of usage	<p>Familiarity of friends and family having used it as a product.</p> <p>Ease of being able to switch and upgrade vehicle at the end of a contract.</p>	<p>Option to buy the vehicle at the end without being hit with a large balloon payment.</p> <p>Familiarity of friends and family having used it as a product.</p>	<p>If better interest rates secured.</p> <p>Desire to own the vehicle outright from the beginning.</p> <p>Can be seen as simpler, or more similar to other types of credit consumers have previously held.</p>	<p>Being able to keep the vehicle at the end is a key driver for these consumers.</p>

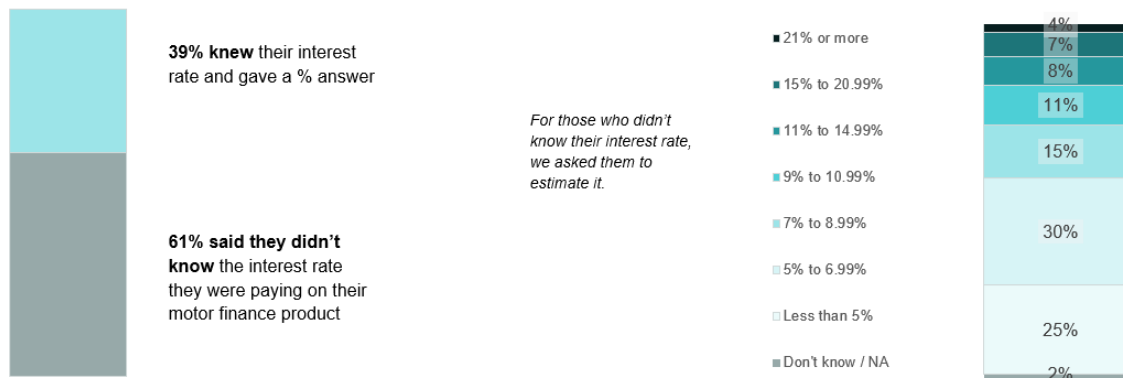
Consumers tend to focus primarily on monthly payments along with the vehicle they wish to purchase and generally pay less attention to and have a lower understanding of interest rates. As long as the monthly cost fits within their budget and they get the vehicle they want, the finance terms are generally considered acceptable. This is also supported by the results of the conjoint exercise (see Chapter 5: [Understanding consumer decision making with motor finance](#)), which identified monthly payments as the most important factor in deal selection.

Alongside difficulty in distinguishing between different types of motor finance, understanding of interest rates in particular can be limited. Reflecting the emphasis consumers place on monthly payments when choosing between deals, 61% of current motor finance holders did not know their exact interest rate when initially asked.

Those respondents who could not recall their exact interest rate were asked to provide an estimate within pre-defined bands (figure 3-4).

Figure 3-4. 39% of current holders knew their interest rate

Current holders of motor finance



Q22. What was the interest rate of your [current holder deal] deal, if you know? Q23. You said you didn't know what the interest rate was for your [current holder deal] deal. Are you able to provide an estimate for what you think it was? Current Holders: (4001)

When exploring the topic with consumers qualitatively, overall understanding and comprehension of how interest works was often low.

- There was limited awareness in terms of what constitutes a 'good' or 'high' rate. Comparisons are made with other products such as credit cards, Klarna, or buying a sofa on credit.
- The implications of a difference of one or two percentage points was often not appreciated or seen to be that significant.
- Interest was generally accepted as a 'fixed' rate set by a far-away financial institution which the consumer did not have direct interaction with and so are thought to be the same / similar regardless of if a consumer were to shop around, whilst their direct interaction was with the vehicle dealership and / or seller who they assumed have no ability to influence the finance terms.
- This was not the case for all the qualitative interviewees. Those with high financial confidence tended to have a clear idea of the impact of interest rates and were adept at working through options rigorously to ensure they had the most cost-effective deal.

Qualitative interviews also highlighted that alongside this limited knowledge of what interest rates they are paying, many finance holders did not engage with the detail of their deal at the time of purchase, could not recall the specifics of their deal or do not have detailed understanding how all the elements of the deal work together.

- Understanding of how deposits work was particularly low amongst considerers and those with low confidence.

- Even those who thought they are knowledgeable also reported confusion over the mechanisms of deposits, particularly amongst PCP holders who tended to consider a deposit on a vehicle the same way as when applying for a mortgage and so believed that a larger deposit is more beneficial than it may be in practice.

Those that demonstrated characteristics of sub-prime and have low financial confidence and understanding were particularly uninformed about what constitutes a 'high' rate and therefore may have had greater tolerance for high rates which others would reject outright.

Consumers' views on dealerships and finance providers

When speaking to consumers qualitatively, they often did not have a clear idea of the relationship between vehicle dealers and motor finance providers. A broadly negative perception of dealerships existed, but this did not tend to extend to their role in motor finance where they are seen as 'the messenger'.

The qualitative interviews also indicated that consumers' perceptions of brokers was similar, with many consumers viewing brokers as intermediaries with little influence or control over the types of financial products or the terms of motor finance products offered, instead, they were seen to be simply acting as messengers between lenders and end consumers.

The qualitative interviews also reported low levels of trust in dealerships – particularly second-hand dealers:

- Interviewees felt that dealers were exclusively focussed upon the sale and prepared to do whatever it takes to secure one.
- Qualitative interviewees were alert to being taken advantage of by the dealer but only in the extent to what they are being offered in terms of the vehicle.
- Those who were experienced and confident were more focussed on the vehicle than the finance arrangements and tended to look carefully to ensure areas like mileage, condition and age of the vehicle align with what they thought was reasonable.
- Those who were less confident were more tolerant of being led by the dealer and their guidance but recognised the value of having other opinions (such as from friends and family).

However, understanding of the role the dealer plays in motor finance was very limited among qualitative interviewees. They were assumed to play a neutral role with no control over the financing arrangement:

- There tended to be limited to no contact with the end lender, as this tended to be handled exclusively by the dealer.
- They were not perceived to have influence or control over the kinds of finance offers available – that was assumed to be down to the lender and the consumer's credit history.

Qualitative interviewees tended to feel that as it is a financial product which is being offered the customer had to make do with what was being offered – that there was little to no choice or flexibility.

Qualitative interviewees frequently made comparisons to mortgages, making the assumption that any finance provider would offer the same deal based on the value of borrowing required and the customer's credit rating.

Any frustration about a deal, whilst superficially directed at the dealer, was mainly directed to the “faceless” end lender.

4. The consumer journey when purchasing motor finance

Key insights from the consumer decision-making journey for motor finance:

For most consumers the decision-making journey for motor finance comprises five broad stages. For some consumers this process is well planned out and linear, whilst others may consider different motor finance options simultaneously, with triggers and the process being non-linear and less clear.

- **Trigger and initial consideration:** Motor finance purchases were often triggered by external factors, such as necessity or financial changes, alongside the ending of a previous motor finance deal. At this stage, many tended to focus on buying a vehicle and the decision making was primarily based on the brand / type of vehicle and what they would consider to be acceptable monthly payments.
- **Research and engagement:** Around half of current holders shopped around for different finance deals, with those not shopping around either choosing not to due to familiarity with a provider or not thinking they had an option / time to do so. Qualitatively, those whose purchases are triggered by short term necessity, and those who have lower financial confidence, tend to go through the process quicker and conduct less information gathering before making a decision.
- **Dealer and provider selection:** The most important factors for both current holders and considerers when selecting a finance deal is monthly cost / affordability of the deal.

Just over half of current holders purchased their vehicle from a manufacturer or brand-specific dealership, with used vehicle dealerships being the second most common source for financed vehicles. New vehicles are far more likely to be bought from manufacturer or brand-specific dealerships.

When it comes to the channel used to arrange motor finance, face-to-face conversations are the most common, especially so for PCP and new vehicles.

- **Deliberation:** While most consumers report a good level of understanding of the terms of their agreement, this often proves to be more superficial when probed further. For example, some consumers noted overlooking key contract details and remaining unaware of negotiation opportunities. Of those who negotiated, the negotiation primarily revolved around the price of the vehicle or add-ons / optional extras for free, rather than finance.
- **Commitment and experience:** Customer satisfaction with motor finance is often heavily influenced by early engagement and ongoing financial management. Clear communication and support at the start of the process can drive long term satisfaction.

This chapter outlines the decision-making process consumers undertake when purchasing a vehicle using motor finance.

Overview of consumer motor finance purchase journey

The qualitative interviews suggest that for consumers, the decision-making journey for motor finance is a process comprising of five broad stages.

For some consumers this process is well planned out and linear, whilst others may consider different motor finance options simultaneously, with triggers and the process being non-linear and less clear.

Figure 4-1. The five stage decision-making journey for motor finance consumers as identified through the qualitative interviews

1. Trigger and initial consideration	<ul style="list-style-type: none"> • Consumers recognise the need / desire for a new car. • This stage triggers the emotional and practical motivation to engage with motor finance.
2. Research and engagement	<ul style="list-style-type: none"> • Research varies individual to individual in terms of amount of time and effort spent. • Initial expectations are shaped as consumers gather information, validate initial considerations, explore options and develop an understanding of their car and finance options.
3. Dealer and provider selection	<ul style="list-style-type: none"> • They prioritise affordability, particularly monthly payments. Dealers influence decisions, while providers are chosen for affordability or recommendations. • This stage shapes the motor finance experience, determining financial terms, service quality, and the foundation of consumer trust.
4. Deliberation	<ul style="list-style-type: none"> • Consumers briefly consider key finance details, like monthly repayments, but often sign documents quickly. Negotiation is rare, usually limited to the car not the financing. • Consumers balance financial practicality with personal desires. The quality of this deliberation can directly influence long-term satisfaction with their motor finance experience.
5. Commitment and experience	<ul style="list-style-type: none"> • Consumers experience the ongoing reality of their motor finance; including managing monthly payments and car maintenance. • This stage determines long-term satisfaction, influences future financial decisions, and can impact the consumer's perception of the car, the dealership the provider.

Each of these stages are discussed in detail in this chapter as follows, while case studies can be found in the [Appendix three: consumer journey case studies](#).

Triggers and initial consideration

In the qualitative interviews, motor finance purchases were often triggered by external factors, most commonly:

- Necessity (e.g. due to a breakdown or new job / house move)
- Desire for an upgrade or something more comfortable
- Compliance (e.g. needing a ULEZ-compliant vehicle)
- Financial changes (e.g. such as receiving a pay rise)
- Ending of a previous motor finance deal.

Consumers approached motor finance with varying mindsets; some are prepared and ready, while for others it can come as a surprise. This means that consumer attitudes toward motor finance and the purchase process can differ greatly.

At this stage, many consumers tended to focus on buying a vehicle and the decision making was primarily based on the brand / type of vehicle and what they would consider to be acceptable monthly payments. Some individuals were considering motor finance, but others had not yet have thought in much detail about it as an option for buying a vehicle.

“The car I had before my motor finance broke down and I didn’t have enough money or time to save for a new one.”

Current holder, PCP

“My motor finance contract ran out, so I needed to get a new car on motor finance as I didn’t have a car outright myself.”

Current holder, PCP

“I am looking for a new car as want to upgrade to something bigger for future family planning. I have considered a loan, but I want to look for something with better interest and which is more flexible than an unsecured personal loan.”

Considerer, HP

Across the three motor finance consumer types (summarised in Chapter 3 [Consumer understanding and perceptions of motor finance](#)), their approach and perspectives varied during the initial consideration stage, and their different financial confidence⁵ and understanding influences the approach they took:

1.Low financial confidence, low understanding of motor finance	2.Overestimated confidence in financial matters and motor finance	3.High financial confidence and high understanding of motor finance
<ul style="list-style-type: none"> • More likely to feel overwhelmed and anxious about buying a new vehicle without having the money outright. • Often feel a sense of pressure in needing or wanting a new vehicle, motivating them to think of motor finance as simply a means to an end rather than considering their needs and requirements. • May be concerned about making the financial decisions due to a lack of experience or knowledge. 	<ul style="list-style-type: none"> • Consider themselves to be confident in their ability to understand and manage financial decisions relating to motor finance, so may feel eager to start their journey with motor finance. • May make the decision quickly that motor finance is the best choice for them, underestimating the complexity of motor finance options. 	<ul style="list-style-type: none"> • Will feel capable of considering motor finance based on their understanding and past experiences. • As financially savvy individuals will be more inclined to take their time in considering motor finance. • May also have less financial pressure in needing or wanting to have a new vehicle ASAP. • Will be more likely to calculate their budget and assess their monthly affordability even at the initial consideration stage, thinking quite thoroughly about this decision.

Research and engagement

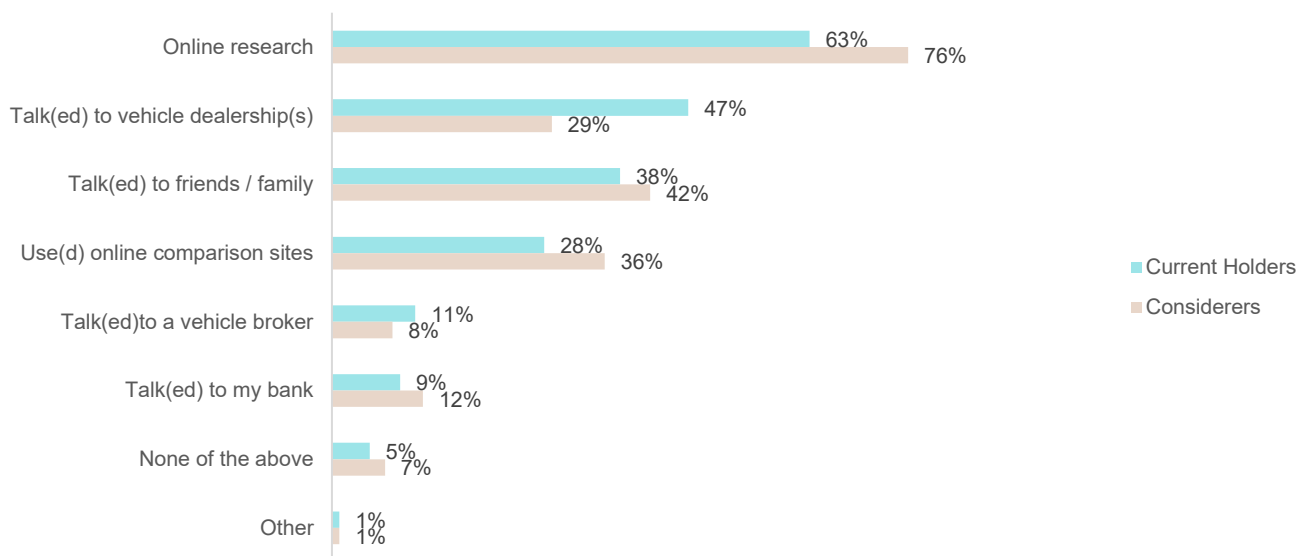
⁵ Financial confidence is referring to how confident an individual identifies themselves as navigating, dealing and understanding of different financial matters e.g. mortgages, interest rates, loans etc

Because the entry points to motor finance can differ greatly, in particular driven by how urgently a vehicle is needed and past experiences (if any) with motor finance and dealerships, shopping behaviour and the amount of consideration varies.

Online research is the most common source of information, followed by talking to dealerships. Considerers are less likely to plan to use dealerships for information (see figure 4-2).

Figure 4-2 Online research is the most common source of information about motor finance options

Current holders of motor finance



Q33. Which of the following did you use to understand or research motor finance options? Base: Current Holders (4001), Considerers (1009)

Online research is the most common channel of research for all different finance types, vehicle types, and consumer characteristics, although consumers with sub-prime characteristics are much more likely to have used comparison sites (51%) and spoken to the vehicle broker (21%), see figure 8-13.

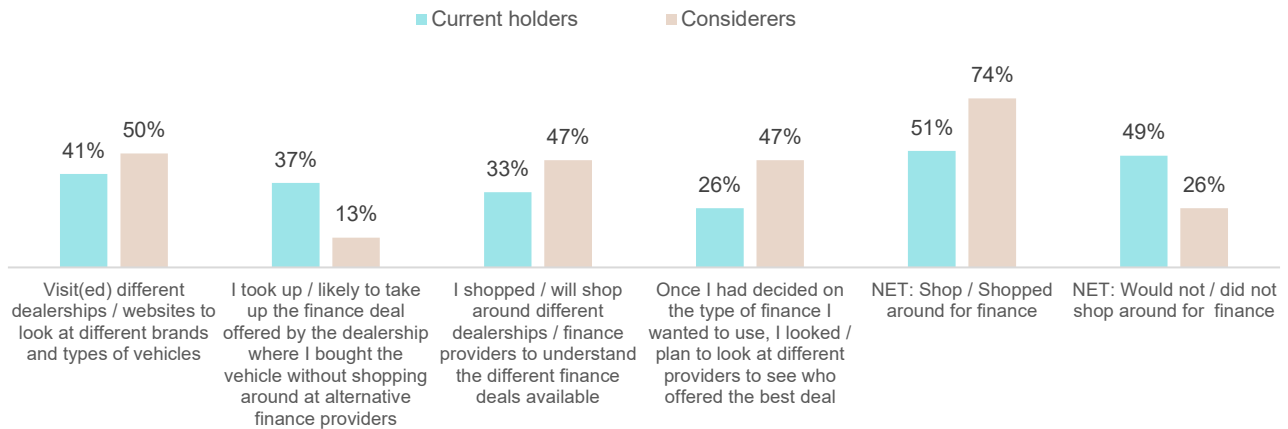
When it comes to choosing their finance deal, 51% of current finance holders shopped around for finance deals and providers either for different types or to get the best deal. When speaking to current holders qualitatively, this is commonly due to finding a finance offer which was better suited to their financial situation through searching for a better interest rate or an offer which would result in lower monthly payments.

Current holders of finance with sub-prime characteristics were more likely to shop around for finance (67% did vs 45% of prime consumers). Based on the qualitative interviews this may be a result of this group having more experience with credit products in the past, or greater experience of issues with their credit history.

However, the survey found that 74% of considerers say they will shop around for finance, implying there can be an intention / action gap, and consumers think they will shop around more than they actually do in practice.

Figure 4-3. Half of current holders of motor finance shopped around for motor finance during their purchase

Current holders & considerers of motor finance

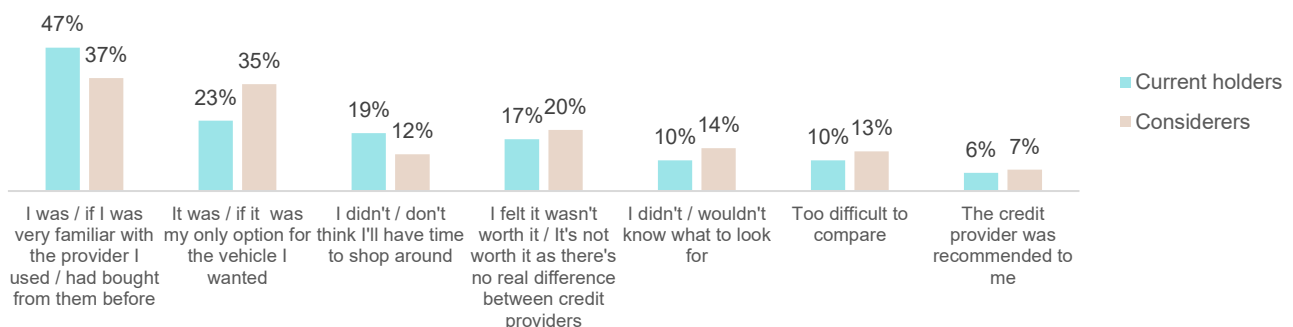


Q34. Which of the following did you do when you were looking for your new car? Base: Current Holders (4001). Q34. Which of the following do you expect to do / have done as part of the purchase of your next car? Base: Considerers (1009)

For those who didn't shop around, it is most commonly due to familiarity with the provider (47%) or thinking it was the only option they have (23%) (figure 4-4). Those current holders who purchase a new vehicle (57%), and those with prime characteristics (55%) were more likely to claim they didn't shop around due to familiarity with the provider.

Figure 4-4. Familiarity with the provider, followed by a perceived lack of options for the vehicle they want, are the biggest reasons not to shop around for finance

Current holders of motor finance



Q36. Why would you not choose to shop around at different providers or dealerships for finance? Base: Current Holders choosing not to shop around (1905)
Q36. Why would you not choose to shop around at different providers or dealerships for finance? Base: Considerers choosing not to shop around (261)

Consumer information gathering by both considerers and current holders varies based on how seriously they've considered motor finance before they begin looking at vehicles. For this stage, in the qualitative insight we found three different groups of consumers:

- **Those who knew they wanted to use motor finance from the start of the journey:** This group were more inclined to visit a local dealership, particularly if they had an existing and positive relationship with one, for example if they used this dealer for a previous purchase.

"I went back to my local garage that I used previously for my old motor finance agreement as I really liked the family feel of the dealership. I felt like I could trust the dealer as I was more familiar with the process this second time around."

Current holder, HP

- **Those who were only now seriously considering motor finance:** This group tended to start by searching the internet for various types of financing options, as a means of exploring products and gaining initial information about motor finance products in general. They also sought recommendations from friends and family, particularly if they had lower financial confidence and a lower understanding of motor finance, as they were more likely to seek reassurance from trusted sources.

"I heard about the [vehicle manufacturer] dealership that I ended up using through a friend, they referred me and told me all about the good deal that they got, so that narrowed down my search."

Current holder, PCP

- **Those who have a clear idea of what vehicle they might like but little beyond that:** This group were yet to consider motor finance, which was likely due to lack of awareness or understanding that it's a product they could benefit from. For this group, shopping around focussed on car supermarket websites (e.g. Autotrader) or dealers as they sought to tailor their options by vehicle model, age, and budget.

The qualitative insight also showed that the depth of research and engagement varies depending on the consumer's context including their financial confidence, summarised in the table below for the motor finance consumer types set out in Chapter 3 ([Consumer understanding and perceptions of motor finance](#)). Despite their research, consumers overestimate their knowledge and understanding of motor finance products.

1.Low financial confidence, low understanding of motor finance	2.Overestimated confidence in financial matters and motor finance	3.High financial confidence and high understanding of motor finance
<p>As this audience is more likely to feel a sense of pressure in needing or wanting a new vehicle, they often do less thorough research and go straight to a dealer.</p> <p>For example, prioritising speed of transaction over depth of research.</p>	<p>This audience can be overly confident and feel excited about starting their vehicle purchase journey.</p> <p>As such their research and engagement can be less rigorous because they believe they are already informed and understand the motor finance options in front of them.</p>	<p>More inclined to be a cautious researcher of motor finance products, taking their time to explore their options and shopping around.</p> <p>They are likely to have greater experience with other financial products like a mortgage so understand it takes time to understand the product and identify what works for them.</p>

“Other than my friends’ recommendation for what sort of motor finance they got, I didn’t actually consult anyone else or even look online. I just really needed the car ASAP”

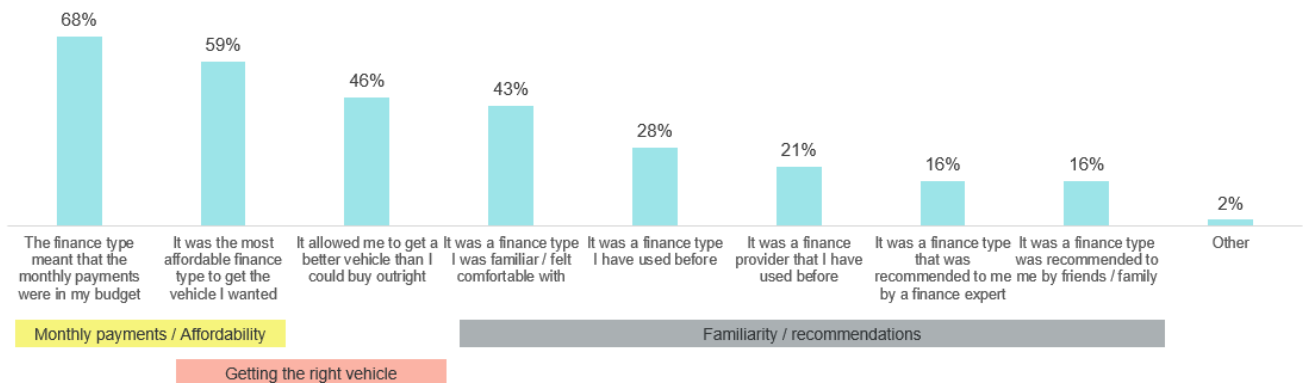
Current holder, PCP

Dealer and provider selection

Monthly payments being within their budget (68%) and being able to get the vehicle they want (59%) are the most important factors for consumers choosing their motor finance. These drivers of choice are the most important for all finance types and types of vehicle.

Figure 4-5. Monthly payments are the most important factor for consumers overall, followed by being able to afford the vehicle they wanted

Current holders of motor finance



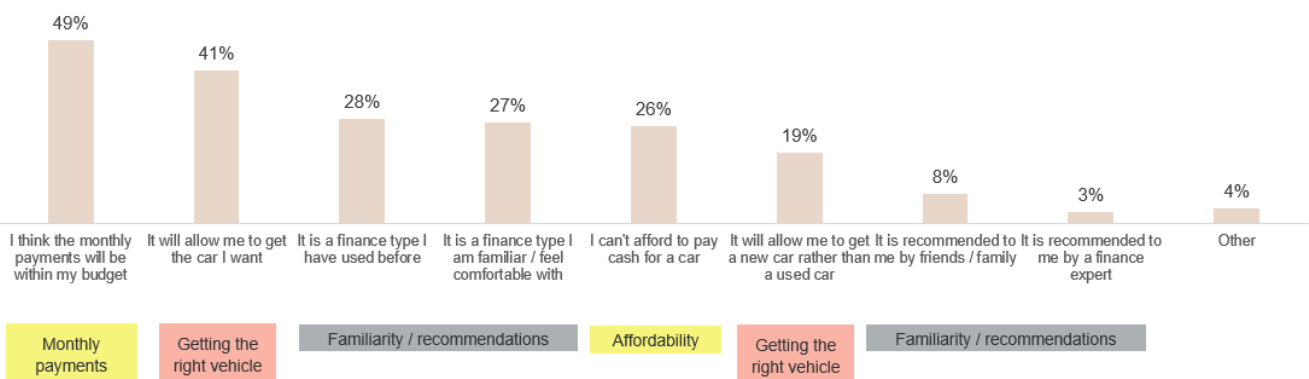
Q31. What was most important to you when choosing [current holder deal] over other options? % ranked top 3. Base: Current Holders (4001)

While monthly payments being within budget / affordability of finance were the most important factors for all consumer types, those with near-prime and sub-prime characteristics are slightly more likely to choose a finance type based on recommendations of friends and family than those with prime characteristics (20% and 27% respectively, see figure 8-13).

When it comes to those considering motor finance over other options, monthly payments / affordability (49%) and getting the vehicle they want (41%) are also the key factors, indicating that there is no significant difference in the drivers of deal selection between current holders and considerers.

Figure 4-6. Monthly payments being within their budget are the key driver for considering motor finance

Current holders of motor finance



Q32. Why are you considering using motor vehicle finance over other options? Base: Considerers (1009)

In the qualitative interviews, when consumers were choosing their dealer and motor finance provider, there were several key factors are at play:

Affordability

- Similar to the quantitative data above, affordability and monthly payments were the biggest drivers of motor finance: in terms of both choosing it at all, and how they choose between different options.
- They primarily assessed affordability in terms of the amount of the monthly repayment.
- They often decided to use financing as it helped them afford the vehicle of their choice which they cannot buy outright.
- Their views on what constituted a "good deal" was highly subjective and depended on the vehicle of choice. The aim was often to find the most affordable option for that particular vehicle, even where there were cheaper options available for other vehicles .

Due diligence

- Some but not all compared multiple options, looking at reviews, friends' recommendations and what they considered to be a good deal.
- Those that did not compare options tended to be individuals with low financial confidence or consumers in circumstances that required them to make quick decisions, e.g. driven by short term necessity.

Trust and past experiences

- Those who had positive past experiences with a certain dealer or provider tended to return to them. Familiarity and comfort played a significant role in these decisions.
- Those who had positive experiences were also more likely to recommend the dealer or provider to a friend or family, while those with bad past experiences tended to avoid them and encourage friends and family to also avoid such dealerships.

Influence of dealers and lenders

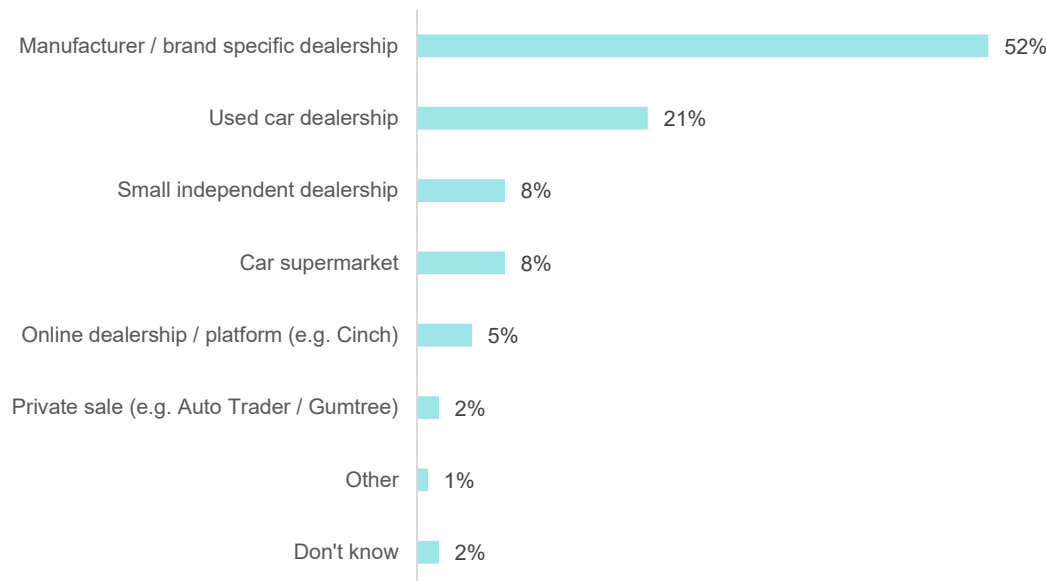
- Qualitative interviewees did not clearly distinguish between dealers and lenders.
- However, dealer's sales styles and recommendations did tend to influence decisions.
- Largely, lenders were viewed as quite functional. They were selected based on affordability or recommendations (primarily dealers but also family / friends).

Source of vehicles and motor finance

Slightly over half of current holders of motor finance in the sample purchased their vehicle from a manufacturer or vehicle specific dealership (52%), with a used car dealership the second most common source of vehicles bought with finance (21%).

Figure 4-7. Most vehicles purchased with motor finance are from manufacturer or brand specific dealerships

Current holders of motor finance



Q24. Where did you purchase the [vehicle type] from? Base: Current holders: (4001)

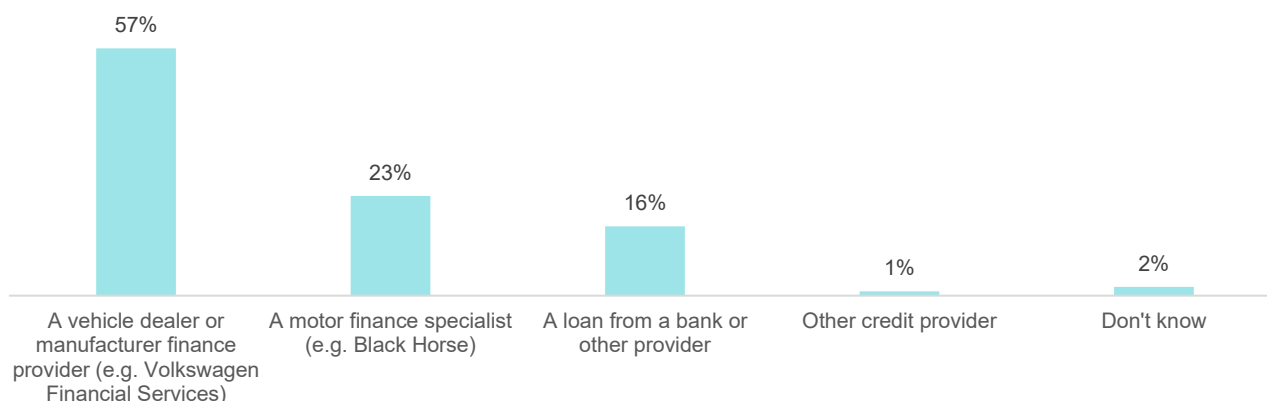
New vehicles are much more likely to be purchased from a manufacturer or brand specific dealership (76% of new vehicles), whilst used vehicles are more commonly bought from used car dealerships (42% of used vehicles). Consumers with sub-prime characteristics are most likely to use used car dealerships (34%, compared to 28% using manufacturer / brand specific dealerships).

The most common source for motor finance is a vehicle dealer or manufacturer finance provider (57%), followed by arranging motor finance through a specialist⁶ provider (23%) and getting a loan from a bank or another provider (16%). New vehicles are unsurprisingly more likely to have been financed through the vehicle dealer or manufacturer finance provider (79%), whilst finance for nearly new or used vehicles come from a mixture of vehicle dealers and motor finance specialists.

⁶ The survey provided an illustrative example of 'motor finance specialist' to respondents "e.g. Black Horse" but did not provide a specific definition of the term.

Figure 4-8. Vehicle dealers or manufacturer finance providers are the most common source of motor finance

Current holders of motor finance



Q25. Was your motor finance arranged via ? Base: Current holders: (4001)

Finance provided by the vehicle dealer or manufacturer is most commonly taken out when the vehicle is purchased from a manufacturer or brand specific dealership, whilst finance provided by motor finance specialists is slightly more common for vehicles bought from used car dealerships. However, there is a broad spread of credit providers used across all different sources of vehicle purchases (figure 4-9).

Figure 4-9 Motor finance specialists are more commonly used for purchases made through used car dealerships

Current holders of motor finance

		Credit arrangement source				
		Vehicle dealer or manufacturer	Motor finance specialist	Loan from a bank or other provider	Other credit provider*	Don't know*
Vehicle purchased from...	Manufacturer / brand specific dealership	73%	20%	29%	27%	36%
	Used car dealership	12%	35%	31%	39%	28%
	Small independent dealership	4%	15%	15%	7%	12%
	Car supermarket	4%	17%	9%	3%	11%
	Online dealership / platform (e.g. Cinch)	3%	10%	5%	11%	5%
	Private sale (e.g. Auto Trader / Gumtree)	1%	2%	9%	4%	2%
	Other	*	*	1%	10%	4%
	Don't know	3%	2%	2%	-	1%

Q24. Where did you purchase the [vehicle type] from? Base: Vehicle dealer or manufacturer (2274), Motor finance specialist (959), Loan from a bank or other provider (645), Other credit provider (50), Don't know (73). *Low base (50-75). Green cells are significantly higher than the total

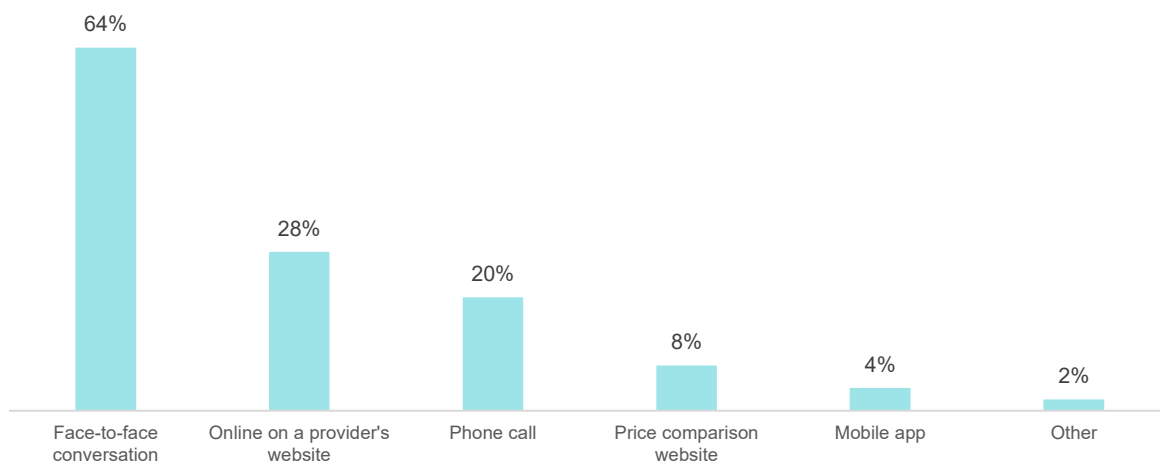
The majority of motor finance holders were able to recall their motor finance provider⁷ (in the survey, consumers were able to either select their provider from a predefined list or select 'other' and name their provider). Consumers with sub-prime characteristics were more likely to recall their provider (93%), compared to the average 82%. This indicates that consumers have a broad understanding of providers even if they are often less sure about specific details around roles and processes (see 'Deliberation' below).

Channels used for arranging motor finance

When it comes to the channel used to arrange motor finance, face-to-face conversations are the most common, especially so for PCP (78% of current motor finance deals) and new vehicles (77%). The exception is for personal loans which are more commonly arranged online on a provider's website (56%), reflecting that personal loans are not generally considered point-of-sale finance, but typically arranged directly between the consumer and the lender (figure 4-11). Consumers with sub-prime characteristics are relatively more likely to arrange finance over the phone (46%) or online (43%), reflecting the different channels they tend to use for motor finance purchases.

Figure 4-10. Just under two thirds of finance is arranged with a face-to-face conversation as part of the purchase process

Current holders of motor finance



Q26. What channel did you use to arrange the motor finance? Base: Current Holders (4001)

⁷ In the survey we provided a mix of lenders and intermediaries, so consumers could either be referring to the ultimate lender or the intermediary.

Figure 4-11. Face-to-face conversations predominate for new vehicles bought with motor finance

Current holders of motor finance cut by type of finance held, Condition of vehicle and consumer characteristics⁸

	Current Holders - Type of finance held				Condition of vehicle			Consumer characteristics		
	HP	PCP	CS	Personal loan	New	Nearly New	Used	Prime	Near-prime	Sub-prime characteristics
Face-to-face conversation	63%	78%	63%	27%	77%	62%	45%	67%	62%	48%
Online on a provider's website	26%	18%	28%	56%	22%	27%	36%	24%	29%	43%
Phone call	26%	17%	27%	16%	18%	23%	21%	15%	22%	46%
Price comparison website	9%	6%	10%	12%	9%	10%	6%	6%	9%	17%
Mobile app	3%	2%	4%	8%	3%	4%	4%	3%	4%	7%
Other	2%	1%	3%	1%	1%	1%	3%	2%	2%	1%

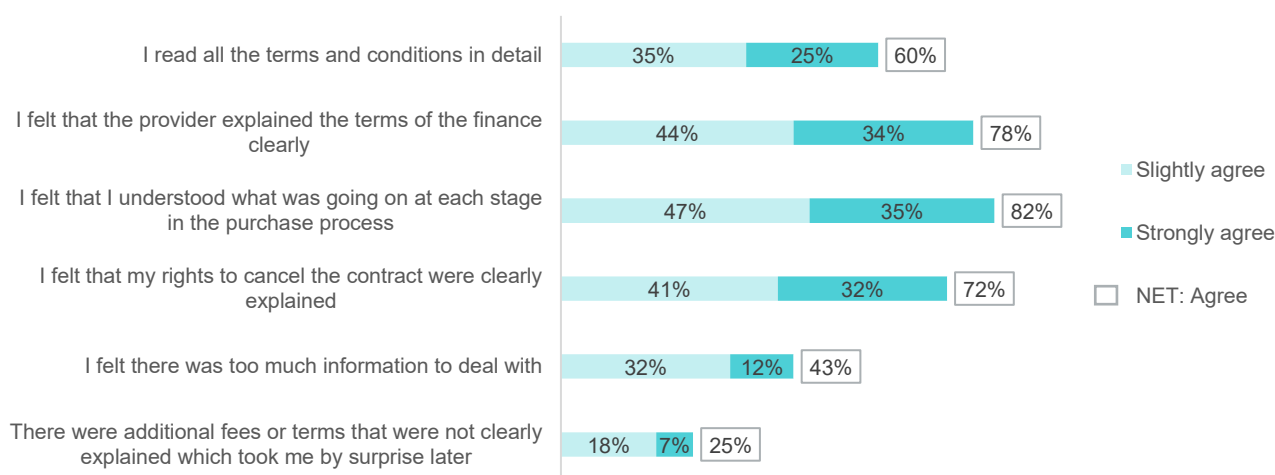
Q26. What channel did you use to arrange the motor finance? Base: Current Holders: (4001), Hire purchase (1246), Personal contract purchase (1822), Conditional Sale (274), Personal loan (659), New (1868), Nearly New (933), Used (1200), Prime: (1617), Near-prime: (2160), Sub-prime characteristics: (111). Green cells are significantly higher than the total

Deliberation

The quantitative survey identified that most current holders of motor finance agree that the provider explained the terms of the finance clearly (78%) and that they understand what was going on at each stage (82%).

Figure 4-12. Around four fifths of current holders felt they understood each stage in the purchase process, and that the provider explained the terms clearly

Current holders of motor finance



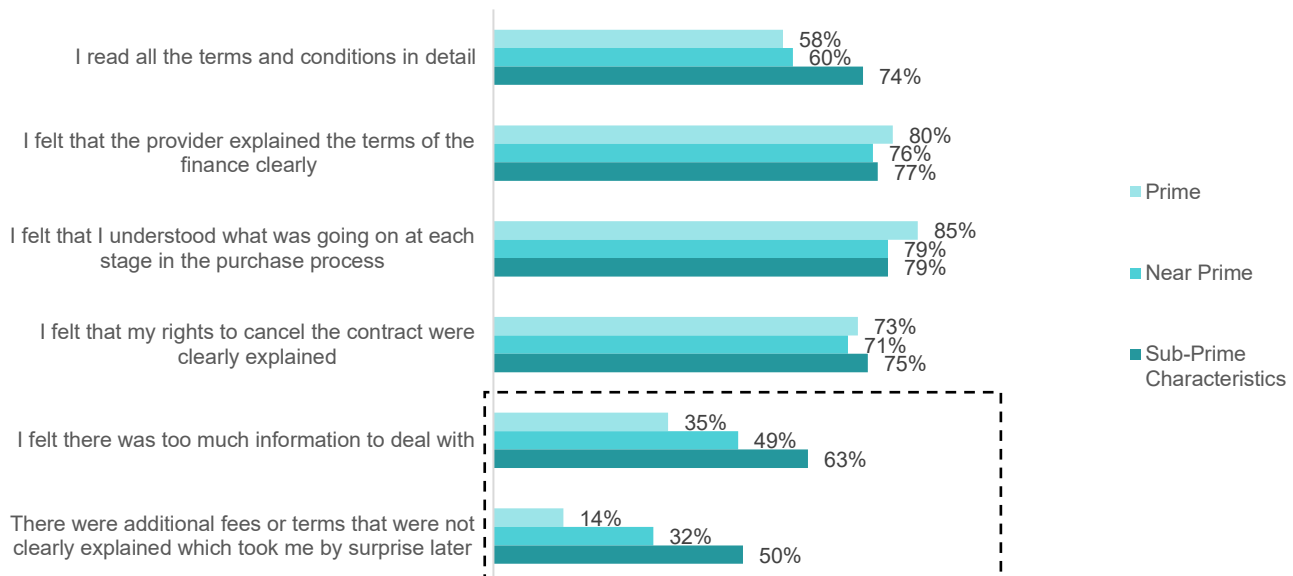
Q37. Thinking of your specific [current holder deal] deal, how much do you agree or disagree with the following? Base: Current Holders (4001)

⁸ Consumers were able to select more than one channel in the survey if applicable, hence the percentages in the table do not add up to 100%.

Those with near-prime and sub-prime characteristics are significantly more likely to say that they felt there was too much information to deal with and that they were taken by surprise later by additional fees⁹ or terms (figure 4-13), reinforcing the findings from the qualitative interviews that some purchasers can find the sales process pressured and the amount of detail confusing.

Figure 4-13. Nearly two thirds of sub-prime finance holders felt there was too much information to deal with in the sales process of their deal

Current holders of motor finance



Q37. Thinking of your specific [current holder deal] deal, how much do you agree or disagree with the following? Base: Current Holders (4001)

When probing these topics in greater detail in the qualitative interviews, consumers' levels of understanding of the terms and their agreement was however often more superficial than the quantitative survey results may suggest. Holders of motor finance often did not have a clear idea of their policy but may have thought they did (or convinced themselves they did).

In the qualitative interviews participants often overlooked key contract details and remained unaware of negotiation opportunities during the deliberation stage. When probed in greater depth, nuances emerged in how consumers think they would behave or believe they would act, compared to what they actually did. Further identified behaviours include:

Skimming the Fine Print

- Qualitative interviewees often skimmed motor finance contracts, focusing on key details like monthly payments rather than the full terms.

⁹ Additional fees self-defined by survey respondents and value not quantified

- Qualitative interviewees with high financial confidence or who had previous negative experiences were more likely to check for hidden costs, such as mileage limits.

Urgency to Sign

- At dealerships, qualitative interviewees often felt a sense of urgency to sign quickly, leading to minimal scrutiny of documentation like contracts.
- Among the qualitative interviewees those with low financial confidence or understanding were most likely to do this.

Rarely Negotiating

- Most qualitative interviewees did not negotiate their finance agreements, mainly because they were unaware it was an option. When they did, it was typically limited to asking for better deals or vehicle-specific discounts.

"I was in such a rush to get the car that I was just happy to be offered the PCP by the dealer. I didn't really consider anything else."

Current holder, PCP

"I find motor finance quite confusing overall... and no, I didn't realise you could negotiate your offer."

Considerer, Conditional Sale

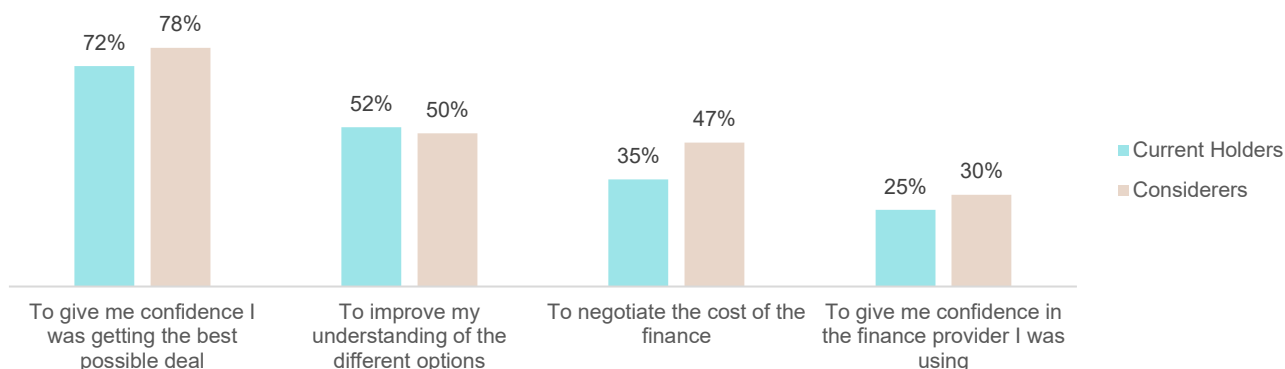
"There are rings of paperwork and so much fine print and if you're not a lawyer, you won't understand the contract."

Current holder, HP

The quantitative survey found that giving confidence that the deal is right for their circumstances and improving understanding are the main reasons to shop around, rather than being able to negotiate.

Figure 4-14. The main reason for shopping around for finance, amongst those who did, is to give confidence that they're getting a good deal

Current holders & considerers of motor finance



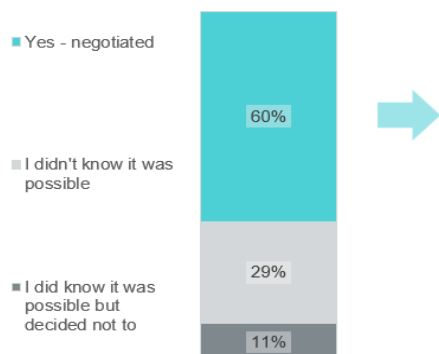
Q35. Why did you choose to shop around for finance at different providers or dealerships? / Why would you choose to shop around for finance at different providers or dealerships? Base: Current Holders choosing to shop around (2096), Considerers choosing to shop around (748)

Nevertheless, 60% of current holders of motor finance negotiated, with 29% not being aware that there was scope for negotiation in the first place. Of those who negotiated, the negotiation most commonly revolved around the price of the vehicle or add-ons rather than finance, with 54% being successful in bringing down the price of the vehicle and 40% being successful in getting add-ons for free, while 9% having been unsuccessful.

Consumers with prime characteristics are slightly more likely to have negotiated in general (62% vs 55% of near-prime and 53% of sub-prime), with those who bought used vehicles less likely to negotiate (49%, vs 66% of new vehicle purchasers).

Figure 4-15. Just under two thirds of motor finance holders negotiated during the purchase

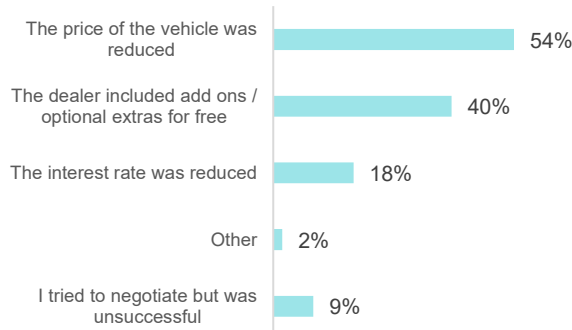
Current holders



Q38. When you bought the [vehicle type] from the [Q24 type of dealer], did you try to negotiate the final price or terms of the deal? Base: Current Holders (4001)

Figure 4-16. Most negotiations were successful, and primarily reduced the price of the vehicle or got add ons included

Current holders who negotiated



Q39. What happened as a result of you negotiating? Base: Current holders who negotiated (2219)

Within our sample, 18% of motor finance holders who negotiated reported that the interest rate itself was reduced as a result. However, following the FCA's ban on discretionary commission arrangements (DCAs, discussed in further detail in Chapter 6 [Consumer understanding of Discretionary Commission Arrangements \(DCAs\) and impact upon behaviour](#)) from January 2021, dealers no longer have discretion over the interest rate / APR at the point of sale. Therefore, in some cases, these may reflect outcomes for consumers who took their deal out prior to the ban, while in other cases they may refer to changes in monthly payments (or other terms of the motor finance deal) that consumers might have understood to be a result of a lower interest rate. This further supports the finding that some consumers do not have a strong understanding of how interest rates work or the interest rates they are paying.

Commitment and experience

In the qualitative interviews consumers' experience of motor finance post purchase was shaped by the financial reality and their preparedness at the outset. Customer satisfaction with motor finance, which ultimately shapes whether consumers choose to use it again, was heavily influenced by early engagement and ongoing financial management, indicating that clear communication and support at the start of the process can drive long term satisfaction.

Navigating ownership

- After committing to motor finance, qualitative interviewees navigated the reality of having an ongoing responsibility, including managing monthly payments and daily upkeep of their vehicle.

Satisfaction with motor finance & willingness to consider in future

- Qualitative interviewees' satisfaction with their motor finance agreement, and their willingness to consider motor finance in the future, depended on multiple factors.
- These factors included the financial strain of monthly payments, potential issues with the vehicle (e.g. costly insurance), and the quality of customer service from the dealer or provider, particularly if any issues arose.

"I have a white [car model] which I got on PCP because I needed extra space, and I liked the design. But I've now realised it's a big mistake as my insurance for the car is more than the motor finance."

Current holder, PCP

"I feel like I went into motor finance knowing enough about the different options so I could make an educated choice and feel like I have chosen what works best for me."

Current holder, HP

Additionally, qualitatively reported experiences with motor finance can vary based on an individual's confidence in financial matters, summarised in the table below for the three motor finance consumer types, presented in

Chapter 3 ([Consumer understanding and perceptions of motor finance](#)).

1.Low financial confidence, low understanding of motor finance	2.Overestimated confidence in financial matters and motor finance	3.High financial confidence and high understanding of motor finance
<ul style="list-style-type: none"> • May encounter hidden or unexpected costs (such as mileage limits) which cause greater than anticipated financial strain. • Additionally, might feel they didn't fully consider their motor finance options before, or simply be unaware of potential unknowns. 	<ul style="list-style-type: none"> • May face unexpected hidden costs or greater than anticipated financial strain from monthly payments. • However, if everything goes as planned, they are likely to be satisfied, unaware of potential unknowns or inefficient costs. 	<ul style="list-style-type: none"> • Are likely to feel satisfied with their motor finance agreement as typically have invested time and effort into building their knowledge beforehand.

"I'd really recommend that everyone takes their time in understanding what motor finance best suits you."
Current holder, PCP

5. Understanding consumer decision making with motor finance

Key insights from consumer choice scenario testing and understanding alternative choices:

- Monthly payment amounts have the biggest influence on choice of motor finance options, followed by length of term.
- Generally, motor finance holders and considerers will choose options that reduce monthly payments over the overall cost of financing (in particular showing a preference for longer-term lengths).
- Using a set of illustrative scenarios for consumers purchasing new and used vehicles, the analysis indicates that increasing motor finance interest rates reduces take up of motor finance by between 1.5-3% per 1 percentage point increase in interest rate if consumers have no alternative finance options available, suggesting at least some degree of price sensitivity for these consumer groups.
- Consumers with sub-prime characteristics appear less sensitive to changes in the price of motor finance. This may reflect that, given their circumstances, these consumers are likely to have fewer alternatives available and may therefore consider higher interest rates and monthly payments for motor finance to be more acceptable or necessary.
- The analysis also suggests that when consumers have an alternative finance option available (e.g. a personal loan with a constant interest rate) the decrease in the take up of motor finance in response to an increase in interest rate is slightly more pronounced. This is due to consumers switching to the alternative finance option (i.e. personal loan) rather than deciding not to purchase a vehicle. Taken together, consumers appear to be more sensitive to changes in the price of motor finance when alternative finance options are also available to them. At the same time, in cases where the interest rate for the personal loan remains below that of the typical motor finance product, a sizeable share of consumers continues to prefer the typical motor finance deal offered despite the availability of an alternative finance option at a lower rate.
- If their current product became unavailable, most current holders of motor finance would be willing to switch to another form of motor finance. Current holders with both new and used vehicles would most commonly choose to switch to PCP, HP or Conditional Sale as their first-choice alternative. In addition, personal loans are more common as a first preference amongst used vehicle owners while those with new vehicles show a higher preference for switching to PCH or credit cards.
- If no finance at all had been available to them (including both motor finance and alternative options), 65% of current motor finance holders indicated that they would not have bought a vehicle. Of the remaining, 25% would have purchased a cheaper vehicle with cash, and 6% would have purchased a vehicle by borrowing from friends / family.

This chapter looks at which aspects of the motor finance deals consumers care most about, how they would react to a price increase for motor finance products, and the alternative options they would consider if some or all of the motor finance options became unavailable to them.

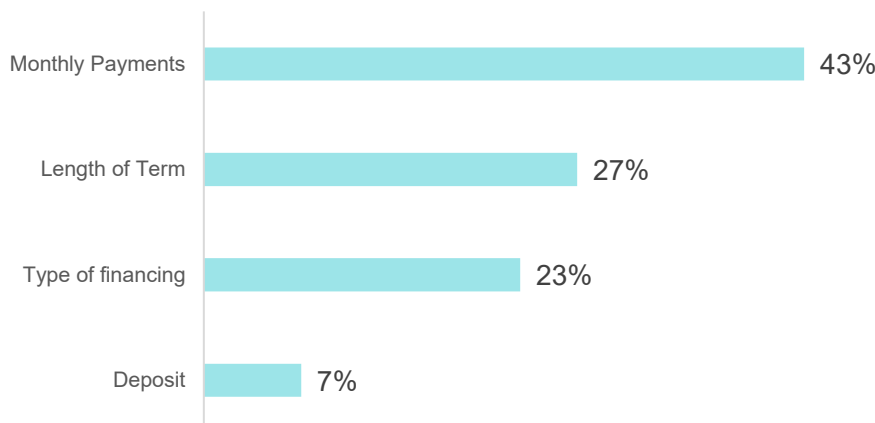
To understand the implications of changes in the price of motor finance we used a choice-based conjoint exercise in the quantitative survey. See [Technical appendix](#) for a detailed explanation of the conjoint methodology and how it was implemented in this research.

Which aspects of motor finance deals do consumers care most about?

Looking first at the high-level features that comprise a motor finance deal, monthly payments have the biggest influence on consumers' choice of motor finance options (43% attribute importance), followed by length of term (27%)¹⁰ and type of financing (23%).

Figure 5-1. The value of monthly payments is the most factor influential on choice of finance packages, more than type of financing

Current holders & considerers



Q42. Conjoint¹¹ Attribute Importance

This aligns with the findings from the qualitative interviews and quantitative survey, which found that in general most current motor finance holders and considerers focus primarily on ensuring that the monthly payments fit within the budget they have for the vehicle they want, with other contract features generally a lower priority.

¹⁰ . Attribute importances measure how important an attribute is relative to the other attributes among a particular audience (since they are relative, they sum to 100%). The larger the percentage, the heavier the impact the attribute is likely to have on decisions made by individuals from that audience. If an attribute has twice the percentage score of another attribute, that means it's twice as influential on decision making. Interest rates are not included as a factor directly in this analysis but will correlate strongly with monthly payments.

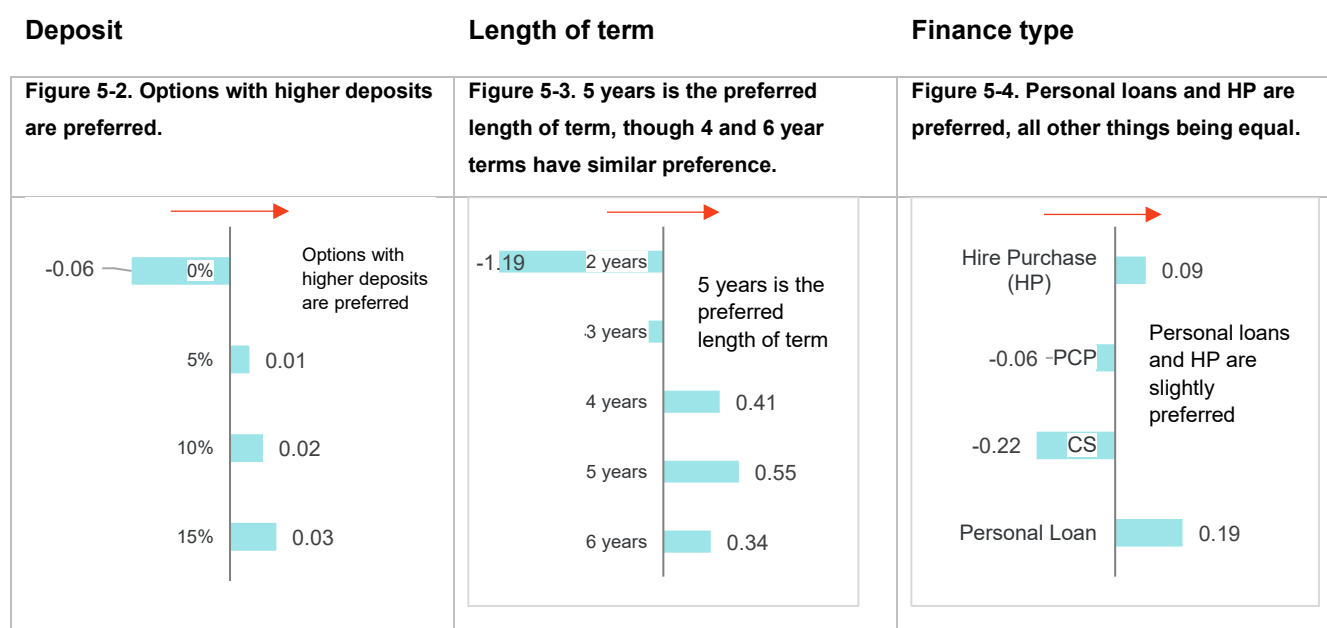
¹¹ Q42. We would like you to imagine you are buying a new [vehicle type]. [Current holders This will be the same [vehicle type] you bought previously for [car value]] [Considerers This will be the [vehicle type]you say are considering buying for [car value]]. Over the next few screens, you will be presented with 3 different hypothetical motor finance options for this [vehicle type]. On each screen you should select the option that you would most likely choose for the purchase. Each choice will have different financing terms around the type of finance, length of the term, monthly payments and deposit, amongst other things. We would like you to carefully consider all these options when selecting the finance option you would choose.

The charts below look at the relative importance that different options within each attribute (deposit, length of term and finance type) have on preference for motor finance deals. In general, the higher the score given to an option (i.e. the more the bar is to the right), the more that consumers prefer this option over other options for a given attribute. These are relative scores, such that for each attribute they will sum to zero.

For example, figure 5-2 shows the impact of different deposit options (0%, 5%, 10%, 15%). As the options with higher deposits have a higher score, this means that consumers are more likely to choose these relative to options with lower deposits.

Similarly, looking at size of deposit, as well as length of term and finance type (figure 5-3 and figure 5-4) the results indicate that current holders of motor finance prefer personal loans or HP options with higher deposits with a contract period between 4-6 years, all other things being equal.

Preference for options with higher deposits and longer-term contract length reinforce the inference that consumers are often looking primarily at monthly payments (which were shown in the conjoint and impacted by term length and deposit) over the overall cost of the finance (i.e. the amount they pay over the full term).



Q42. Conjoint¹²

¹² Q42. We would like you to imagine you are buying a new [vehicle type]. [Current holders This will be the same [vehicle type] you bought previously for [car value]] [Considerers This will be the [vehicle type]you say are considering buying for [car value]]. Over the next few screens, you will be presented with 3 different hypothetical motor finance options for this [vehicle type]. On each screen you should select the option that you would most likely choose for the purchase. Each choice will have different financing terms around the type of finance, length of the term, monthly payments and deposit, amongst other things. We would like you to carefully consider all these options when selecting the finance option you would choose.

While in general the analysis shows that consumers prefer options which have the lowest monthly payments over other features, there are two cases where this doesn't always hold:

- When the length of term increases from five years to six years, there is a slight decrease in preference. This might indicate that for some consumers a length of term of five years could reduce monthly payments to below their budget 'threshold', after which point may see a higher term length as increasing the overall cost of finance and tying them into a longer contract than they consider necessary.
- HP and personal loans are preferred to PCP, even though PCP will typically result in lower monthly payments by comparison, due to the balloon payment required at the end of the contract term. As can be seen later in this chapter, there is also a slightly lower willingness to switch to PCP compared to HP and personal loans. This reflects a negative perception of PCP finance amongst some consumers (see Chapter 3 [Consumer understanding and perceptions of motor finance](#)), either due to their own experiences or knowing people who have had issues with PCP finance deals in the past. The much higher penetration of PCP in the market will contribute to this, as people are more likely to have known someone who have had a PCP deal (and therefore have a higher chance of knowing someone who has had a poor experience).

How would consumers react to a price increase for motor finance products?

This section looks at the potential impact of changes in the price of motor finance on consumer decision-making, informed by a choice-based conjoint exercise.

As the circumstances of consumers looking to purchase vehicles using motor finance will be different, we have sought to illustrate the impact of a price increase using a typical motor finance deal for three consumer groups: consumers purchasing new vehicles, consumers purchasing used vehicles, as well as consumers with sub-prime characteristics. The key features of typical deals for each consumer group – summarised in the table below – have been informed by the information collected through the quantitative survey and broader evidence on the motor finance market.

	Consumer group 1	Consumer group 2	Consumer group 3
Consumer group	Consumers purchasing new vehicles	Consumers purchasing used vehicles	Consumers with sub-prime characteristics
Finance type	PCP	HP	Conditional Sale
Length of term	4 years	4 years	4 years
Deposit (% of list price)	15%	15%	15%
Balloon payment (PCP only)	35%	N/A	N/A
Initial interest rate (annual)	5%	12.5%	20%
Personal loan interest rate ¹³ (Scenario B only)	8%	15.5%	23%

NB: As part of the conjoint exercise, each respondent was shown a different list price based on the price the list price of the vehicle they bought on motor finance (for current holders) or the price of the vehicle they were considering. This was to ensure that each respondent was given a realistic choice, so we could isolate the impact of other changes to the deal.

Using these typical motor finance deals we consider the potential impact of an increase in the price of motor finance under two different scenarios for each consumer group:

- **Scenario A:** first, we consider a scenario where consumers only have their current motor finance product available to them. This allows us to look at the potential impact of interest rate changes in the price of motor finance for consumers who may not have alternative finance options available to them.
- **Scenario B:** in practice, in addition to their current motor finance product, most consumers are likely to have some alternative finance options available to them. Therefore, we also consider a scenario where in addition to the motor finance product in Scenario A, consumers also have a personal loan available to them. As under Scenario A, the analysis then looks at the impact of a price increase for the motor finance product only (i.e. the interest rate for the personal loan is kept constant throughout Scenario B), on consumer choice, including likely switching behaviour to alternative forms of finance when faced with higher motor finance prices.

Considerations for analysis

- 'Take-up' is the % of respondents who said they would choose a particular option in the conjoint scenario test, rather than a different option or not choosing an option at all. The conjoint test is by necessity a simplified version of reality and so will not reflect the broader array of choices people have in real life. In particular, all the options shown to a respondent had the same list price (based on the vehicle

¹³ It should be noted that for the purposes of the illustrative analysis conducted here, the interest rate for the personal loan is kept constant under Scenario B for each consumer group.

they had previously bought or were considering). In practice this means that changing the list price alone (with all other parameters kept constant) will not affect take up figures for a given scenario.

- Take-up can be considered broadly reflective of demand at that specific price and combination of options, but a drop in take up will not necessarily lead to the same drop in demand for motor finance or vehicles: most demand will shift to cheaper vehicles or be delayed purchases.

It should be noted that whilst specific illustrative scenarios are used here, changing the parameters slightly within each scenario does not impact the trends and sensitivities observed across consumer groups, other than what than what would be expected (e.g. shorter term lengths result in lower take up in line with figure 5-2, figure 5-3 and figure 5-4). See figure 8-18 in the appendix for further comparison of take up of different finance types with different parameters.

Consumers purchasing new vehicles

Scenario 1A – New vehicles, with only PCP available

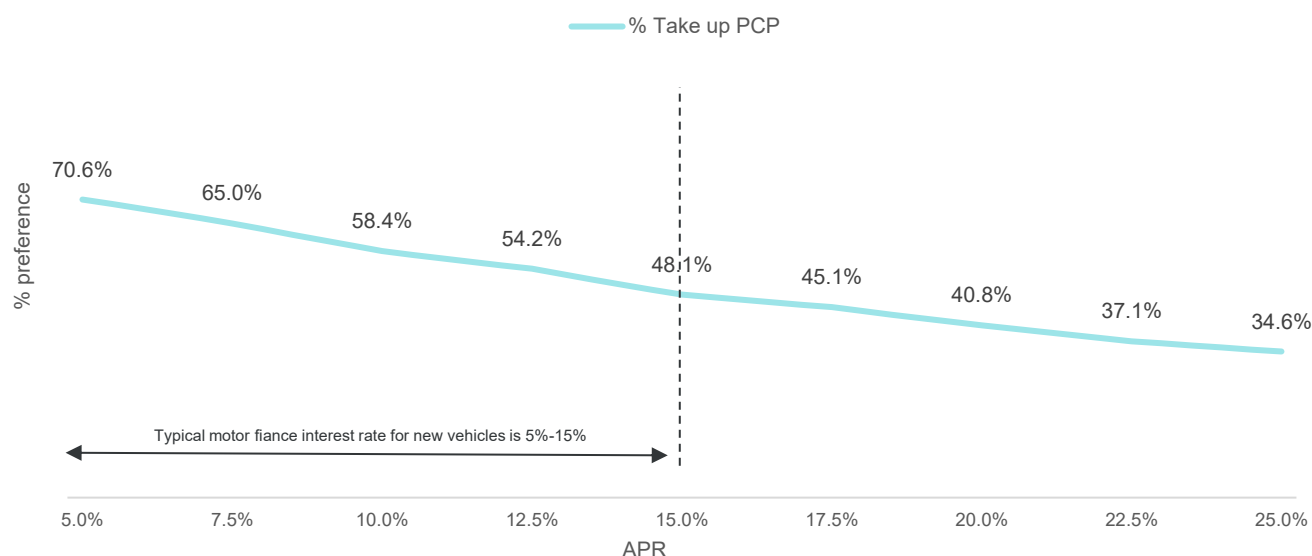
Starting at 5% interest, our analysis indicates that 70.6% of current holders would purchase a new vehicle with PCP finance on a 4-year term with 15% deposit. At an interest rate of 15%, 48.1% would still take up this motor finance option.

As the chart below shows, a 1 percentage point increase in the interest rate would reduce take up between 1.5% to 2.6% for interest rates between 5% and 15%, with a slightly steeper decrease at the lower end of the range.¹⁴ This suggests that consumers purchasing new vehicles are to some extent sensitive to changes in the price of motor finance when no other finance option is available to them.

¹⁴ Take up would further decrease at higher interest rates, however as the majority of new vehicles are purchased by consumers with prime characteristics, we consider that scenarios with interest rates above 15% are likely to be less relevant for these consumers.

Figure 5-5. Scenario 1A: Take up of PCP only for new vehicles at different interest rates

Current holders of motor finance with new vehicles



Conjoint – Scenario: PCP, 4 year term, 15% Deposit, Current Holders looking at New vehicles.

Scenario 1B – New vehicles, with PCP and personal loan available

When a personal loan is also available to consumers at a constant interest rate¹⁵, there is a slightly greater decrease in the take up of the PCP deal for new vehicles. In particular, each percentage point increase in the PCP interest rate results in around a 3% drop in take up of PCP per 1 percentage point increase in PCP interest at lower levels of interest (5%-10%), and c.2% at interest rates of between 10% and 15% for PCP. At the same time, the drop off in take up of either option is c.1.5% at lower levels of interest and c.1% at interest rates of between 10% and 15% for PCP.

The analysis also indicates that the greater decline seen in the take up of the PCP deal is due to consumers switching to the personal loan rather than deciding not to purchase a car. For example, at 5% interest for the PCP deal, 50.2% of consumers looking for a new vehicle take up PCP and 26.6% take up a personal loan. This means that in total 76.9% of consumers would take up a finance deal (either the PCP or personal loan offered).

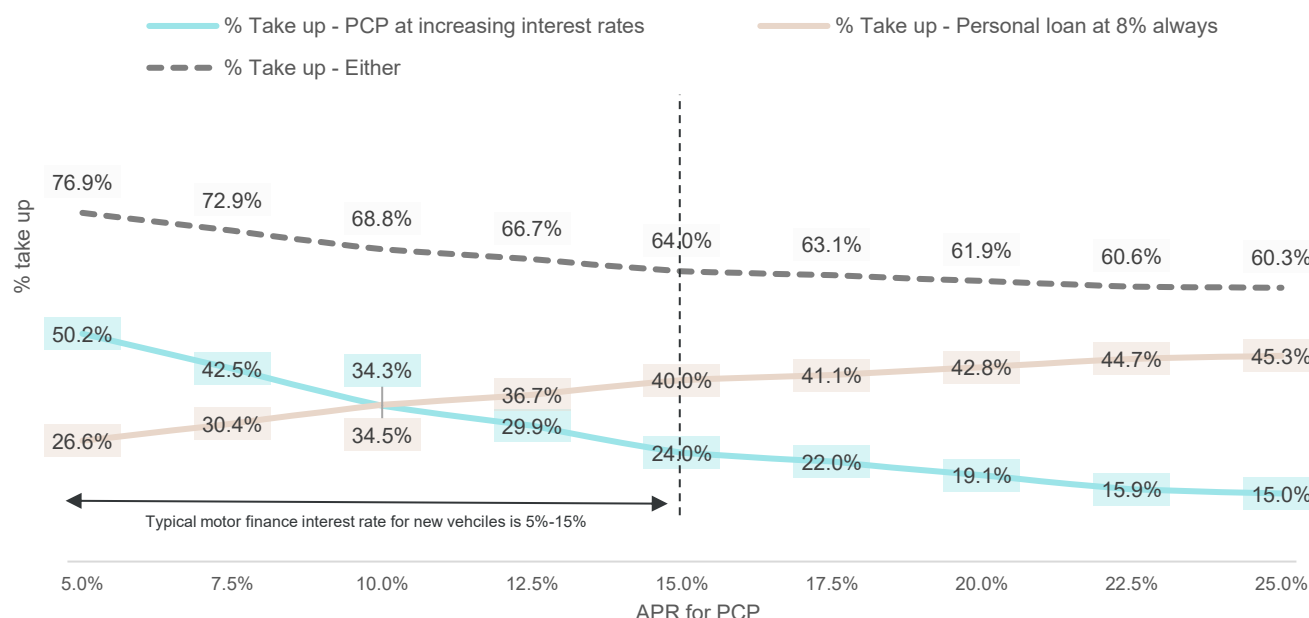
Taken together, consumers appear to be more sensitive to changes in the price of motor finance when alternative finance options (e.g. a personal loan) are also available to them. At the same time, in cases where the interest rate for the personal loan remains below that of PCP (i.e. for the range above 8% in this scenario), a sizeable share of consumers continues to select the motor finance deal offered despite the availability of an alternative finance option at a lower rate. While the research did not explore the underlying drivers of these

¹⁵ Set at 8% in this scenario to reflect the generally higher risk associated with unsecured personal loans.

decisions, this might reflect a strong preference for some types of motor finance or the importance of other non-price factors in consumer decisions.

Figure 5-6. Scenario 1B: Take up of PCP or Personal Loan for new vehicles, with PCP interest rates increasing

Current holders of motor finance with new vehicles



Conjoint – Scenario: PCP or Personal Loan, 4 year term, 15% Deposit PCP / 0% Deposit Personal Loan, Current Holders looking at new vehicles.

Consumers purchasing used vehicles

Scenario 2A – Used vehicles, with only HP available

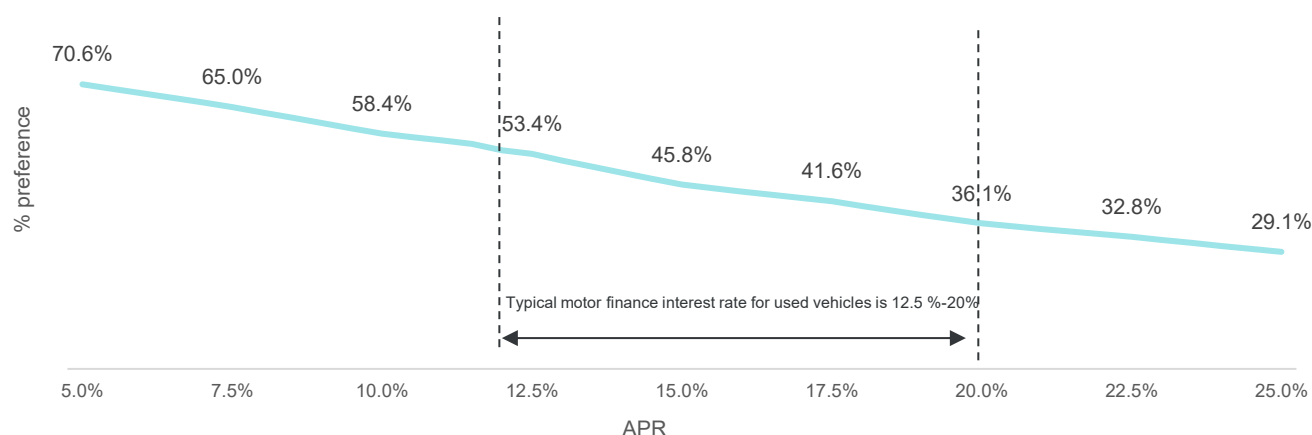
Looking at a typical deal for used vehicles with HP financing, again with a 4-year term and 15% deposit, our analysis suggests that 53.4% of consumers would take up the finance at an initial 12.5% interest.¹⁶

As per figure 5-17, the drop in take up as interest rates increase is similar to the trend noted under Scenario 1A regarding new vehicles bought with PCP, being between 1.5% and 3% per 1 percentage point increase in the interest rate. Similarly to new vehicles, this suggests that consumers purchasing used vehicles are to some extent sensitive to changes in the price of motor finance when no other finance option is available to them.

¹⁶ As indicated in the figure below, we consider the typical interest rate for used vehicles to be in the range of 12.5-20%, informed by data from the quantitative survey and broader information on the motor finance market.

Figure 5-7. Scenario 2A: Take up of HP only for used vehicles at increased interest rates

Current holders of motor finance with used vehicles.



Conjoint – Scenario: HP, 4-year term, 15% Deposit, Current Holders looking at Used vehicles.

Scenario 2B – Used vehicles, with HP and personal loan available

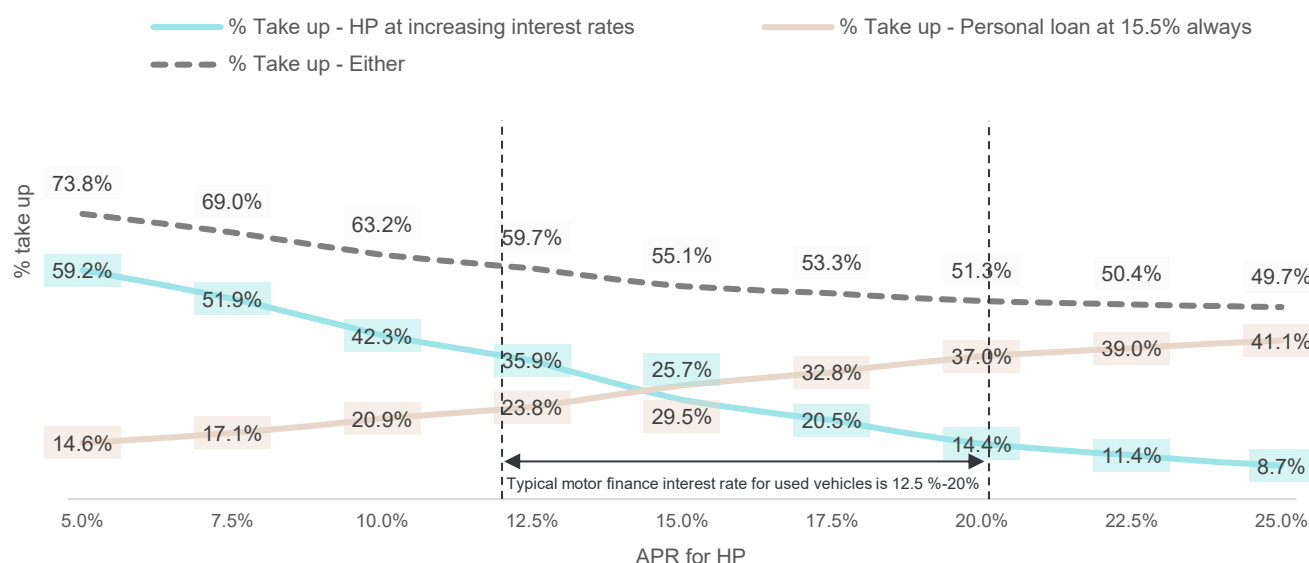
When a personal loan is also available to consumers at a constant interest rate (set at 15.5% for used vehicles in this scenario¹⁷), alongside HP, a similar pattern is seen to scenario 1B above (New vehicles, with PCP and personal loan available): take up of HP drops by c.3-4% per 1 percentage point increase in the HP interest rate and when the rate is between 12.5% and 15%, before levelling off to c.2.5% drop per 1 percentage point increase in interest rate between 15% and 20%. The drop off in take up of either option is c.2% between 12.5% and 15% HP interest, and c.1% above 15%.

As in the case of new vehicles, consumers purchasing used vehicles appear to be more sensitive to changes in the price of motor finance when alternative finance options (e.g. a personal loan) are also available to them. Similarly, in cases where the interest rate for the personal loan remains below that of the typical HP deal (i.e. for the range above 15.5% in this scenario), a sizeable share of consumers continue to prefer the HP option.

¹⁷ As under scenario 1B, the higher interest rate assumed for the personal loan reflects the generally higher risk associated with unsecured lending.

Figure 5-8. Scenario 2B: Take up of HP or Personal Loan, with HP interest rates increasing

Current holders of motor finance with used vehicles



Conjoint – Scenario: HP or Personal loan, 4 year term, 15% Deposit HP / 0% Deposit Personal loan, Current Holders looking at used vehicles

Consumers with sub-prime characteristics

Scenario 3A – Sub-prime consumers, only Conditional Sale available

Looking next at consumers with sub-prime characteristics, take up of a typical Conditional Sale deal is high even at relatively high interest rates – 70.8% indicated that they would take up the Conditional Sale finance option offered at an interest rate of 20%.

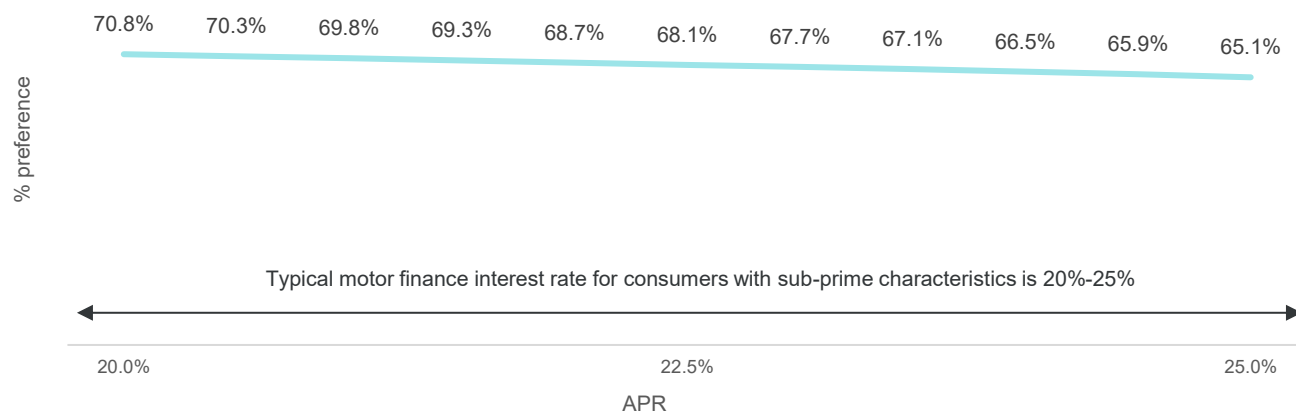
Each 1 percentage point increase in interest rate for sub-prime consumers under these conditions results in c.1% lower take up, which is a lower drop off in demand than noted for comparable scenarios in 1A and 2A above: new vehicles with PCP and used vehicles with HP.

This would indicate that consumers with sub-prime characteristics appear less sensitive to changes in the price of motor finance compared to consumers purchasing new or used vehicles. This may reflect that, given their circumstances, consumers with sub-prime characteristics are likely to have fewer alternatives available to them and may therefore consider higher interest rates and monthly payments for motor finance to be more acceptable or necessary.

It should also be noted that while the illustrative scenario considers 20% as the initial interest rate for consumers with sub-prime characteristics¹⁸, in practice it may not be uncommon for these consumers to see interest rates sometimes much higher than this.

Figure 5-9. Scenario 3A: Take up of Conditional Sale only at increased interest rates

Current holders of motor finance with sub-prime characteristics



*Conjoint – Scenario: Conditional Sale, 4-year term, 15% Deposit, Current Holders with sub-prime characteristics. Take up of motor finance at each interest rate
NB: Interest rates under 20% note shown as they are unrealistic for sub-prime consumers .*

Scenario 3B – Sub-prime consumers, Conditional Sale or personal loan available

For some consumers with sub-prime characteristics, a personal loan may also be available as an alternative source of finance (with a constant interest rate of 23% in this scenario¹⁹).

As the interest rate for Conditional Sale increases, take up drops off at c.2% per 1 percentage point increase in interest rate.

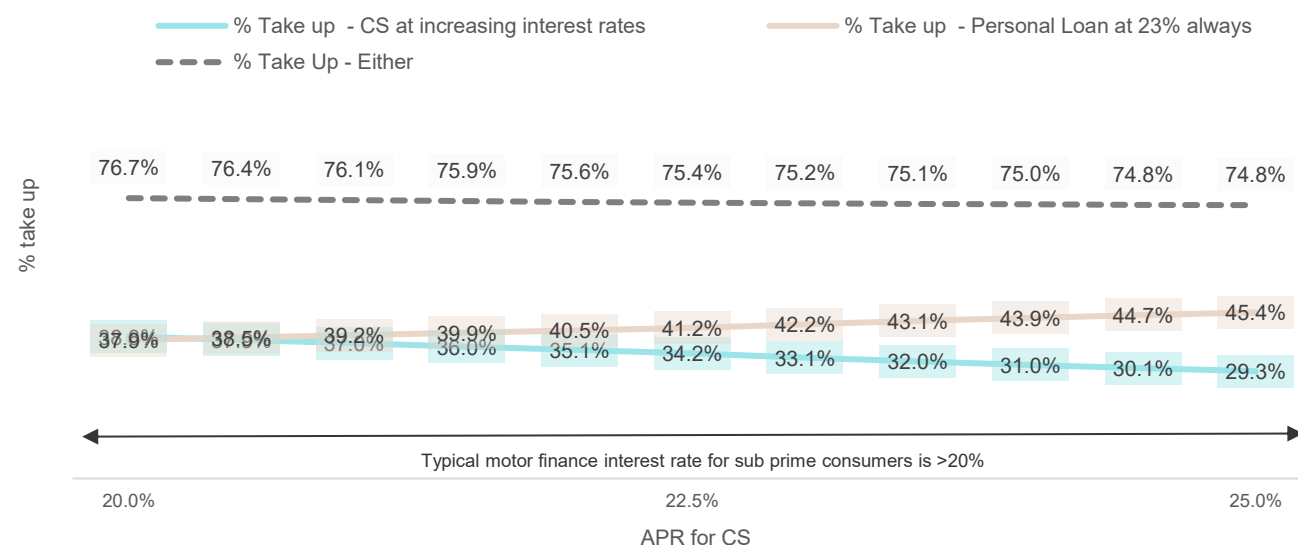
Take up of either option take up drops much slower than seen in other scenarios, with a drop of only around 0.2% to 0.5% per 1 percentage point increase in Conditional Sale interest rate.

¹⁸ This reflects the interest rate range covered by the conjoint analysis (5-25%). Please see the technical appendix for further details.

¹⁹ As under scenarios 1B and 2B, the higher interest rate assumed for the personal loan reflects the generally higher risk associated with unsecured lending.

Figure 5-10. Scenario 3B: Take up of Conditional Sale or Personal Loan, with Conditional Sale interest rates increasing

Current holders of motor finance with sub-prime characteristics



Conjoint – Scenario: CS or Personal Loan, 4 year term, 15% Deposit CS / 0% Deposit Personal Loan, Current Holders looking at used vehicles

What alternative actions would consumers not selecting any of the finance options offered consider instead?

As a follow up to the conjoint analysis, if consumers selected that they would not purchase any of the finance options offered in one of the choice screens, they were presented with a set of alternatives (e.g., choose a cheaper car, wait, try alternative options, etc.), to assess the actions they would consider instead.

Based on the results in the sections above, the percentage of consumers not selecting any of the finance options offered varies based on both the typical deal and scenario considered.²⁰ For example, 29.4% of consumers purchasing new vehicles have indicated that they would not take up the typical PCP deal offered under scenario 1A, while the percentage of consumers not selecting either the PCP deal or personal loan offered decreases to 23.1% under scenario 1B.

As shown in the table below²¹, most of these consumers would still proceed with a vehicle purchase either through waiting and trying again after a period of time or through looking for a cheaper car. Current holders who purchased a used vehicle or those with sub-prime characteristics are more likely to look for a cheaper vehicle rather than wait, whereas for those who purchased a new vehicle there is a relatively even split between these two actions.

²⁰ In addition, the percentage of consumers not selecting any of the finance options also changes depending on the specific interest rate considered (for the motor finance product).

²¹ It should be noted that the figures reported in Figure 5-11 have been rebased such that they sum up to 100%.

Only a minority of consumers not selecting any of the finance options offered indicated that they would not buy a vehicle at all. Therefore, the decrease in (motor) finance take up observed in the scenarios above (as a result of an increase in the price of motor finance) will most commonly lead to demand shifting to cheaper vehicles or purchases being delayed, rather than to a decrease in the demand for vehicles.

Figure 5-11. Most consumers would either wait, or look for a cheaper vehicle

Current holders of motor finance

	You said you wouldn't take up any of those car financing options. What would you do instead?			
	Wait and try again after a period of time	Look for a cheaper vehicle	Ask friends and family for a loan	Not buy a vehicle at all
Consumers purchasing new vehicles	43%	45%	4%	8%
Consumers purchasing used vehicles	34%	55%	5%	7%
Consumers with sub-prime characteristics	36%	54%	6%	4%

Conjoint follow up: If the right financing option wasn't available to you, what would you do?

What alternative options would current holders choose if their motor finance type became unavailable?

In addition to the impact of an increase in the price of motor finance considered above, through the quantitative survey we also explored the impact of consumers' current motor finance product becoming unavailable on decision-making and choice. Figure 5-12 shows the finance products current holders of motor finance would select as their first-choice alternative if their existing finance type was no longer available.

Current holders with new vehicles would most commonly choose to switch to PCP, HP or Conditional Sale, with around 50-60% selecting one of these, but with no one finance type predominating. Personal loan is chosen by just under 20% as their first alternative.

Current holders with new vehicles and HP or PCP show a higher preference for switching to PCH, whilst those with Conditional Sale or personal loans have a relatively higher preference for credit cards.

Figure 5-12 Current holders with new vehicles have a relatively split preference if their current finance type wasn't available

% ranked 1st, Current holders of motor finance with new vehicles

		Currently hold			
		Hire purchase (HP)	Personal contract purchase (PCP)	Conditional Sale	Personal loan
% first choice if current wasn't available	Hire purchase (HP)	-	26%	22%	24%
	Personal contract purchase (PCP)	23%	-	18%	13%
	Conditional Sale	25%	18%	-	23%
	Personal loan	17%	19%	19%	-
	Personal contract hire (PCH)	21%	24%	8%	6%
	Using a credit card to buy outright	7%	6%	20%	20%
	Using a subscription service	7%	7%	9%	12%
% first choice NETs	NET: PCP, HP, Conditional Sale	47%	43%	41%	59%
	Personal loan	17%	19%	19%	-
	NET: Credit card / PCH / subscription	36%	36%	37%	38%

Q30. You said you would consider these different types of motor finance. Please rank them in order of which would be your preferred option: Base: Current Holders who would consider another option than their own: Hire purchase (476), Personal contract purchase, (1125), Conditional Sale, (83), Personal loan (139). Survey also included "paying fully upfront with cash" as an option, which has been excluded from this analysis as in practice this may not be a realistic option for all consumers.

Current holders with used vehicles have similar preferences for switching to PCP, HP or Conditional Sale, with around 50% choosing one as an alternative. Personal loans are much more common as a first preference amongst used vehicle owners, with PCP less commonly chosen. Consumers buying used vehicles have also indicated a lower preference for motor finance alternatives including PCH, credit cards and subscription services.

Figure 5-13 Current holders with used vehicles are less likely to switch to PCP if their current finance type wasn't available

% ranked 1st, Current holders of motor finance with used vehicles

		Currently hold			
		Hire purchase (HP)	Personal contract purchase (PCP)	Conditional Sale	Personal loan
% first choice if current wasn't available	Hire purchase (HP)	-	30%	31%	21%
	Personal contract purchase (PCP)	16%	-	4%	8%
	Conditional Sale	34%	23%	-	36%
	Personal loan	35%	26%	52%	-

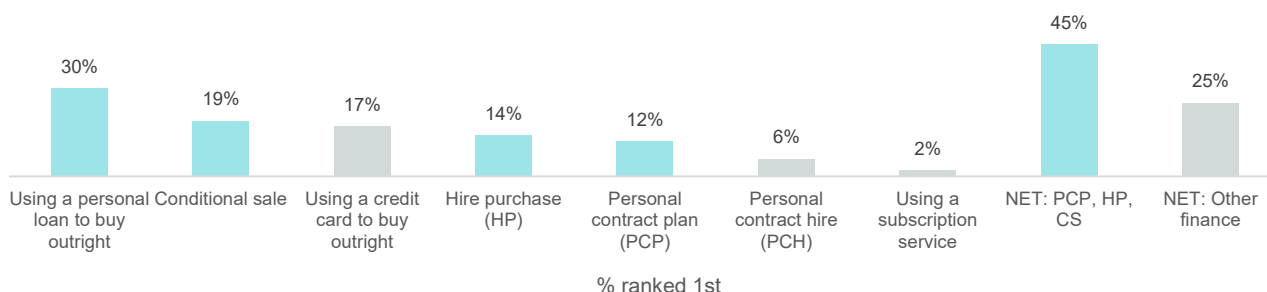
	Personal contract hire (PCH)	7%	15%	5%	3%
	Using a credit card to buy outright	5%	3%	6%	24%
	Using a subscription service	2%	3%	3%	4%
% first choice NETs	NET: PCP, HP, Conditional Sale	50%	52%	35%	65%
	Personal loan	35%	26%	52%	-
	NET: Credit card / PCH / subscription	14%	21%	13%	31%

Q30. You said you would consider these different types of motor finance. Please rank them in order of which would be your preferred option: Base: Current Holders who would consider another option than their own: Hire purchase (408), Personal contract purchase (295), Conditional Sale, (124), Personal loan (347) Survey also included "paying fully upfront with cash" as an option, which has been excluded from this analysis as in practice this may not be a realistic option for all consumers.

As per figure 5-14 when asked to rank alternative finance options considered in order of preference, considerers of motor finance most commonly choose PCP, HP or Conditional Sale (45% when combined), followed by personal loans (30%). PCP is only the first preference for 12% of considerers, perhaps surprising given its large share of the current market, although maybe reflective of reputational issues as discussed earlier in this report.

Figure 5-14. Personal loans are the most common preference for considerers, followed by Conditional Sale

% ranked 1st, Considerers



Q30. You said earlier you would consider these different types of motor finance. Please rank them in order of which would be your preferred option, if [current holder deal] was not available? Base: Considerers (1001). Survey also included "paying fully upfront with cash" as an option, which has been excluded from this analysis as in practice this may not be a realistic option for all considerers

Which other options would they consider at all?

In addition to their first choice, we also looked at the range of alternative options consumers might consider if their current motor finance type became unavailable. This is because in practice most consumers are likely to have more than one alternative option available to them.

As per figure 5-15, the vast majority of current holders of motor finance would be most likely to consider PCP, HP or Conditional Sale, but with no one finance type dominating.

Current holders with PCP show a higher preference for switching to PCH, likely due to leasing options being more common for new vehicles.

Further, between 26% and 32% (depending on what finance product they currently hold) would consider not purchasing a vehicle at all if their current financing option was not available.

Figure 5-15. Most holders are willing to switch to other types of products, with around a third saying they would not purchase a vehicle if their current type was unavailable

% 1st choice, strongly consider, might consider each finance type
Current holders of motor finance

		Currently hold			
		Hire purchase (HP)	Personal contract purchase (PCP)	Conditional Sale	Personal loan
% who would switch to...	Hire purchase (HP)	n/a	83%	79%	77%
	Personal contract purchase (PCP)	72%	n/a	62%	55%
	Conditional Sale	82%	82%	n/a	81%
	Personal loan	78%	73%	77%	n/a
	Personal contract hire (PCH)	57%	72%	53%	44%
	Using a credit card to buy outright	43%	32%	43%	44%
	Using a subscription service	43%	45%	45%	37%
	Leasing vehicle	51%	58%	48%	42%
	Paying fully up front with cash	62%	57%	68%	71%
	Not purchasing vehicle at all	32%	27%	26%	31%
% NETs	NET: PCP, HP, Conditional Sale	91%	91%	86%	91%
	Personal loan	78%	73%	77%	n/a
	NET: Credit card / PCH / leasing / subscription	82%	89%	83%	78%

Q29. If you didn't have the option to use [current holder deal], which of the following financing options would you consider instead?
Base: Current Holders (4001)

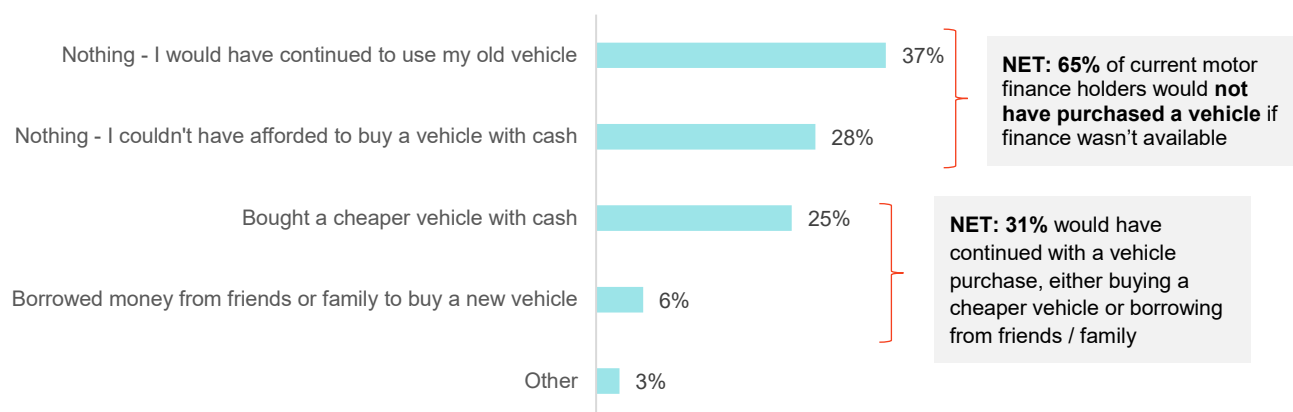
What would holders of motor finance do if all finance became unavailable?

Finally, our assessment also considered the impact on consumer choice of all motor finance options becoming unavailable.

As per figure 5-16, 65% of current motor finance holders would not have made a vehicle purchase if no finance options had been available to them at the time. Of those remaining, 25% would have bought a cheaper vehicle with cash and 6% would have borrowed from friends / family to buy a new vehicle. This data therefore suggests that in the scenario that finance was not available, it would significantly reduce the volume of motor vehicle purchases.

Figure 5-16. Two thirds of motor finance holders would not have bought a vehicle if all finance became unavailable

Current holders of motor finance



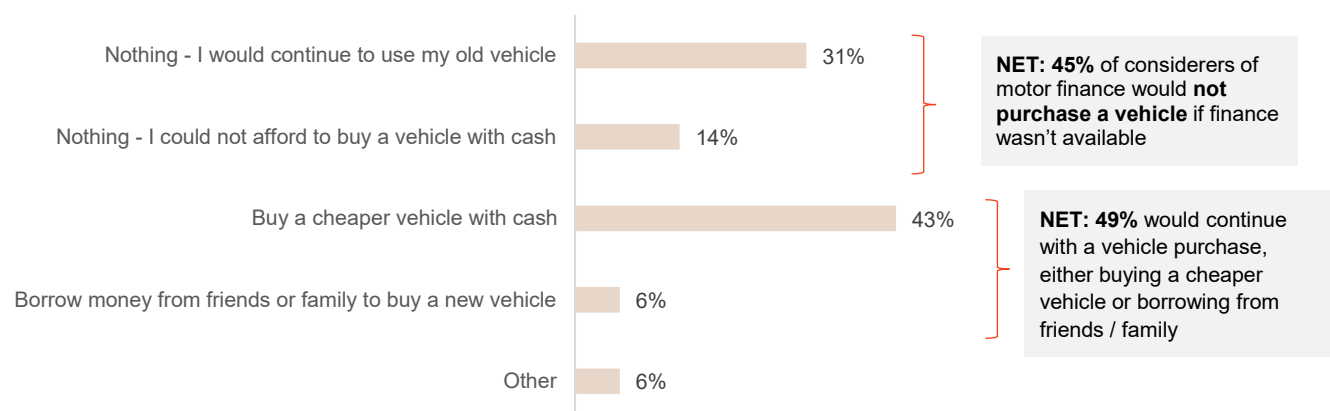
Q41. For whatever reason, if no finance options at all had been available to you, i.e. the only option was to buy a [vehicle type] with cash, what would you most likely have done? Base: Current Holders (4001)

A slightly higher proportion of considerers would continue to buy a vehicle by purchasing a cheaper vehicle with cash if finance was not available (43%, figure 5-17), compared to current holders, whilst 45% would not purchase a vehicle at all. Further, a lower proportion of considerers claimed they could not afford to buy with cash compare to current holders (14% vs 28%, respectively).

This may be due to a variety of reasons, including perceptions of the market (e.g., a view amongst considerers that there are more cheaper vehicles available in the market now compared with previous years), and perhaps a degree of optimism from some considerers about the availability of suitable vehicles within their budget.

Figure 5-17. 45% of considerers would not buy a vehicle if motor finance wasn't available, whilst 49% would continue with the purchase

Current holders of motor finance



Q41. For whatever reason, if no finance options at all are available to you, i.e. the only option was to buy a [vehicle type] with cash, what would you most likely do? Base: Considerers (1009)

Current holders of motor finance who bought a new vehicle, and those with prime characteristics, are slightly more likely to state they would have continued to use their own vehicle if motor finance wasn't available (figure 5-18), whilst those who bought nearly new or used vehicles are more likely to not have done anything due to not being able to afford a vehicle.

Figure 5-18. Prime consumers are more likely to continue to use their old vehicle

Current holders of motor finance

		Type of vehicle			Consumer Characteristics		
	Total (%)	New	Nearly New	Used	Prime	Near-Prime	Sub-prime
Nothing - I would have continued to use my old vehicle	37%	42%	31%	35%	45%	32%	26%
Nothing - I couldn't have afforded to buy a vehicle with cash	28%	23%	32%	34%	22%	33%	37%
Bought a cheaper vehicle with cash	25%	25%	29%	23%	24%	26%	29%
Borrowed money from friends or family to buy a new vehicle	6%	7%	6%	6%	4%	7%	6%
Other	3%	4%	2%	2%	4%	1%	1%

Q41. For whatever reason, if no finance options at all had been available to you, i.e. the only option was to buy a [vehicle type] with cash, what would you most likely have done? Base: Hire purchase: 1246, Personal contract purchase: 1822, Conditional sale: 274, Personal loan: 659, New: 1868, Nearly New: 933, Used: 1200, Prime: 1617, Near-prime: 2160, Sub-prime characteristics: 111, Unclassified: 113. Green cells are significantly higher than the total

6. Consumer understanding of Discretionary Commission Arrangements (DCAs) and impact upon behaviour

Key insights on DCAs:

- 49% of current holders and 68% of considerers of motor finance say they had not heard of DCAs before, and few say they have a very good understanding of what they are (10% of current holders and 5% of considerers). However, qualitative insight suggests that even when consumers have heard of them, their understanding of what they are and the implications of them are often quite limited.
- If they had been informed of DCAs beforehand, most current holders think they would have asked for clarification (48%) or done more research (43%). Considerers demonstrated similar views to current holders.
- However, in reality, understanding of DCA, tolerance for cost, and mixed willingness to shop around are likely to be the most impactful factors on the decision as not all consumers recognised or understood that DCAs could have caused them to ultimately pay more interest unnecessarily, or clearly recognise the exact impact a higher interest rate would have on their overall finance costs.

This chapter investigates consumer views on DCAs (which were banned in January 2021) in relation to the FCA's ongoing review of past use of DCAs in motor finance.

Understanding and perceptions of DCA

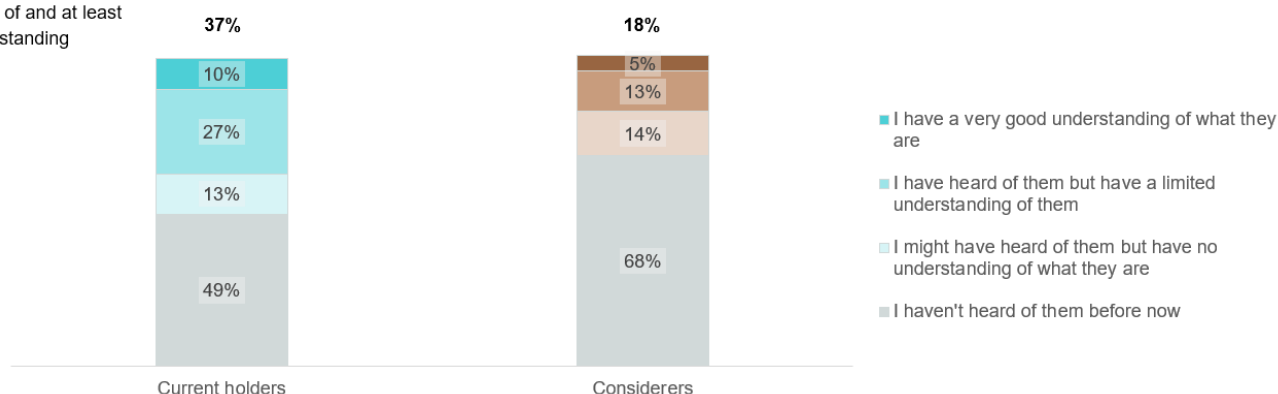
Data from the quantitative survey shows that unprompted awareness and understanding of Discretionary Commission Arrangements (DCAs) amongst consumers is relatively low.

As shown in figure 6-1, prior to showing respondents a formal definition of DCAs, 49% of current holders and 68% of considerers of motor finance say they had not heard of DCAs before, and few have a very good understanding of what they are (10% of current holders and 5% of considerers). Current holders with sub-prime characteristics are slightly more likely to have a good understanding (19%, see [Appendix two: additional survey data](#)), however, it is not clear from the research as to why that may be.

Figure 6-1. 10% of current holders have a good understanding of DCAs

Current holders of motor finance and Considerers

NET: Heard of and at least some understanding



Q43. Have you heard of Discretionary Commission Arrangements (DCA) before? Base: Current Holders (4001), Considerers (1009)

Even when consumers have heard of DCAs unprompted, their understanding is often quite limited. Participants in the qualitative interviews often demonstrated a level of awareness that *'something has happened'* in the motor finance industry and that there has been a class action suit, with some references to PPI. However at the time of the fieldwork, knowledge of DCAs specifically and the actual nature of the issue remained relatively low. This awareness has primarily been driven by consumer sites such as Martin Lewis, as well as advertising (e.g., on Twitter / X).

Following these unprompted questions on awareness and understanding of DCAs, consumers were then provided with a definition of DCAs²² and asked further questions on their likely action(s) if they knew that a DCA was part of their motor finance deal at the time.

The definition of DCA evoked a mixed reaction amongst the qualitative participants. It was still not immediately clear to some what the issue with DCAs is and what the impact would be. This confusion can derive from a lack of understanding of how interest works, and an assumption that motor finance interest is set purely on consumers' credit history. There can also be a sense of resignation, with consumers expecting to be treated unfairly in some way, and that 'if it wasn't this it would be something else'. Some consumers did understand the issue around DCAs quicker once shown the definition, but few felt much outrage over it.

Impact of DCA on consumer decision making on motor finance

The following data points cover what considerers and current holders of motor finance would hypothetically do or would have done if the presence of DCA as part of the motor finance deal was disclosed at the point of sale. This was after the definition of DCA had been presented. It should be noted, however, that there is likely to be a

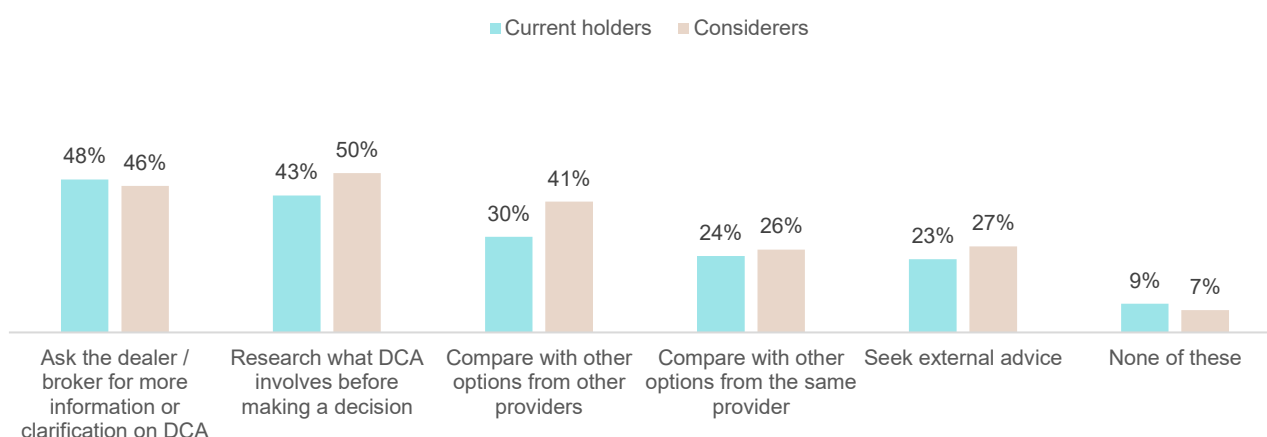
²² Definition of DCAs: Discretionary Commission Arrangements (DCA) were an arrangement between lenders (the credit provider) and brokers (e.g. the dealership) where the amount received by the broker is linked to the interest rate that the customer pays and which the broker has the power to set or adjust.

difference between the self-reported actions respondents say they will take, when asked in a research setting, and what they may have actually done at the time during the sales process. See '[Limitations of analysis regarding respondents](#)' behaviours in reaction to DCA' at the end of this chapter for further information. Due caution should therefore be taken when extrapolating the results of the analysis in this chapter.

Had the presence of DCAs been disclosed as part of their deal at the point of sale, current holders of motor finance said their immediate actions would most likely have been to ask for further clarification (48%) or to do more research (43%). As shown in figure 6-2, considerers demonstrated similar views to current holders.

Figure 6-2. Just under half of current holders and considerers would ask or would have asked for more information

Current holders of motor finance and Considerers



Q45. If your provider informed you or disclosed that a DCA arrangement was included in the finance deal when you were taking it out, what would you have done? Base: Current Holders (4001)

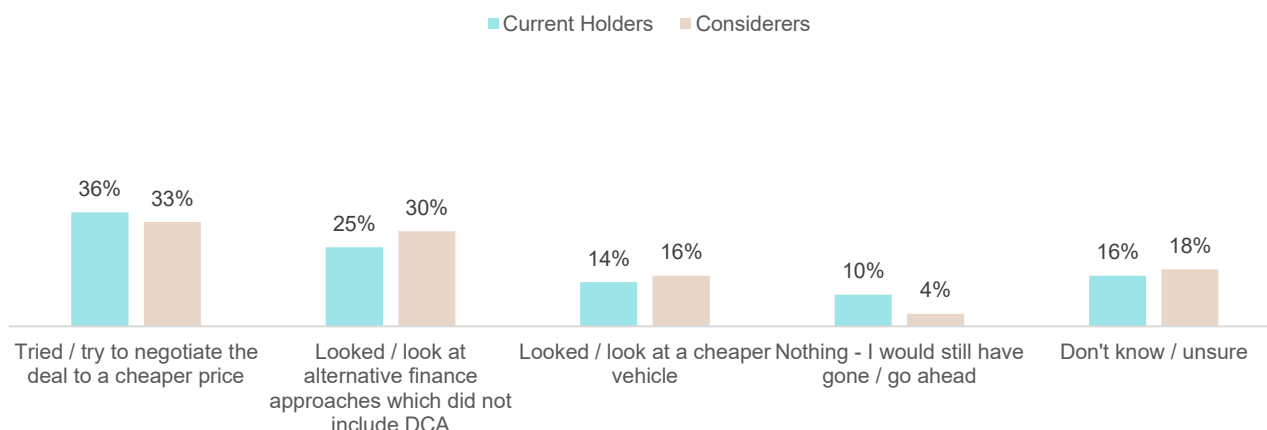
Q45. If you become aware that a DCA is included in a finance deal that you are considering, what would you do? Base: Considerers (1009)

With regards to the impact on their final decision in the event that DCAs had been disclosed as part of their deal, as shown in figure 6-3, current holders and considerers most commonly say they would have tried to negotiate or looked at alternative options.

Those who bought their vehicle nearly new (19%) and consumers with sub-prime characteristics (29%) are more likely to change the vehicle to something cheaper (figure 8-24), while a third of those who bought through a personal loan would try to avoid DCA all together by looking at alternative finance options that did not include DCA.

Figure 6-3. Around a third of current holders and considerers feel they would have tried to negotiate if they knew at the time that a DCA was part of their deal

Current holders of motor finance and Considerers



Q46. What do you think your final decision would have most likely been? Base: Current Holders (4001), Considerers (1009)

Further, qualitative insight suggests that numerous additional factors may also influence how a consumer may act upon being informed of the presence of DCAs in motor finance deals.

Judgement over what is included to offset the impact of DCA: if it was positioned to the customer by the dealer that they would be getting more ‘freebies’ because of the increased interest, this may still be deemed acceptable.

Positioning and explanation of DCA: depending upon how DCA is presented to consumers, it may not be transparent or clear to consumers what the DCA actually means to them.

Tolerance for cost: if the additional ‘cost’ to the consumer as a result of the inclusion of DCA is tolerable, they may accept it rather than challenge or look elsewhere.

Mixed willingness to shop around: if a consumer has already put in a significant amount of time and effort into researching or are in urgent need of a vehicle, they may be inclined to take what they consider to be the ‘easiest option’, i.e., the one right in front of them.

Understanding, tolerance for cost, and mixed willingness to shop around are likely to be the most impactful factors on the decision-making if consumers had been aware of DCAs at the time. Even in a research discussion not all consumers recognised or understood that DCAs could cause them to ultimately pay more interest unnecessarily, or clearly recognise the actual impact of higher interest on their overall finance costs.

“I’d like to yes say I’d do something differently if I knew about DCA’s but if I am honest, I am not sure it would have made any difference because I think I got swept along and just needed a car.”

Current holder, PCP (Sub-prime)

“Just reading this [DCA statement], I feel a bit confused about how I am supposed to feel. I suppose it depends on how much higher the commission is and how much more I’d end up paying.”

Current holder, PCP

“That seems kind of unfair... Is this the Martin Lewis thing? I didn’t know that interest rates could be changed.”

Current holder, Conditional Sale

Limitations of analysis regarding respondents’ behaviours in reaction to DCA

The survey methodology can affect how respondents answer questions relating to sensitive topics such as DCA, in that respondents may be more likely to overclaim certain behaviours or actions through an online survey. Additionally, it may be difficult for a consumer to state through an online survey how they actually would have behaved if they had knowledge of DCAs at the time of purchase, notably given that for many, a vehicle purchase is a complex and time pressured sales process.

This is demonstrated by the survey data showing that most holders of motor finance claimed they would have taken action on learning about a DCA as part of their deal (e.g., 36% would have attempted to negotiate a cheaper price, 25% would have looked at alternative finance options which did not include DCA, and 14% would have looked at a cheaper vehicle).

However, participants in the qualitative interviews suggested that multiple other factors would have influenced the level of action, including time invested in researching the vehicle and finance, and whether the cost was still tolerable, meaning they may have just accepted it rather than look elsewhere, showing that consideration of these broader factors would have had a significant impact on the final decision.

7. Appendix one: overview of consumer motor finance deals

This appendix chapter provides a summary of the motor finance deals held or considered by consumers within the research sample. This includes details on the key characteristics of the motor finance deals held and considered (vehicle list price, deposit, interest rate and monthly payments), information on the vehicle and motor finance purchase source and channel (for current holders only), and the demographic profiles of those who hold motor finance deals.

It should be noted that data on considerers alone should not be viewed as a reflection of the entire future market for motor finance, as it reflects the experience and understanding of only those consumers who do not currently have motor finance but are likely to (or would like to) take out motor finance in the future. As most current motor finance holders have held motor finance in the past and indicate a strong willingness to consider it again in the future, current finance holders are likely to make up a large proportion of future motor finance deals.

Consumer motor finance deals: summary

Profile of current holders of motor finance

Looking first at the demographic profile of consumers, motor finance products are more commonly held by people in working age and is particularly over-represented amongst those aged 25-54 compared to the UK population.

Men are slightly more likely to hold motor finance (56% of motor finance holders) and are significantly more likely to have bought a new vehicle with motor finance (61% of new vehicles bought with motor finance). Female holders of motor finance are slightly more likely to have bought used vehicles than men (making up 52% of used vehicle purchases with finance).

Current holders of motor finance also tend to have higher incomes. People with a household income of less than £30,000 a year are much less likely to have motor finance (26% of current holders compared to 39% of the UK population), whilst those earning £100,000 - £250,000 are more likely to purchased vehicles on finance. Younger holders of motor finance are more likely to have sub-prime characteristics.

See [Appendix two: additional survey data](#)

Appendix two: additional survey data for full demographic breakdowns.

Key features of motor finance deals

47% of vehicles that have been purchased with motor finance are new vehicles, 22% are nearly new whilst 31% are used.

Among motor finance products PCP is the most commonly held (46%), followed by HP (31%), personal loan (16%) and Conditional Sale (7%).

42% of motor finance holders have prime characteristics, 56% have near-prime characteristics, and 3% have sub-prime characteristics (see Chapter 2 [Background and methodology](#) above for how these groups are defined).

New vehicles are more likely to be bought by consumers with prime characteristics and using PCP, whilst used vehicles are more likely to be purchased by consumers with near-prime characteristics and using personal loans (figure 7-1). Despite facing more challenging financial circumstances, around half of consumers with sub-prime characteristics indicate purchasing a new vehicle using motor finance (however, it should be noted that as consumers with sub-prime characteristics only make up a small proportion of the market for these finance types; the majority of new vehicles are still purchased by prime consumers).

Figure 7-1. New vehicles are more commonly bought using PCP, whilst used vehicles are more commonly bought with personal loans

Current holders of motor finance

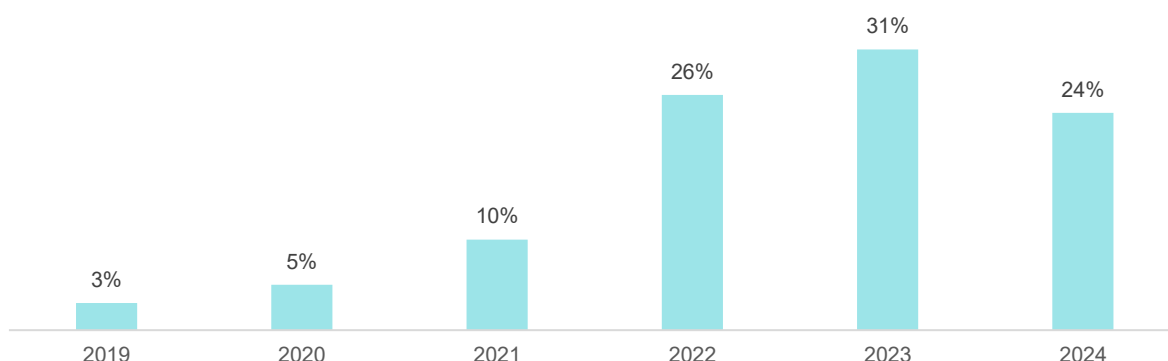
		Current Holders - Type of finance held				Consumer Characteristics		
	All current holders	HP	PCP	CS	Personal loan	Prime	Near-prime	Sub-prime characteristics
New	47%	38%	64%	33%	21%	54%	39%	47%
Nearly new	22%	26%	19%	21%	24%	20%	25%	19%
Used	31%	36%	17%	46%	55%	26%	36%	34%

Q16. What type of [vehicle type] did you buy using [current holder deal]? Base: All current holders: Total: 4001, Hire purchase: 1246, Personal contract purchase: 1822, Conditional sale: 274, Personal loan: 659, New: 1868, Nearly New: 933, Used: 1200, Prime: 1617, Near-prime: 2160, Sub-prime characteristics: 111, Green cells are significantly higher than the total

As explained in the [Technical appendix](#), our research has focussed on motor finance deals taken out in the five years prior to the start of the fieldwork (i.e. between 2019 and October 2024). Within this timeframe, most motor finance deals (81% in total) were taken out between the start of 2022 and the end of 2024, a similar timeframe to when the Bank of England increased interest rates, which in turn increased the cost of finance to consumers.

Figure 7-2. 84% of motor finance deals in the sample were taken out since 2022, with over half taken out since the beginning of 2023

Current holders of motor finance



Q10. Which year did you take out the [current holder deal] deal in?

The average list price of a vehicle bought on motor finance on these four types of motor finance is £22,640, with an average deposit of 20%. Current holders pay an average monthly payment of £342 and reported an average interest rate of 8.2% (figure 7-3). Just over half of vehicles purchased had a list price of under £20,000, whilst 9% were over £40,000. 49% of deposits were less than 20% of the list price, with the most common deposit being between 10% and 20%.

Figure 7-3. Mean monthly payments are £342, with mean interest rates just over 8%

Current holders of motor finance

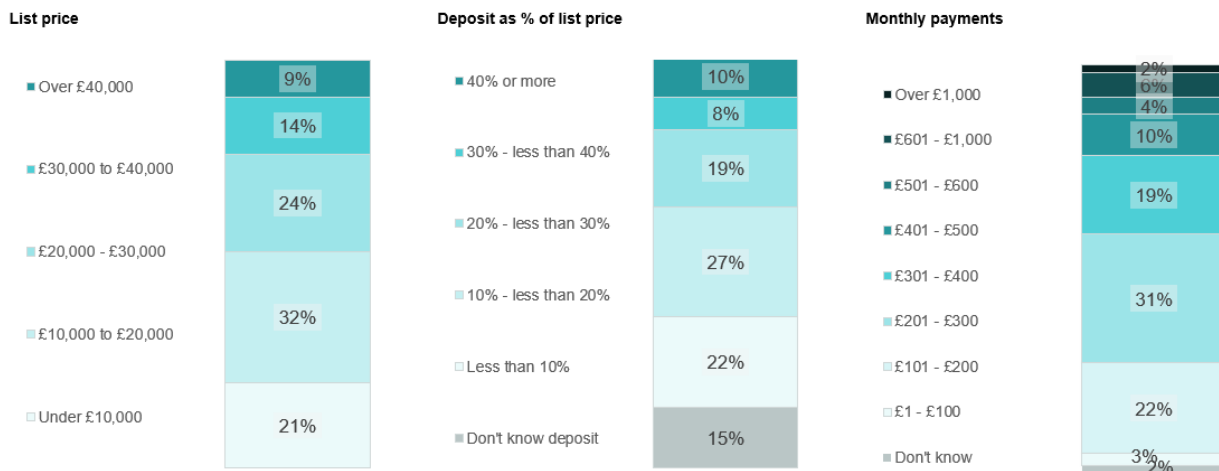
	List price	Deposit as % of list price	Monthly payments	Interest rate	Length of term
All current holders of motor finance (Mean)	£22,640	20.00%	£342	8.20%	3.3 years

Q18. What was the price of the [vehicle type] you bought using [current holder deal] in £? Current Holders: (4001) Q19. How much did you put down as a deposit in £ when you bought the [vehicle type]? Base: All current holders except with personal loan (3342) Q20. How much is the monthly payment for your [current holder deal] agreement? Current Holders: (4001)

The most common range of monthly payments is between £201 and £300 (31% of all motor finance deals), with 22% between £101 and £200 and 19% between £301 and £400. 55% of current holders or motor finance have deals with interest rates below 6.99%, whilst 19% have deals with interest rates above 15%.

Figure 7-4. £201-£300 is the most common range of monthly payments

Current holders, excluding deposit for those purchasing with a personal loan

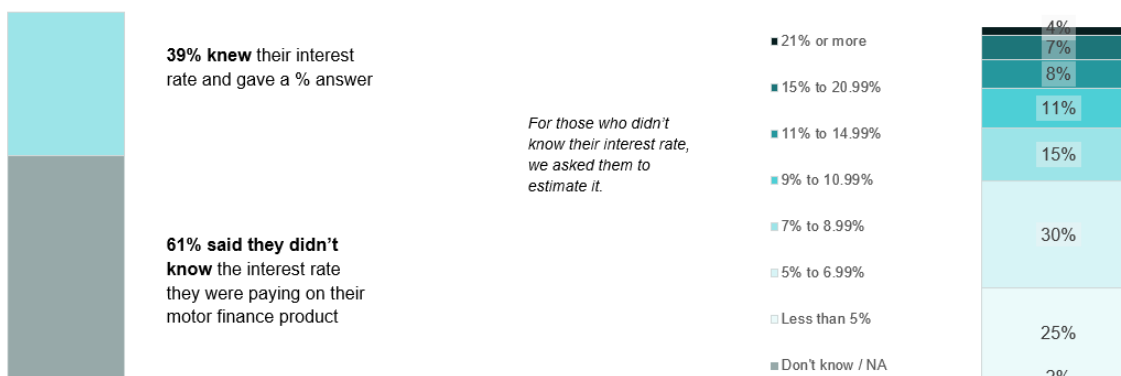


Q18. What was the price of the [vehicle type] you bought using [current holder deal] in £? Current Holders: (4001) Q19. How much did you put down as a deposit in £ when you bought the [vehicle type]? Base: All current holders except with personal loan (3342) Q20. How much is the monthly payment for your [current holder deal] agreement? Current Holders: (4001)

As discussed earlier in Chapter 4 ([The consumer journey when purchasing motor finance](#)), holders of motor finance can be unsure over the exact terms of their deal, and in general have a much better idea of the monetary value of their monthly payments compared with the interest rate paid, as this constitutes a direct cost to them. 61% of current motor finance holders did not know their exact interest rate when initially asked. Those respondents who could not recall their exact interest rate were asked to provide an estimate within pre-defined bands (figure 7-5).

Figure 7-5. 39% of current holders knew their interest rate when initially asked

Current holders of motor finance



Q22. What was the interest rate of your [current holder deal] deal, if you know? Q23. You said you didn't know what the interest rate was for your [current holder deal] deal. Are you able to provide an estimate for what you think it was? Current Holders: (4001)

Amongst current holders of motor finance, deposit percentages are broadly the same across condition of vehicle and consumer characteristics, whilst monthly payments are significantly higher for new vehicles compared to nearly new and used vehicles. Unsurprisingly, interest rates are significantly higher amongst consumers with sub-prime characteristics, and slightly higher for those with used vehicles.

Figure 7-6. Mean list price, deposit amount, monthly payments and interest rates by type of product, condition or vehicle and consumer characteristics

Current holders

		Condition of vehicle			Consumer characteristics		
	All current holders	New	Nearly New	Used	Prime	Near-prime	Sub-prime
List price	£22,640	£30,650	£19,300	£13,070	£25,180	£20,420	£17,290
Deposit as % of list price	20.0%	20.0%	21.2%	18.9%	20.8%	19.4%	19.2%
Monthly payments	£342	£415	£330	£243	£332	£347	£400
Interest rate	8.2%	7.4%	8.5%	9.1%	5.3%	9.7%	24.2%

Q18. Price in £; Q20. Monthly payments; Q22. & Q23 Interest rates; Q21 Length of term. Base: Current Holders: (4001), Hire purchase (1246), Personal contract purchase (1822), Conditional Sale (274), Personal loan (659), New (1868), Nearly New (933), Used (1200), Prime: (1617), Near-prime: (2160), Sub-prime characteristics: (111) Q19. Deposit; Current Holders (3342), Hire purchase (1246), Personal contract purchase (1822), Conditional Sale (274), Personal loan (-), New (1728), Nearly New (769), Used (845), Prime: (1299), Near-prime: (1839), Sub-prime characteristics: (98). Green cells are significantly higher than the total

Profile of motor finance considerers

Compared to current holders of motor finance, considerers of motor finance are slightly older (average age of 48 years old compared to 46 years old for current holders), more likely to be male (61% compared to 55% of current holders), and have markedly lower average household income (£42,200 compared to £63,600).

Consumers currently considering motor finance are more likely to be looking at nearly new (51%) or used vehicles (50%), rather than new vehicles (36%)²³.

Those currently considering motor finance are intending to pay less for vehicles compared to current holders, reflecting their intention to purchase nearly new and used vehicles as opposed to new vehicles, and are also expecting to pay a higher deposit (figure 7-7), which may reflect their preference for lower monthly payments.

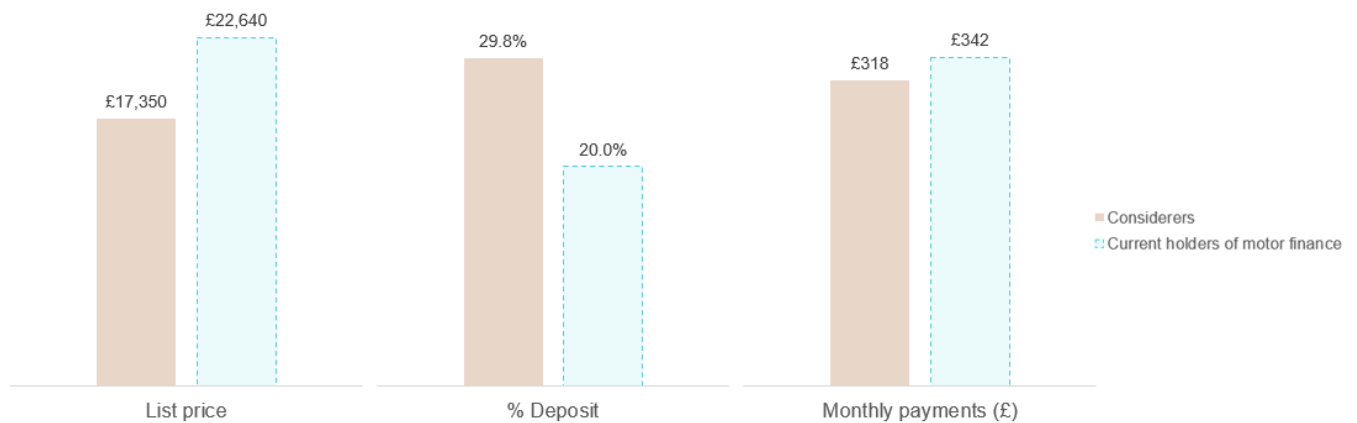
It should be noted that this data is based on self-reported views amongst those considerers within the sample and should not be considered as a reflection of future motor finance purchase behaviour amongst this group.

²³ Considerers could select more than one option for the type of vehicle they were considering

It is also likely that some considerers may want motor finance but, in the end, not be able to afford based on their current financial circumstances, especially if higher bank rates or any market intervention means finance rates are higher than previously.

Figure 7-7. Considerers are looking for vehicles with a lower list price on average

Current holders and considerers of motor finance



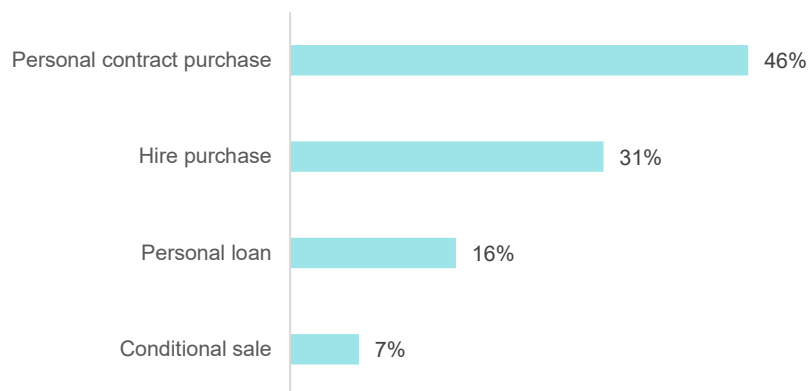
Q18 List price; Q19 Deposit; Q20 Monthly payments: Base: Current Holders (4001), Considerers (1009)

8. Appendix two: additional survey data

Research sample and demographics

Figure 8-1. Finance type in sample

Current holders of motor finance; most recent finance type if they hold more than one



Q8. Which of the options below describes the motor finance arrangements you have at the moment? Q9. Which was most recent? Base: Current Holders (4001)

Figure 8-2. Age

Current holders of motor finance

		Current Holders - Type of finance held				Condition of vehicle			Consumer characteristics		
	Current Holders	Hire purchase	Personal contract purchase	Conditional Sale	Personal loan	New	Nearly New	Used	Prime	Near-prime	Sub-prime characteristics
18-24	6%	7%	5%	9%	7%	6%	9%	5%	3%	8%	8%
25-34	23%	26%	21%	27%	19%	21%	27%	22%	17%	25%	33%
35-44	20%	25%	17%	19%	20%	18%	23%	21%	18%	22%	30%
45-54	22%	21%	21%	27%	25%	21%	20%	24%	21%	24%	20%
55-64	15%	12%	17%	10%	17%	15%	14%	16%	21%	12%	6%
65+	14%	9%	18%	8%	12%	18%	8%	11%	20%	9%	3%
NET: 18-34	29%	34%	26%	36%	26%	27%	36%	27%	21%	34%	41%
NET: 35-54	42%	46%	38%	46%	45%	39%	42%	46%	38%	45%	50%
NET: 55+	29%	21%	36%	18%	29%	33%	22%	28%	41%	21%	9%
Mean	45.9	42.9	48.2	42.4	46.1	47.5	42.4	45.8	50.1	43.2	39.1

	Current Holders	UK Population (Census)
18-24	6%	11%
25-34	23%	17%
35-44	20%	16%

45-54	22%	17%
55-64	15%	16%
65+	14%	23%

	Considerers	UK Population (Census)
18-24	7%	11%
25-34	19%	17%
35-44	19%	16%
45-54	19%	17%
55-64	17%	16%
65+	19%	23%

Q1. Age. Base: All current holders, Hire purchase: 1246, Personal contract purchase: 1822, Conditional Sale: 274, Personal loan: 659, New: 1868, Nearly New: 933, Used: 1200, Prime: 1617, Near-prime: 2160, Sub-prime characteristics: 111, Unclassified: 113

Figure 8-3. Gender

Current holders of motor finance

		Current Holders - Type of finance held				Condition of vehicle			Consumer characteristics		
	Total	Hire purchase	Personal contract purchase	Conditional Sale	Personal loan	New	Nearly New	Used	Prime	Near-prime	Sub-prime characteristics
Male	55%	56%	57%	48%	53%	61%	54%	48%	59%	52%	55%
Female	45%	44%	43%	52%	47%	39%	45%	52%	41%	48%	45%

Q2. Gender. Base: All current holders: 4001, Hire purchase: 1246, Personal contract purchase: 1822, Conditional sale: 274, Personal loan: 659, New: 1868, Nearly New: 933, Used: 1200, Prime: 1617, Near-prime: 2160, Sub-prime characteristics: 111, Unclassified: 113

	Current holders	UK Population (Census)
Male	55%	49%
Female	45%	51%

Figure 8-4. Household income

Current holders of motor finance

		Current Holders - Type of finance held				Condition of vehicle			Consumer characteristics		
	All current holders	Hire purchase	Personal contract purchase	Conditional Sale	Personal loan	New	Nearly New	Used	Prime	Near-prime	Sub-prime characteristics
Less than £15k	7%	7%	5%	10%	8%	6%	7%	9%	3%	9%	18%
£15k - <£30k	19%	20%	17%	29%	17%	14%	20%	24%	15%	22%	22%
£30k - <£50k	25%	30%	24%	20%	22%	25%	26%	24%	23%	25%	33%

£50k - <£70k	17%	16%	18%	15%	19%	16%	18%	19%	18%	18%	13%
£70k - <£100k	11%	10%	13%	5%	13%	13%	11%	9%	13%	10%	5%
£100K - <£250k	17%	14%	19%	15%	18%	22%	15%	12%	22%	13%	10%
£250k+	1%	1%	1%	1%	1%	1%	1%	*	1%	1%	-
Mean	£63,640	£59,840	£66,750	£57,840	£64,390	£71,480	£60,540	£54,160	£71,490	£56,500	£46,570

Q5. Household income. Base: All current holders: 4001, Hire purchase: 1246, Personal contract purchase: 1822, Conditional Sale: 274, Personal loan: 659, New: 1868, Nearly New: 933, Used: 1200, Prime: 1617, Near-prime: 2160, Sub-prime characteristics: 111, Unclassified: 113

Figure 8-5. Household income

Current holders of motor finance

	Current holders	UK Population (FLS data)
Less than £15k	7%	17%
£15k - <£30k	19%	22%
£30k - <£50k	25%	23%
£50k - <£70k	17%	14%
£70k - <£100k	11%	9%
£100K - <£250k	17%	11%
£250k+	1%	5%

Figure 8-6. Household income

Considerers of motor finance

	Current holders	UK Population (FLS data)
Less than £15k	7%	17%
£15k - <£30k	26%	22%
£30k - <£50k	40%	23%
£50k - <£70k	17%	14%
£70k - <£100k	6%	9%
£100K - <£250k	2%	11%
£250k+	-	5%

Q5. Household income. Base: Considerers: 1009

Figure 8-7. Where did you purchase the car / van from?

Current holders of motor finance

		Current Holders - Type of finance held%				Type of vehicle			Consumer Characteristics		
	Total (%)	HP	PCP	CS	Personal loan	New	Nearly New	Used	Prime	Near-prime	Sub-prime characteristics
Manufacturer / brand specific dealership	52%	42%	69%	33%	34%	76%	37%	27%	65%	46%	28%
Used car dealership	21%	28%	12%	31%	31%	3%	30%	42%	17%	25%	34%
Small independent dealership	8%	9%	5%	15%	13%	5%	9%	13%	5%	11%	14%
Car supermarket	8%	10%	7%	8%	9%	6%	14%	8%	6%	10%	9%
Online dealership / platform (e.g. Cinch)	5%	6%	4%	4%	4%	4%	6%	5%	4%	6%	7%
Private sale (e.g. Auto Trader / Gumtree)	2%	2%	1%	2%	7%	2%	2%	4%	1%	3%	8%
Other	1%	1%	*	1%	*	*	*	1%	*	1%	1%
Don't know	2%	3%	2%	6%	1%	4%	2%	1%	-	-	-

Figure 8-8 Condition of vehicle x type of finance & consumer characteristics

Current holders of motor finance

		Current Holders - Type of finance held%				Consumer Characteristics		
	Total (%)	HP	PCP	CS	Personal loan	Prime	Near-prime	Sub-prime characteristics
New	47%	38%	64%	33%	21%	54%	39%	47%
Nearly new	22%	26%	19%	21%	24%	20%	25%	19%
Used	31%	36%	17%	46%	55%	26%	36%	34%

Q16. What type of [vehicle type] did you buy using [current holder deal]?

Base: All current holders: Total: 4001, Hire purchase: 1246, Personal contract purchase: 1822, Conditional Sale: 274, Personal loan: 659, New: 1868, Nearly New: 933, Used: 1200, Prime: 1617, Near-prime: 2160, Sub-prime characteristics: 111, Unclassified: 113

Figure 8-9. Where did you purchase the car / van from?

Current holders of motor finance

		Current Holders - Type of finance held%				Type of vehicle			Consumer Characteristics			
	Total (%)	HP	PCP	CS	Personal loan	New	Nearly New	Used	Prime	Near-prime	Sub-prime characteristics	Unclassified
Manufacturer / brand specific dealership	52%	42%	69%	33%	34%	76%	37%	27%	65%	46%	28%	-
Used car dealership	21%	28%	12%	31%	31%	3%	30%	42%	17%	25%	34%	-
Small independent dealership	8%	9%	5%	15%	13%	5%	9%	13%	5%	11%	14%	-

Car supermarket	8%	10%	7%	8%	9%	6%	14%	8%	6%	10%	9%	-
Online dealership / platform (e.g. Cinch)	5%	6%	4%	4%	4%	4%	6%	5%	4%	6%	7%	-
Private sale (e.g. Auto Trader / Gumtree)	2%	2%	1%	2%	7%	2%	2%	4%	1%	3%	8%	-
Other	1%	1%	*	1%	*	*	*	1%	*	1%	1%	-
Don't know	2%	3%	2%	6%	1%	4%	2%	1%	-	-	-	100%

Q24. Where did you purchase the [vehicle type] from? Base: Total: 4001, Hire purchase: 1246, Personal contract purchase: 1822, Conditional Sale: 274, Personal loan: 659, New: 1868, Nearly New: 933, Used: 1200, Prime: 1617, Near-prime: 2160, Sub-prime characteristics: 111, Unclassified: 113

Figure 8-10. Past usage of motor finance

Current holders of motor finance

	Current Holders - Type of finance held					Type of vehicle			Consumer Characteristics		
	Total (%)	HP	PCP	CS	Personal loan	New	Nearly New	Used	Prime	Near-prime	Sub-prime characteristics
Hire purchase (HP)	36%	55%	31%	22%	24%	36%	38%	34%	31%	39%	52%
Personal contract purchase (PCP)	35%	20%	52%	17%	19%	45%	28%	24%	39%	31%	28%
Conditional Sale	9%	8%	7%	29%	7%	10%	11%	6%	5%	10%	26%
Personal contract hire (PCH)	8%	8%	9%	9%	6%	12%	8%	3%	6%	8%	24%
Using a personal loan to buy outright	28%	23%	27%	22%	44%	28%	29%	28%	30%	27%	27%
Using a credit card to buy outright	9%	9%	8%	13%	10%	10%	11%	6%	7%	10%	17%
Using a subscription service	2%	2%	2%	2%	3%	2%	3%	1%	1%	2%	2%
Other	1%	1%	2%	1%	1%	2%	1%	2%	2%	1%	-
NET: Any	80%	81%	84%	72%	73%	86%	79%	73%	79%	80%	90%
NET: At least one of PCP, HP, CS, Personal Loan	76%	76%	80%	65%	69%	81%	73%	69%	74%	75%	89%
Not used motor vehicle finance before	20%	19%	16%	28%	27%	14%	21%	27%	21%	20%	10%

Q28. Have you used other motor finance before your [current holder deal] deal? If so, which types of motor finance have you used before?
Base: All current holders, Total: 4001, Hire purchase: 1246, Personal contract purchase: 1822, Conditional Sale: 274, Personal loan: 659, New: 1868, Nearly New: 933, Used: 1200, Prime: 1617, Near-prime: 2160, Sub-prime characteristics: 111, Unclassified: 113

Figure 8-11. Reasons for finance type choice – Most important

Current holders of motor finance

		Condition of vehicle	Consumer characteristics
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	All current holders	New	Nearly New	Used	Prime	Near Prime	Sub-prime characteristics
The finance type meant that the monthly payments were in my budget	27%	25%	25%	31%	29%	26%	23%
It was the most affordable finance type to get the vehicle I wanted	22%	20%	21%	26%	23%	22%	14%
It allowed me to get a better vehicle than I could buy outright	14%	14%	14%	14%	14%	14%	14%
It was a finance type I was familiar / felt comfortable with	12%	12%	14%	12%	13%	12%	15%
It was a finance type I have used before	9%	12%	8%	8%	10%	9%	10%
It was a finance provider that I have used before	6%	6%	7%	4%	4%	6%	7%
It was a finance type was recommended to me by friends / family	4%	5%	6%	3%	3%	6%	7%
It was a finance type that was recommended to me by a finance expert	4%	5%	4%	2%	3%	4%	8%

Q31. What was most important to you when choosing [current holder deal] over other options? Most important Base: Current Holders (4001), New (1868), Nearly New (933), Used (1200), Prime (1617), Near Prime (2160), Sub-prime characteristic (111)

Figure 8-12. Reasons for finance type choice – Three most important

Current holders of motor finance

		Condition of vehicle			Consumer characteristics		
	All current holders	New	Nearly New	Used	Prime	Near Prime	Sub-prime characteristics
The finance type meant that the monthly payments were in my budget	68%	64%	66%	77%	73%	66%	56%
It was the most affordable finance type to get the vehicle I wanted	59%	55%	59%	67%	61%	59%	55%
It allowed me to get a better vehicle than I could buy outright	46%	45%	44%	49%	47%	46%	47%
It was a finance type I was familiar / felt comfortable with	43%	43%	43%	42%	45%	42%	36%

It was a finance type I have used before	28%	32%	25%	25%	30%	26%	29%
It was a finance provider that I have used before	21%	24%	22%	15%	18%	22%	29%
It was a finance type that was recommended to me by a finance expert	16%	18%	20%	11%	13%	19%	19%
It was a finance type was recommended to me by friends / family	16%	18%	20%	11%	10%	20%	27%
Other	2%	2%	2%	2%	3%	1%	1%

Q31. What was most important to you when choosing [current holder deal] over other options? Three most important Base: Current Holders (4001), New (1868), Nearly New (933), Used (1200), Prime (1617), Near Prime (2160), Sub-prime characteristic (111). Green cells are significantly higher than the total

Figure 8-13. Sources of information

Current holders of motor finance

		Current Holders - Type of finance held				Type of vehicle			Consumer Characteristics		
	Total (%)	HP	PCP	CS	Personal loan	New	Nearly New	Used	Prime	Near-prime	Sub-prime characteristic
Online research	63%	62%	61%	61%	72%	62%	69%	61%	61%	65%	58%
Talk / talked to vehicle dealership(s)	47%	44%	56%	51%	28%	55%	43%	40%	51%	45%	31%
Talk / talked to friends / family	38%	40%	38%	39%	37%	38%	44%	35%	36%	41%	34%
Use / used online comparison sites	28%	30%	24%	30%	34%	27%	31%	25%	22%	30%	51%
Talk / talked to a vehicle broker	11%	15%	10%	16%	7%	12%	12%	8%	6%	14%	21%
Talk / talked to my bank	9%	6%	5%	7%	25%	8%	12%	8%	8%	9%	10%
Other	1%	1%	*	1%	1%	1%	*	1%	1%	*	-
None of the above	5%	5%	5%	4%	6%	4%	4%	7%	7%	4%	3%

Q33. Which of the following did you use to understand or research motor finance options?

Base: All current holders, Total: 4001, Hire purchase: 1246, Personal contract purchase: 1822, Conditional Sale: 274, Personal loan: 659, New: 1868, Nearly New: 933, Used: 1200, Prime: 1617, Near-prime: 2160, Sub-prime characteristics: 111, Unclassified: 113

Figure 8-14. Shopping around

Current holders of motor finance

		Current Holders - Type of finance held				Type of vehicle			Consumer Characteristics		
	Total (%)	HP	PCP	CS	Personal loan	New	Nearly New	Used	Prime	Near-prime	Sub-prime characteristics
I visited different dealerships / websites to look at different brands and types of vehicles	41%	42%	35%	49%	49%	37%	43%	44%	39%	41%	42%

I took up the finance deal offered by the dealership where I bought the vehicle without shopping around at alternative finance providers	37%	34%	48%	37%	12%	44%	30%	32%	40%	35%	27%
I shopped around different dealerships / finance providers to understand the different finance deals available	33%	35%	30%	32%	40%	31%	37%	34%	29%	36%	44%
Once I had decided on the type of finance I wanted to use, I looked at different providers to see who offered the best deal	26%	27%	18%	20%	46%	23%	31%	27%	24%	26%	34%
Other	1%	1%	2%	1%	2%	2%	1%	2%	2%	1%	1%
NET: Shopped around for finance	51%	53%	42%	43%	71%	46%	57%	52%	45%	53%	67%

Q34. Which of the following did you do when you were looking for your new car? Base: All current holders, Total: 4001, Hire purchase: 1246, Personal contract purchase: 1822, Conditional Sale: 274, Personal loan: 659, New: 1868, Nearly New: 933, Used: 1200, Prime: 1617, Near-prime: 2160, Sub-prime characteristics: 111, Unclassified: 113

Figure 8-10 Why did they shop around

Current holders choosing to shop around

		Condition of vehicle			Consumer characteristics		
	All current holders	New	Nearly New	Used	Prime	Near Prime	Sub-prime characteristics
To give me confidence I was getting the best possible deal	72%	68%	72%	78%	78%	69%	66%
To improve my understanding of the different options	52%	56%	54%	45%	47%	55%	49%
To negotiate the cost of the finance	35%	39%	35%	29%	32%	36%	42%
To give me confidence in the finance provider I was using	25%	23%	24%	26%	25%	25%	26%
Other	*	-	*	1%	*	*	-

Q35. Why did you choose to shop around for finance at different providers or dealerships? Base: All current holders choosing to shop around (2096), New (916), Nearly New (557), Used (623), Prime (750), Near Prime (1195), Sub-prime characteristics (72). Green cells are significantly higher than the total

Figure 8-11 Why did they shop around

Considerers choosing to shop around

		Condition of vehicle		
	All considerers	New	Nearly New	Used
To give me confidence I was getting the best possible deal	78%	79%	78%	78%
To improve my understanding of the different options	50%	51%	49%	55%
To negotiate the cost of the finance	47%	52%	48%	49%
To give me confidence in the finance provider I was using	30%	34%	31%	32%
Other	*	*	*	-

Q35. Why did you choose to shop around for finance at different providers or dealerships? Base: All considerers choosing to shop around (748), New (259), Nearly New (402), Used (379). Green cells are significantly higher than the total

Figure 8-12 Why did they shop not around

Current holders who did not shop around

		Condition of vehicle			Consumer characteristics		
	All current holders	New	Nearly New	Used	Prime	Near Prime	Sub-prime characteristics
I was very familiar with the provider I used / had bought from them before	47%	57%	39%	35%	55%	40%	24%
It was my only option for the vehicle I wanted	23%	23%	18%	25%	20%	24%	50%
I didn't have time to shop around	19%	12%	23%	27%	13%	23%	37%
I felt it wasn't worth it as there's no real difference between credit providers	17%	17%	18%	15%	16%	17%	19%
I didn't know what to look for	10%	7%	9%	15%	8%	11%	14%
I found it too difficult to compare	10%	9%	13%	9%	6%	13%	15%

The credit provider was recommended to me	6%	5%	5%	8%	5%	7%	2%
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Q36. Why did you choose not to shop around at different providers or dealerships for finance? Base: All current holders who did not shop around (1905), New (952), Nearly New (376), Used (577), Prime (867), Near Prime (965), Sub-prime characteristics (39). Green cells are significantly higher than the total

Figure 8-13 Why did they shop not around

Considerers who did not shop around

	All considerers	Condition of vehicle		
		New	Nearly New	Used
If I was very familiar with a provider / I had bought from them before	37%	44%	39%	28%
If it was my only option for the vehicle I wanted	35%	33%	36%	32%
It's not worth it as there's no real difference between credit providers	20%	22%	21%	14%
I wouldn't know what to look for	14%	8%	12%	22%
It's too difficult to compare	13%	8%	14%	16%
I don't think I'll have time to shop around	12%	12%	14%	15%
If the credit provider was recommended to me	7%	6%	5%	8%

Q36. Why did you choose not to shop around at different providers or dealerships for finance? Base: All considerers who did not shop around (261), New (109), Nearly New (111), Used (121). Green cells are significantly higher than the total

Figure 8-14 If no finance was available

Current holders

	All current holders	Condition of vehicle			Consumer characteristics		
		New	Nearly New	Used	Prime	Near Prime	Sub-prime characteristics
Nothing - I would have continued to use my old vehicle	37%	42%	31%	35%	45%	32%	26%
Nothing - I couldn't have afforded to buy a vehicle with cash	28%	23%	32%	34%	22%	33%	37%
Bought a cheaper vehicle with cash	25%	25%	29%	23%	24%	26%	29%

Borrowed money from friends or family to buy a new vehicle	6%	7%	6%	6%	4%	7%	6%
Other	3%	4%	2%	2%	4%	1%	1%

Q41. For whatever reason, if no finance options at all had been available to you, i.e. the only option was to buy a [vehicle type] with cash, what would you most likely have done? Base: All current holders (4001), New (1868), Nearly New (933), Used (1200), Prime (1617), Near Prime (2160), Sub-prime characteristic (111). Green cells are significantly higher than the total

Figure 8-15 If no finance was available

Considerers

		Condition of vehicle		
	All considerers	New	Nearly New	Used
Nothing - I would continue to use my old vehicle	31%	32%	28%	30%
Nothing - I could not afford to buy a vehicle with cash	14%	15%	16%	13%
Buy a cheaper vehicle with cash	43%	40%	45%	46%
Borrow money from friends or family to buy a new vehicle	6%	7%	4%	5%
Other	6%	5%	7%	6%

Q41. For whatever reason, if no finance options at all had been available to you, i.e. the only option was to buy a [vehicle type] with cash, what would you most likely have done? Base: All considerers (1009), New (368), Nearly New (513), Used (500). Green cells are significantly higher than the total

Understanding consumer decision making with motor finance

Figure 8-15. Consumer Group 1 - Scenario data

Current holders of motor finance with new vehicles

Consumer Group 1 - Consumers purchasing new vehicles						
Scenario A - Only PCP available		Scenario B - PCP variable interest, Personal Loan (PL) at constant 8%				
PCP Interest	Take Up PCP	PCP Interest Rate	PL Interest Rate	PCP Take Up	PL Take Up	Take up of either
5.0%	70.6%	5.0%	8.0%	50.2%	26.6%	76.9%
5.5%	69.6%	5.5%	8.0%	48.7%	27.4%	76.1%
6.0%	68.4%	6.0%	8.0%	47.1%	28.1%	75.3%
6.5%	67.3%	6.5%	8.0%	45.6%	28.9%	74.5%
7.0%	66.1%	7.0%	8.0%	44.0%	29.6%	73.7%
7.5%	65.0%	7.5%	8.0%	42.5%	30.4%	72.9%
8.0%	63.7%	8.0%	8.0%	40.8%	31.3%	72.0%

8.5%	62.3%	8.5%	8.0%	39.1%	32.1%	71.2%
9.0%	61.0%	9.0%	8.0%	37.4%	32.9%	70.4%
9.5%	59.7%	9.5%	8.0%	35.8%	33.8%	69.6%
10.0%	58.4%	10.0%	8.0%	34.3%	34.5%	68.8%
10.5%	57.5%	10.5%	8.0%	33.4%	35.0%	68.4%
11.0%	56.7%	11.0%	8.0%	32.4%	35.5%	67.9%
11.5%	55.9%	11.5%	8.0%	31.6%	35.9%	67.5%
12.0%	55.0%	12.0%	8.0%	30.7%	36.3%	67.1%
12.5%	54.2%	12.5%	8.0%	29.9%	36.7%	66.7%
13.0%	53.0%	13.0%	8.0%	28.6%	37.4%	66.1%
13.5%	51.7%	13.5%	8.0%	27.4%	38.1%	65.5%
14.0%	50.5%	14.0%	8.0%	26.2%	38.8%	65.0%
14.5%	49.3%	14.5%	8.0%	25.1%	39.4%	64.5%
15.0%	48.1%	15.0%	8.0%	24.0%	40.0%	64.0%
15.5%	47.5%	15.5%	8.0%	23.5%	40.2%	63.8%
16.0%	46.9%	16.0%	8.0%	23.1%	40.5%	63.6%
16.5%	46.3%	16.5%	8.0%	22.7%	40.7%	63.4%
17.0%	45.7%	17.0%	8.0%	22.4%	40.9%	63.3%
17.5%	45.1%	17.5%	8.0%	22.0%	41.1%	63.1%
18.0%	44.2%	18.0%	8.0%	21.4%	41.5%	62.8%
18.5%	43.4%	18.5%	8.0%	20.7%	41.8%	62.6%
19.0%	42.5%	19.0%	8.0%	20.1%	42.2%	62.3%
19.5%	41.7%	19.5%	8.0%	19.6%	42.5%	62.1%
20.0%	40.8%	20.0%	8.0%	19.1%	42.8%	61.9%
20.5%	40.1%	20.5%	8.0%	18.4%	43.2%	61.6%
21.0%	39.3%	21.0%	8.0%	17.7%	43.6%	61.3%
21.5%	38.5%	21.5%	8.0%	17.1%	44.0%	61.1%
22.0%	37.8%	22.0%	8.0%	16.5%	44.3%	60.8%
22.5%	37.1%	22.5%	8.0%	15.9%	44.7%	60.6%
23.0%	36.6%	23.0%	8.0%	15.7%	44.8%	60.5%
23.5%	36.1%	23.5%	8.0%	15.5%	45.0%	60.5%
24.0%	35.6%	24.0%	8.0%	15.3%	45.1%	60.4%
24.5%	35.1%	24.5%	8.0%	15.1%	45.2%	60.4%
25.0%	34.6%	25.0%	8.0%	15.0%	45.3%	60.3%

Conjoint – Scenario 1A: PCP, 4 year term, 15% Deposit, Current Holders looking at New vehicles.

Conjoint – Scenario 1B: PCP or Personal Loan, 4 year term, 15% Deposit PCP / 0% Deposit Personal Loan, Current Holders looking at new vehicles

Figure 8-16. Consumer Group 2 - Scenario data

Current holders of motor finance with used vehicles

Consumer Group 2 - Consumers purchasing used vehicles						
Scenario A - Only HP available		Scenario B - HP variable interest, Personal Loan (PL) at constant 15.5%				
HP Interest	Take Up HP	HP Interest Rate	PL Interest Rate	HP Take Up	PL Take Up	Take up of either

5.0%	70.6%	5.0%	15.5%	59.2%	14.6%	73.8%
5.5%	69.6%	5.5%	15.5%	57.9%	15.0%	72.9%
6.0%	68.5%	6.0%	15.5%	56.4%	15.5%	72.0%
6.5%	67.4%	6.5%	15.5%	55.0%	16.0%	71.0%
7.0%	66.3%	7.0%	15.5%	53.5%	16.6%	70.0%
7.5%	65.1%	7.5%	15.5%	51.9%	17.1%	69.0%
8.0%	63.7%	8.0%	15.5%	50.1%	17.8%	67.9%
8.5%	62.3%	8.5%	15.5%	48.2%	18.5%	66.7%
9.0%	60.9%	9.0%	15.5%	46.3%	19.3%	65.5%
9.5%	59.5%	9.5%	15.5%	44.3%	20.0%	64.4%
10.0%	58.0%	10.0%	15.5%	42.3%	20.9%	63.2%
10.5%	57.1%	10.5%	15.5%	41.0%	21.4%	62.5%
11.0%	56.1%	11.0%	15.5%	39.7%	22.0%	61.7%
11.5%	55.2%	11.5%	15.5%	38.4%	22.6%	61.0%
12.0%	54.3%	12.0%	15.5%	37.2%	23.2%	60.4%
12.5%	53.4%	12.5%	15.5%	35.9%	23.8%	59.7%
13.0%	51.8%	13.0%	15.5%	33.7%	25.0%	58.7%
13.5%	50.2%	13.5%	15.5%	31.5%	26.1%	57.6%
14.0%	48.7%	14.0%	15.5%	29.5%	27.2%	56.7%
14.5%	47.2%	14.5%	15.5%	27.5%	28.4%	55.9%
15.0%	45.8%	15.0%	15.5%	25.7%	29.5%	55.1%
15.5%	44.9%	15.5%	15.5%	24.5%	30.2%	54.7%
16.0%	44.0%	16.0%	15.5%	23.3%	30.9%	54.3%
16.5%	43.2%	16.5%	15.5%	22.3%	31.6%	53.9%
17.0%	42.4%	17.0%	15.5%	21.3%	32.2%	53.6%
17.5%	41.6%	17.5%	15.5%	20.5%	32.8%	53.3%
18.0%	40.4%	18.0%	15.5%	19.0%	33.8%	52.8%
18.5%	39.3%	18.5%	15.5%	17.7%	34.7%	52.4%
19.0%	38.2%	19.0%	15.5%	16.5%	35.5%	52.0%
19.5%	37.1%	19.5%	15.5%	15.4%	36.2%	51.6%
20.0%	36.1%	20.0%	15.5%	14.4%	37.0%	51.3%
20.5%	35.4%	20.5%	15.5%	13.7%	37.4%	51.1%
21.0%	34.7%	21.0%	15.5%	13.0%	37.9%	50.9%
21.5%	34.1%	21.5%	15.5%	12.4%	38.3%	50.7%
22.0%	33.4%	22.0%	15.5%	11.9%	38.7%	50.6%
22.5%	32.8%	22.5%	15.5%	11.4%	39.0%	50.4%
23.0%	32.0%	23.0%	15.5%	10.7%	39.5%	50.2%
23.5%	31.3%	23.5%	15.5%	10.1%	40.0%	50.1%
24.0%	30.5%	24.0%	15.5%	9.6%	40.4%	49.9%
24.5%	29.8%	24.5%	15.5%	9.1%	40.7%	49.8%
25.0%	29.1%	25.0%	15.5%	8.7%	41.1%	49.7%

Conjoint – Scenario 2A: HP, 4-year term, 15% Deposit, Current Holders looking at Used vehicles.

Conjoint – Scenario 2B: HP or Personal loan, 4 year term, 15% Deposit HP / 0% Deposit Personal loan, Current Holders looking at used vehicles

Figure 8-17. Consumer Group 3- Scenario data

Current holders of motor finance with sub-prime characteristics

Consumer Group 3 - Consumers with sub-prime characteristics						
Scenario A - Only CS available		Scenario B - CS variable interest, Personal Loan (PL) at constant 23%				
CS Interest	Take Up CS	CS Interest Rate	PL Interest Rate	CS Take Up	PL Take Up	Take up of either
20.0%	70.8%	20.0%	23.0%	38.8%	37.9%	76.7%
20.5%	70.3%	20.5%	23.0%	37.9%	38.5%	76.4%
21.0%	69.8%	21.0%	23.0%	37.0%	39.2%	76.1%
21.5%	69.3%	21.5%	23.0%	36.0%	39.9%	75.9%
22.0%	68.7%	22.0%	23.0%	35.1%	40.5%	75.6%
22.5%	68.1%	22.5%	23.0%	34.2%	41.2%	75.4%
23.0%	67.7%	23.0%	23.0%	33.1%	42.2%	75.2%
23.5%	67.1%	23.5%	23.0%	32.0%	43.1%	75.1%
24.0%	66.5%	24.0%	23.0%	31.0%	43.9%	75.0%
24.5%	65.9%	24.5%	23.0%	30.1%	44.7%	74.8%
25.0%	65.1%	25.0%	23.0%	29.3%	45.4%	74.8%

Conjoint – Scenario 3A: Conditional Sale, 4-year term, 15% Deposit, Current Holders with sub-prime characteristics. Take up of motor finance at each interest rate

Conjoint – Scenario 3B: CS or Personal Loan, 4 year term, 15% Deposit CS / 0% Deposit Personal Loan, Current Holders looking at used vehicles

NB: Interest rates under 20% note shown as they are unrealistic for sub-prime consumers .

Figure 8-18. Take up of finance by subgroup and finance type at different interest rates

		APR								
		5%	7.50%	10%	12.50%	15%	17.50%	20%	22.50%	25%
Take up of: HP - LOT 4 Years - 10% Deposit	Prime	59%	53%	45%	41%	35%	32%	27%	24%	22%
	Near-prime	74%	69%	64%	60%	54%	50%	46%	42%	39%
	Sub Prime	87%	85%	82%	80%	77%	76%	73%	70%	68%
	New	63%	58%	52%	49%	44%	41%	38%	35%	33%
	Nearly New	75%	70%	64%	60%	54%	50%	45%	41%	38%
	Used	71%	66%	59%	54%	46%	42%	37%	33%	30%
Take up of: HP - LOT 2 Years - 10% Deposit	Prime	42%	37%	31%	28%	24%	22%	19%	17%	15%
	Near-prime	57%	53%	48%	45%	40%	37%	33%	31%	28%
	Sub-prime	76%	75%	72%	70%	66%	65%	61%	58%	55%
	New	49%	44%	40%	37%	33%	32%	29%	27%	25%
	Nearly New	59%	54%	49%	46%	40%	37%	33%	30%	27%
	Used	52%	47%	41%	38%	32%	29%	25%	22%	19%
Take up of: PCP - LOT 4 Years - 10% Deposit	Prime	63%	56%	48%	43%	36%	32%	28%	24%	22%
	Near-prime	71%	66%	61%	57%	50%	47%	42%	38%	35%
	Sub-prime	81%	78%	74%	72%	67%	65%	59%	56%	51%

	New	70%	64%	58%	54%	48%	45%	40%	37%	34%
	Nearly New	71%	66%	60%	56%	50%	46%	41%	37%	34%
	Used	62%	57%	50%	45%	38%	34%	28%	25%	22%
<i>Take up of: PCP - LOT 2 Years - 10% Deposit</i>	Prime	43%	37%	31%	27%	23%	21%	18%	15%	14%
	Near-prime	54%	49%	44%	41%	36%	33%	29%	27%	24%
	Sub-prime	68%	66%	61%	58%	53%	51%	47%	44%	42%
	New	52%	47%	42%	39%	35%	32%	29%	27%	25%
	Nearly New	54%	49%	43%	40%	35%	33%	29%	26%	23%
	Used	44%	39%	33%	29%	24%	22%	18%	16%	14%
<i>Take up of: CS - LOT 4 Years - 10% Deposit</i>	Prime	56%	49%	42%	38%	32%	29%	25%	22%	20%
	Near-prime	71%	66%	60%	56%	51%	48%	43%	40%	36%
	Sub-prime	86%	84%	81%	79%	76%	75%	71%	69%	66%
	New	61%	55%	50%	47%	42%	40%	36%	33%	31%
	Nearly New	71%	67%	60%	57%	50%	47%	42%	38%	35%
	Used	67%	61%	54%	49%	42%	39%	34%	30%	27%
<i>Take up of: CS - LOT 2 Years - 10% Deposit</i>	Prime	39%	34%	29%	26%	22%	20%	17%	15%	14%
	Near-prime	54%	50%	45%	42%	37%	35%	31%	29%	26%
	Sub-prime	75%	74%	71%	69%	65%	64%	59%	57%	53%
	New	46%	42%	38%	35%	32%	30%	27%	25%	24%
	Nearly New	55%	51%	45%	42%	37%	35%	31%	28%	25%
	Used	48%	43%	38%	35%	30%	27%	23%	20%	18%
<i>Take up of: PL - LOT 4 Years - 0% Deposit</i>	Prime	60%	53%	46%	42%	35%	32%	27%	24%	22%
	Near-prime	74%	70%	64%	61%	54%	51%	46%	42%	39%
	Sub-prime	88%	87%	84%	82%	78%	77%	73%	70%	68%
	New	63%	57%	52%	48%	43%	41%	38%	34%	32%
	Nearly New	75%	70%	65%	61%	54%	51%	45%	41%	38%
	Used	73%	68%	61%	56%	48%	44%	38%	35%	31%
<i>Take up of: PL - LOT 2 Years - 0% Deposit</i>	Prime	43%	37%	32%	29%	24%	22%	19%	17%	15%
	Near-prime	58%	53%	48%	45%	40%	38%	34%	31%	28%
	Sub-prime	77%	75%	72%	70%	66%	65%	61%	58%	55%
	New	48%	44%	39%	37%	33%	31%	28%	26%	25%
	Nearly New	59%	55%	49%	46%	40%	37%	33%	30%	27%
	Used	54%	49%	43%	39%	34%	30%	26%	24%	21%

Figure 8-19. Alternative choice before rebasing to exclude cash - Total

% ranked 1st, Current holders of motor finance

		Currently hold			
		Hire purchase (HP)	Personal contract purchase (PCP)	Conditional Sale	Personal loan
% first choice if current wasn't available	Hire purchase (HP)	n/a	22%	18%	12%
	Personal contract purchase (PCP)	17%	n/a	9%	7%
	Conditional Sale	23%	14%	n/a	18%
	Personal loan	17%	14%	24%	n/a
	Personal contract hire (PCH)	11%	19%	3%	2%
	Using a credit card to buy outright	2%	3%	5%	10%
	Using a subscription service	4%	5%	5%	5%
	Paying fully up front with cash	27%	22%	35%	46%

Q30. You said you would consider these different types of motor finance. Please rank them in order of which would be your preferred option: Base: Current Holders who would consider another option than their own: (3918)

Figure 8-20. Alternative choice before rebasing to exclude cash – New vehicles

% ranked 1st, Current holders of motor finance with new vehicles

		Currently hold – New vehicle owners			
		Hire purchase (HP)	Personal contract purchase (PCP)	Conditional Sale	Personal loan
% first choice if current wasn't available	Hire purchase (HP)	-	21%	14%	15%
	Personal contract purchase (PCP)	19%	-	12%	9%
	Conditional Sale	18%	14%	-	17%
	Personal loan	11%	13%	16%	-
	Personal contract hire (PCH)	16%	21%	5%	5%
	Using a credit card to buy outright	3%	4%	10%	8%
	Using a subscription service	6%	6%	7%	11%
	Paying fully up front with cash	27%	21%	35%	34%

Q30. You said you would consider these different types of motor finance. Please rank them in order of which would be your preferred option: Base: Current Holders who would consider another option than their own: (3918)

Figure 8-21 Alternative choice before rebasing to exclude cash – Used vehicles

% ranked 1st, Current holders of motor finance with used vehicles

		Currently hold – New vehicle owners			
		Hire purchase (HP)	Personal contract purchase (PCP)	Conditional Sale	Personal loan
% first choice if current wasn't available	Hire purchase (HP)	-	24%	24%	10%
	Personal contract purchase (PCP)	14%	-	4%	6%
	Conditional Sale	28%	18%	-	18%
	Personal loan	24%	18%	33%	-
	Personal contract hire (PCH)	6%	13%	2%	1%
	Using a credit card to buy outright	3%	1%	3%	10%
	Using a subscription service	1%	2%	3%	3%
	Paying fully up front with cash	26%	24%	31%	52%

Q30. You said you would consider these different types of motor finance. Please rank them in order of which would be your preferred option: Base: Current Holders who would consider another option than their own: (3918)

Consumer understanding of Discretionary Commission Arrangements (DCAs) and impact upon behaviour

Figure 8-22. DCA awareness

Current holders of motor finance

		Current Holders - Type of finance held%				Type of vehicle			Consumer Characteristics		
	Total (%)	HP	PCP	CS	Personal loan	New	Nearly New	Used	Prime	Near-prime	Sub-prime characteristics
I have a very good understanding of what they are	10%	12%	10%	9%	6%	14%	9%	6%	8%	10%	19%
I have heard of them but have a limited understanding of them	27%	27%	30%	24%	22%	32%	31%	17%	24%	29%	34%
I might have heard of them but have no understanding of what they are	13%	14%	13%	19%	12%	13%	17%	11%	12%	14%	13%
I haven't heard of them before now	49%	47%	47%	47%	60%	42%	43%	65%	55%	47%	34%

Q43. Have you heard of Discretionary Commission Arrangements (DCA) before? Base: All current holders, Total: 4001, Hire purchase: 1246, Personal contract purchase: 1822, Conditional Sale: 274, Personal loan: 659, New: 1868, Nearly New: 933, Used: 1200, Prime: 1617, Near-prime: 2160, Sub-prime characteristics: 111, Unclassified: 113

Figure 8-23. DCA further information

Current holders of motor finance

		Current Holders - Type of finance held%				Type of vehicle			Consumer Characteristics		
	Total (%)	HP	PCP	CS	Personal loan	New	Nearly New	Used	Prime	Near-prime	Sub-prime characteristics
Ask the dealer / broker for more information or clarification on DCA	48%	43%	50%	54%	48%	49%	45%	48%	50%	46%	36%
Research what DCA involves before making a decision	43%	41%	42%	48%	45%	43%	40%	45%	43%	43%	45%
Compare with other options from other providers	30%	29%	28%	34%	34%	29%	29%	31%	29%	30%	45%
Compare with other options from the same provider	24%	23%	24%	25%	24%	26%	23%	21%	21%	25%	28%
Seek external advice	23%	28%	19%	21%	24%	22%	26%	22%	20%	24%	24%
None of these	9%	9%	10%	7%	8%	9%	8%	10%	12%	8%	3%

Q45. If your provider informed you or disclosed that a DCA arrangement was included in the finance deal when you were taking it out, what would you have done? Base: All current holders, Total: 4001, Hire purchase: 1246, Personal contract purchase: 1822, Conditional Sale: 274, Personal loan: 659, New: 1868, Nearly New: 933, Used: 1200, Prime: 1617, Near-prime: 2160, Sub-prime characteristics: 111, Unclassified: 113

Figure 8-24. DCA actions

Current holders of motor finance

		Current Holders - Type of finance held%				Type of vehicle			Consumer Characteristics		
	Total (%)	HP	PCP	CS	Personal loan	New	Nearly New	Used	Prime	Near-prime	Sub-prime characteristics
Tried to negotiate the deal to a cheaper price	36%	34%	39%	34%	31%	39%	37%	30%	35%	36%	22%
Looked at alternative finance approaches which did not include DCA	25%	24%	23%	25%	33%	24%	23%	27%	24%	25%	34%
Looked at a cheaper vehicle	14%	19%	11%	15%	12%	12%	19%	12%	9%	17%	29%
NET: Negotiate/Look at cheaper vehicle	49%	53%	49%	48%	43%	51%	55%	42%	44%	53%	51%
Nothing - I would still have gone ahead	10%	10%	11%	10%	8%	11%	8%	10%	12%	9%	4%
Don't know / unsure	16%	14%	17%	16%	16%	13%	13%	21%	19%	14%	11%

Q46. What do you think your final decision would have most likely been? Base: All current holders, Total: 4001, Hire purchase: 1246, Personal contract purchase: 1822, Conditional Sale: 274, Personal loan: 659, New: 1868, Nearly New: 933, Used: 1200, Prime: 1617, Near-prime: 2160, Sub-prime characteristics: 111, Unclassified: 113

9. Appendix three: consumer journey case studies

This appendix chapter consists of the qualitative case studies following the five stage decision-making journey of different types of current motor finance holders. Qualitative case studies enhance the depth and contextual understanding of the issue to provide a more comprehensive understanding of issues relating to motor finance.

Case study: Characteristics of low financial confidence and low understanding of motor finance

When their vehicle broke down, they rushed to replace it, relying on a friend's recommendation and choosing the first dealer and provider who approved her. They didn't research thoroughly and feels their motor finance served its purpose but regrets hidden mileage costs. Next time, they plan to research more carefully.

1. Trigger and initial consideration	"My car broke down and it would take me years to save up before I could buy a replacement one myself. That's when I realised, I would have to consider motor finance."
2. Research and engagement	"I've never had motor finance before so have only really been searching for Hire Purchase as it's the motor finance my friend actually had. I was a bit confused when I first encountered motor finance but went in knowing I wanted a Citroen, or an Audi as I wanted a good size to fit my baby and their car seat."
3. Dealer and provider selection	"I knew how much I could spend monthly, so I approached Zenith Motor Company about getting a car with them because that's where my friend went, and she had a good experience with them including excellent customer experience. They approved me and suggested a provider which was Man Island. Man Island was the only provider who didn't reject me based on low income so that's who I ended up with as my provider."
4. Deliberation	"At this point I just really needed the car, and I was in such a rush, I was just happy to get the hire purchase, so I didn't really care about the other options. I signed the contract in person and was able to take the car within a few days."
5. Commitment and experience	"Now I'm locked into my motor finance. So far, it's working okay for me, but I would say that next time I get a new car with motor finance I would probably read all the details a bit more closely as I got caught out a bit on the annual mileage."

Case study: Characteristics of overestimated financial confidence

A Toyota enthusiast, they confidently entered motor finance. They trusted a friend's advice, had a positive experience at the dealership, and believed they got a great deal due to a low interest rate. Seeing Toyota Finance as a logical choice, they proceeded without hesitation. Later, hearing Martin Lewis discuss motor finance pitfalls, they questioned if they secured the best deal, admitting they got caught up in the process.

1. Trigger and initial consideration	"Me and my partner have been looking to upgrade our car and at the moment with the mortgage payments we don't have the cash, so we started to think about motor finance."
2. Research and engagement	"I am used to Toyota as it's a car I've had at home before, so started researching for Toyotas with motor finance. I did my research by talking to friends and getting their recommendation and even watched YouTube reviews of the Toyota that caught my eye. Even though my research stage was fairly quick, I felt like I was in a good place to start contacting dealers and finding my new car."
3. Dealer and provider selection	"A friend recommended the Toyota dealership so I approached Toyota. I went in person and when I visited the dealership, the sales person said that the interest rate was down to 6.7% so I knew it was a good deal. The dealer explained things in simple language to us and you could tell he was trying to help me get the best deal with the lower interest. The Toyota dealership also recommended Toyota Finance as an extension of the dealership and they recommended PCP. I feel like I've selected a good partner for my motor finance and would recommend to others."
4. Deliberation	"Without the motor finance I realised I could never get this car and since the interest rate was lower with this special offer, I knew that this was the best choice for me. I did ask the dealer for some freebees and discounts on the car and got free road tax and cheaper services so managed to get some good extra bits! Overall, I feel confident that I got a good deal."
5. Commitment and experience	"I signed last March and have been happy with my car as of yet. The only thing is now I've heard about this stuff from Martin Lewis about dodgy dealerships, I'm starting to question my dealership as they simply said the interest rate was down for everyone. On reflection motor finance is actually a bit more confusing that you realise but you don't know until after you've signed on the dotted line."

Case study: Characteristics of high financial confidence and high understanding of motor finance

They have high financial confidence and high understanding of motor finance. They approached motor finance carefully, researching loan options and their specifics. They visited multiple dealers but remained cautious about being influenced. Determined to decide independently, they plan to review and sign the contract at home.

With experience in financial products like a mortgage, they view motor finance as an equally important decision requiring careful consideration.

1. Trigger and initial consideration	"I own a car outright, but now my children are a bit older, I am looking for another which will be a run around for London that is ULEZ compliant."
2. Research and engagement	"I've always bought my cars outright so while considering motor finance, I want to make an informed choice. I've been doing my homework to understand the difference between motor finance products like hire purchase, conditional sale, and PCP. I've looked at online forums, chatted to friends, and want to make sure I don't want to rush into any decisions."
3. Dealer and provider selection	<p>"I've visited a number of local dealerships in person to try and get a good feel for them. I want to make sure I get the best rate with the dealer which means a lower monthly payment. I also want to be able to overpay without being charged like I can on my mortgage.</p> <p>I am a bit dubious of dealers trying to con you so when I actually select my dealer, I will bring my own independent mechanism with me as back up. I have also looked at aggregator websites for providers as want to sort mine out independently and not from a dealer recommendation as I think you can compare more easily that way and get a better rate."</p>
4. Deliberation	"I feel like the little details and the fine print with lots of car stuff can trip you up, for example with the excess. I've done a bit of studying on motor finance and I still find it confusing so before I actually commit I'm going to put all my options into an excel table with the different options so I can judge for myself without being pressured in the moment."
5. Commitment and experience	"I wouldn't want to rush into motor finance without taking my time as I recognise it's a big commitment like a mortgage or any other financial product and I don't want to be stuck with payments and interest rate that I can't afford."

10. Technical appendix

This technical appendix provides a detailed methodological summary of quantitative and qualitative aspects of the research.

Overview of research method

The final agreed research design consisted of two stages:

- A 25-minute on-line quantitative survey, with a sample size of 5,000 in total. This sample was split by 4,000 current holders of motor finance and 1,000 considerers of motor finance.
- A total of 20 in-depth qualitative interviews amongst current holders of motor finance (14 in total), and considerers of motor finance (six in total).

Fieldwork for the two stages was completed in parallel. Ideally, the qualitative interviews would have been conducted prior to the quantitative survey, to feed insights from the qualitative findings into the design of the quantitative survey. However, the timelines for research outcomes required the fieldwork for the two stages to be conducted in parallel. Additionally, Yonder were able to construct the survey questionnaire leveraging existing data and sector expertise whilst also ensuring that the content for the quantitative survey was not overly complex for consumers to complete.

All research was conducted in-house at Yonder. The following sections describe the methodological approach in detail. The appendices contain all materials used in the research; the quantitative survey, and the qualitative screener, discussion guide and stimulus used during the qualitative interviews.

Quantitative methodological details

This section summarises the method employed for the quantitative survey amongst current holders of motor finance and considerers of motor finance.

Sampling

When considering the target sample criteria for the quantitative study, it was deemed necessary to strike a balance between:

- Capturing the views of individuals who had been through the full purchase process for motor finance.
- Minimising the time between the purchase journey and the research approach to maximise the extent to which each respondent can clearly recall the purchase process they went through.
- The ability to find respondents who meet the eligibility criteria in sufficient numbers to allow for a robust analysis.

As a result of the above, the sample included both current holders of motor finance, and consumers who were considering purchasing a vehicle with motor finance. Including both groups within the sample meant that analysis could explore any substantive differences between those individuals who had purchased a motor finance product several years ago (appropriate here given that such products are typically held across a number of years), and those with a more recent experience of the purchase journey. However, the sample was weighted towards current holders of motor finance, given their exposure to the full purchase process. The eligibility criteria for the two groups were defined as follows:

- **Current holders of motor finance (N = 4,000):** respondents were eligible if they confirmed taking out any of the following motor finance products within the last five years (2019), linked to the purchase of a car or van:
 - Personal Contract Purchase (PCP).
 - Hire Purchase (HP).
 - Personal Loan.
 - Conditional Sale (CS).

To note, these were the focus motor finance products for this survey and did not include any form of vehicle leasing. A cut off of five years from when the finance was first taken out was selected as this matches the typical maximum term length of finance contracts.

- **Considerers of motor finance (N = 1,000):** individuals were eligible for the survey if they confirmed that they were considering purchasing a vehicle (car or van) through one of the focus motor finance products listed above, had a good idea of what type of car or van they wanted, and a good idea of how they would pay for it.

Data collection method

A critical consideration with regards to methodology was the data collection method. For this project, we considered Computer Assisted Telephone Interviewing (CATI), Computer Assisted Web Interviewing (CAWI – online interviewing), and a mixed methodology, a combination of both approaches. Face to face interviewing was discounted from the outset given the strong representation of motor finance holders within CATI and CAWI research panels.

Ultimately, a fully online interviewing methodology was selected as offering the best balance given the research objectives. While one of the core advantages of CATI is the ability to reach niche audiences, a feasibility test was conducted across both sample groups (current holders and considerers), which concluded that there was sufficiently high representation online to reach robust samples within each sample group and all key sub-groups of interest.

Additionally, one of the core research objectives “What motor finance features (price and non-price features) do consumers care about?” was best addressed through the application of an advanced analytics approach (Conjoint – see [Analysis](#) section for more details), which was not possible in a CATI survey. Finally, in comparison to online interviewing CATI surveys are both cost and time prohibitive.

As a result, given that a purely online interviewing approach would deliver a highly robust and time/ cost efficient outcome amongst this audience, it was concluded that CATI surveys were not required.

The sample was sourced through Yonder's proprietary online panel, YonderLive, managed by Yonder Data Solutions (YDS), Yonder's in-house operations business. The following process was adhered to during the fieldwork process to achieve the final sample:

- YDS sent survey invites to UK adults across the YonderLive panel.
- Eligible respondents completed the survey having been screened in based on the criteria as defined above (as either a current holder of motor finance, or a considerer).
- YDS monitored the number of click-throughs to the survey, to monitor and address any skewing between invitation and uptake.
- YDS also monitored soft quotas in relation to basic demographic information on motor finance holders (age, gender, region, employment status, ethnicity and income), sourced from the FCA's 2022 Financial Lives Survey (FLS) published data tables.
- Fallout was monitored regarding the split between current holders and considerers, and separately fallout across the four products of interest (PCP, HP, conditional sale and personal loan). This was to ensure robust sub-group analysis was possible within each sample group, and at product level (e.g., to provide the ability to analyse PCP holders within current holders or considerers)

It should be noted that the sample was not designed to be fully representative of the demographic profile of UK motor finance holders. There are several reasons for this:

- The objective was not to achieve a representative read, but a robust view of specific types of motor finance buyers regarding their experiences of purchasing and holding these products.
- The products of interest (PCP, HP, conditional sale and personal loan) do not cover the full range of motor finance products available within the UK car market, so as such the sample could not be fully representative.
- Comprehensive and up to data on the demographic profile of UK motor finance buyers (existing holders and those considering buying a vehicle using motor finance) did not exist.

The survey data was weighted back to data collected in the FLS based on age, gender, region, employment status, ethnicity and income. The purpose of the weighting was to create weighted population values based on robust nationally representative data points. It was noted that the proportions of ownership of three of the finance types of interest (PCP, HP, and conditional sale – FLS data did not include personal loan) were similar to those found in the FLS in 2024, and they are the most common types of car finance, so it can be reasonably be concluded that the resulting sample represents a robust and broadly representative view of the market.

The weighting variables applied from FLS 2022 data were as follows:

Variable	Weighting applied (from FLS)
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Age	
18-24	6%
25-34	23%
35-44	20%
45-54	22%
55-64	15%
65-74	9%
75+	5%
Gender	
Male	55%
Female	45%
Region	
England	81%
Scotland	12%
Wales	5%
Northern Ireland	3%
North East	6%
North West	11%
Yorkshire and The Humber	9%
East Midlands	8%
West Midlands	10%
East of England	9%
London	8%
South East	13%
South West	8%
Employment status	
Employed	73%
Self employed	6%
Unemployed	*
Retired	14%
Semi-retired	*
NET: Student, Long-term sick, Temp sick, Looking after home/ carer, Other employed, Other	4%
NET: Not retired	86%
Household income	
Less than £15k	7%
£15k - <£30k	19%
£30k - <£50k	26%
£50k - <£70k	18%
£70k - <£100k	12%
£100K - <£250k	13%

£250k+	6%
Ethnicity	
White	90%
Black & Black British	*
Asian & Asian British	4%
Mixed/ multiple ethnic groups	3%
Other	*

*No weighting factor required/ applied

Questionnaire

The FCA provided Yonder with a draft list of questions, as well as broader thoughts on other areas of interest for the survey. Following a detailed discussion of this information, Yonder subsequently created an initial draft of the survey, further iterated through review with the FCA.

Throughout questionnaire design, Yonder was careful not to include overly complex technical language with regards to motor finance, or the purchase of a motor vehicle. However, to ensure that respondents were screened in appropriately, at the start of the questionnaire we included a description of the different motor finance options to assist those who found it more difficult to differentiate between the different types of finance.

A brief overview of the content in the final questionnaire design is as follows. The Technical Appendix contains a full copy of the final questionnaire.

- Demographic and screening questions to ensure that respondents were eligible to take part in the survey.
- Details on the car or van on which they bought/ or were considering through motor finance (list price, type of vehicle and where it was bought).
- Details on the motor finance purchase:
 - For current holders of motor finance – finance type used, when they took it out, deposit, monthly payment, length of term, interest rate, and the provider of the finance.
 - For motor finance considerers – as per current holders but based on what they were considering as part of their vehicle purchase.
- The purchase journey for motor finance, including reasons for using motor finance, extent of shopping around (if so, how and why), and drivers of choice for the product selected or considered.
- Whether respondents negotiated on the final deal and level of comfort in understanding the specifics of the deal chosen (current motor finance holders only).
- Alternative options that respondents may have considered if motor finance were not available at the time of purchase.

- An exercise to test the importance that respondents put on the various features of motor finance deals (including deposit, type of finance, length of term, and monthly premium), derived by forcing respondents to trade off the importance of these features when choosing a deal. A conjoint methodology was used for this test, as it removes the biases that can arise when asking consumers directly about the importance of product features or benefits. Please see the [Analysis](#) for more details on the conjoint methodology, and why it was chosen for this survey.
- Questions pertaining to levels of awareness and understanding of discretionary commission arrangements (DCAs), and whether there may have been a material difference regarding respondents' decision-making on the purchase of motor finance, if information had been disclosed on their existence at the time of purchase. Questions on DCAs were purposefully asked at the end of the survey, so as not to bias responses to questions earlier in the survey regarding the importance of the features of motor finance deals, which included price/ monthly premium.
- Further profiling questions covering financial confidence and vulnerability.

The questionnaire was designed to take respondents up to 25 minutes to complete, however, considerers of motor finance answered fewer questions than current motor finance holders.

Fieldwork

Fieldwork was conducted between 8th November and 25th November 2024.

While due to research timelines a full pilot was not conducted, the first two days of fieldwork were treated as a 'soft-launch'. While the online script had been thoroughly checked before going live, a soft-launch process adds a further layer of quality assurance on the integrity of the questionnaire. For the first two days, only a small volume of invitations was sent to the panel, and once sufficient responses had been collected, fieldwork was temporarily closed for a series of quality checks on the data. No issues were highlighted from the soft-launch checks, and the survey was fully re-launched on 10th November.

During the fieldwork process, a suite of survey checks was conducted on a daily basis in order to make sure high-quality data was being collected. This included ongoing reviews of the topline data as per the soft launch checks, any hotspots where respondents were dropping out of the survey, length of time taken to complete the survey, and the quality of verbatim comments. Any respondents that failed any of these checks were removed – in total 1,406 respondents were removed due to these checks and replaced.

Further, the full data set was checked to identify any respondents who consistently answered questions in the same position, i.e. straight lining. These respondents were removed from the sample – in total 382 respondents were removed due to these checks and replaced.

A further proportion of the sample (2.2%) was identified as reporting a motor finance deal that was not realistic. The checks used were their deposit being too high relative to the list price (over 75% of list price), or monthly payments being over £2,000 a month and not in line with list price and / or interest rate stated. These respondents have been classified as "unclassified", rather than prime, near prime or subprime, and their results

are not used for the market data analysis (questions 18 - 23 in the survey). The remaining survey data for these respondents passed all quality checks, and therefore were retained.

Final sample breakdown

In total 5,010 surveys were completed. The following table summarises the profile of the final sample based on the key sub-groups:

Product	Current motor finance holders	Motor finance considerers
Personal Contract Purchase (PCP)	1,822	
Hire Purchase (HP)	1,246	252
Conditional Sale	274	247
Personal Loan	659	292
Total	4,001	1,009

Considerers could be considering more than one motor finance product, so were not assigned to specific cells for different finance but asked about motor finance in general.

Total = 5,010

Analysis

Data robustness

Statistical analysis of the total sample size of 5,010 shows the sample delivers a confidence interval of +/- 1.38% at 95% confidence. This means, for example, a survey proportion of 50% has a lower limit of 48.62% and an upper limit of 51.38%. Therefore, at a total level, the sample size of 5,010 delivers a highly robust outcome with a low margin of error. Further, the table below illustrates the maximum confidence intervals for the key sub-groups referenced in the report. All key sub-groups have more than 100 responses, which is enough to allow for analysis. Any sub-group analysis with a base of between 50 to 100 have been identified in the report as 'low base size' and should be treated with caution. No sub-group analysis with a base size of less than 50 has been included in the report.

Sub-group	Respondents	Confidence interval
Current motor finance holders: total	4,001	+/-1.55%

Current motor finance holders: PCP	1,822	+/-2.3%
Current motor finance holders: HP	1,246	+/-2.78%
Current motor finance holders: Conditional sale	274	+/-5.92%
Current motor finance holders: personal loan	659	+/-3.82%
Motor finance considerers: total	1,009	+/- 3.09%
Type of car bought (current holder): new	1,863	+/- 2.27%
Type of car bought (current holder): nearly new	889	+/- 3.29%
Type of car bought (current holder): used	1,249	+/- 2.77%
Characteristics of sub-prime	105	+/- 9.56%
Characteristics of near-prime	2,098	+/- 2.14%
Characteristics of prime	1,699	+/- 2.38%

Approach adopted to analyse the importance of motor finance features

Producing a robust analysis of the relative importance of motor finance features was a critical consideration, (i.e. what consumers consider most important when choosing a deal – deposit, term, APR, monthly payment). A core element of this analysis was understanding the extent to which respondents would be willing to pay more for motor finance products. The analysis therefore assessed consumer price sensitivity in the purchase of a vehicle through motor finance, an important factor in understanding the UK motor finance market more broadly.

Most research respondents are likely to automatically decline if asked directly whether they would be willing to pay more for a product or service, including motor finance. The analysis approach therefore needed to generate considered responses, through a comparison of different factors and features of motor finance deals – not just simply asking directly “would you pay more”. The approach also needed to be realistic for each individual. Asking a respondent whether they would still be willing to pay a monthly premium of, e.g., £500 instead of £450 a month, when their actual affordability is a lot lower would not deliver an accurate response. The analysis therefore needed to be grounded in the relevant context for each respondent, to accurately test incremental affordability.

Two analytical approaches were considered for this analysis, Gabor Granger and Conjoint analysis:

- **Gabor Granger:** a simple analysis approach which works by asking respondents the likelihood of purchase at different price points, all other factors remaining the same, in this case determining willingness to purchase motor finance purely on price.
- **Conjoint analysis:** a statistical analysis that uses survey data to simulate how consumers react to different product configurations (in this case, variations of e.g., deposit level, term, APR), therefore testing those product features that consumers value, and at what price they are willing to consider purchasing motor finance.

Ultimately, a Conjoint analysis was selected due to the statistical rigour that the approach would deliver in testing the relative importance of motor finance features, including price, through more real-world scenarios. While Gabor Granger is a simpler and easy approach for respondents to understand, the main advantage of conjoint compared to Gabor Granger in this context is that the approach measures the importance respondents attach to individual features of a product, including price, when making choices between competing alternatives. This is particularly relevant in the purchase of motor finance, given consumers are balancing a range of different features while making a purchase decision, (e.g., term, deposit, APR), and not just price. Conjoint is also a more statistically robust approach compared to Gabor Granger, as it predicts how consumers will behave in a variety of “what-if” scenarios, such as higher monthly payments or the removal of specific motor finance options. Further, conjoint allows for the modelling of complex consumer behaviours without the need for simplistic or leading questions.

The conjoint approach worked by asking survey respondents to imagine they were buying a new vehicle, at either the same price they paid for their car purchased through motor finance (current holders of motor finance) or the price of the vehicle they were considering (motor finance considerers). An earlier question in the survey covering the price of the vehicle respondents bought (or were considering), was used to populate the conjoint to ensure the scenarios were relevant to their own situation.

Respondents were shown a screen in the survey with different scenarios of motor finance deals, created using a random statistical design. Each deal included a monthly price alongside standard product features such as list price of car, length of term, type of financing, interest rate, deposit and final payment. Respondents were asked to select their preferred deal, and whether they would purchase it (scaled question, ‘definitely purchase’ to ‘definitely would not purchase’). If a respondent selected that they would not purchase any of the finance options, they were presented with a set of alternatives (e.g., choose a cheaper car, wait, try alternative options, etc.), to gauge the alternative actions they would consider.

Below is an example of a screen from the conjoint analysis.

We would like you to carefully consider all these options when selecting the finance option you would choose.
The broker will receive a commission from the lender for arranging this loan.

Which option do you prefer?
Please review and select your preferred option at the bottom of the table.

	Option 1	Option 2	
Price of car	£10,500	£10,500	£10,500
Length of Term	2 years	3 years	6 years
Type of financing	Personal Contract Purchase (PCP)	Conditional Sale (CS)	Personal Loan
Monthly Payments	£230	£351	£240
Interest rate	5.0%	20.0%	25.0%
Deposit	£1,575	£1,050	£1,575

The **list price** of the car didn't change, to ensure that the options were always realistic and affordable to respondents

Type of financing, interest rate, deposit and length of term all varied within a set range

Monthly payments were determined algorithmically based on interest rates, length of term and deposit

Respondents viewed up to 15 different screens, showing various combinations of scenarios. The conjoint analysis then isolated the impact of price changes on choice, alongside the imputed value of specific motor finance features, to determine the relative importance of each.

Considering the appropriate features to include (e.g., length of term), and the variable range of each (e.g., two to five years) was a critical design factor for the conjoint. There was a need to balance realism and include those core features that consumers would be trading off when considering motor finance, without including too many features, which may impact the robustness of the analysis. Price of car was kept consistent for each respondent, given this was based on their personal situation, therefore creating the basis for realistic scenarios. Type of financing, interest rate, deposit and length of term were included as variable features, simulating the key product elements presented to consumers during the purchase journey. The variable range for each feature was limited to the most prevalent terms offered within the market. For example, contract term was limited to between two to six years, simulating the typical terms offered in the market and/ or selected by consumers. For interest rate, the range set more broadly between 5% to 25% to include representation of prime, near-prime and sub-prime scenarios.

The conjoint analysis has been used in the report to illustrate the potential impact of motor finance uptake based on incremental monthly premium increases, using typical deals as the basis for this analysis (e.g., PCP, 4-year term, 15% deposit). The analysis is based on three consumer groups: 1. those purchasing new vehicles, 2. those purchasing used vehicles, and 3. those with sub-prime characteristics. For each group, we tested two scenarios:

Scenario A: increasing interest rates when consumers only have their current motor finance product available to them. This allows us to look at the potential impact of interest rate changes in the price of motor finance for consumers who may not have alternative finance options available to them.

Scenario B: increasing interest rates when consumers have an alternative finance option available to them (personal loan for all tests – at a fixed interest rate). This scenario looks at the impact of a price increase for the motor finance product only (i.e. the interest rate for the personal loan is kept constant throughout Scenario B), on

consumer choice, including likely switching behaviour to alternative forms of finance when faced with higher motor finance prices.

Further, the analysis also explores the impact on potential take up of motor finance deals based on features beyond price (e.g., extending the contract term), to explore the relative importance of the different features of motor finance in decision making, and the relationship to monthly premium.

Sub-prime, near-prime and prime categorisation

One of the objectives of the research was to explore whether there were any notable differences amongst different types of consumers such as respondents with lower levels of credit history and/ or greater difficulty maintaining repayment schedules (otherwise referred to as demonstrating characteristics of sub-prime or near prime) and those who did not exhibit such characteristics. Using a series of survey questions and responses, a set of rules was therefore developed to identify those respondents who demonstrated characteristics of sub-prime, near-prime and prime.

It should be noted that this categorisation was not designed to be a definitive categorisation of sub/ near-prime/ prime audiences but identified respondents who demonstrated characteristics of these groups. As a result, due caution should be taken when drawing any conclusions from the data in the context of these audiences.

The rules used to identify these respondents are as follows:

Prime characteristics	Near-prime characteristics	Sub-prime characteristics
<p>Pay a lower interest rate for their current motor finance, are not currently in financial difficulty or have difficulty accessing loans or credit, and does not hold any high cost credit products.</p> <ul style="list-style-type: none"> Agree to 0 out of 3 statements about having current financial difficulties (Q47 1, 2 or 3)²⁴. Do not currently have either high-cost short-term 	<p>Either pay a higher rate of interest for their motor finance product but are not now in financial difficulty or hold high cost credit products, or pay a relatively lower rate for their motor finance product but state they are now in financial difficulty or hold high cost credit products.</p> <ul style="list-style-type: none"> Anyone who does not fall into either prime or sub prime definitions. 	<p>Are currently in financial difficulty, and either pay a very high rate of interest for their motor finance product, or pay a relatively higher rate of interest for motor finance and also currently hold other high cost credit products.</p> <ul style="list-style-type: none"> Agree to at least 2 out of 3 statements about having current financial difficulties (Q47 1, 2 or 3). <p>And either:</p>

²⁴ Over the past 6 months I have fallen behind on, or missed, any payments for credit commitments or domestic bills, for 3 months or more (not necessarily consecutive months)
I tend to find that the rate for borrowing I am offered is higher than the rate advertised
I can find it difficult to get loans or credit, but they are generally still available to me

<p>credit or other high-cost credit product (Q48 5 / 7).</p> <ul style="list-style-type: none"> • Interest rate of their current motor finance product is 9% or below (Q22 / 23). 		<ul style="list-style-type: none"> • Interest rate of their current motor finance product is 19% or above (Q22 / 23). • Interest rate 13% and above and currently have either high-cost short-term credit or other high-cost credit product (Q48 5 / 7).
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Additionally, During the data cleaning process, a small proportion of the sample (2.2%) were classified as “unclassified”, rather than prime, near-prime or sub-prime, and their results are not used for the market data analysis. See [Fieldwork](#) section above for more details of the quality checks.

See [Quantitative questionnaire](#) for a full question set.

Interpretation and limitations of analysis

Data in the report is self-reported, and as such there are likely to be differences between stated actual and likely behaviours or details, especially due to the complexity of motor finance products and the purchase process. This is most likely to be apparent in the following:

- Respondent recall on the details of their motor finance deal: dependent on the contractual term, current motor finance holders may have needed to recall their purchase experience from several years ago. As a result, it is reasonable to expect that the data includes respondents with varying levels of knowledge or recall about the details of their purchase. Due consideration was taken in questionnaire design, by including “*I don’t remember*” options for questions where respondents needed to include specific details of their finance deal. However, when asking respondents to recall certain details, (e.g., the contract term or APR of their current deal), online research respondents may be more likely to guess at the answer if they are unsure, rather than to use the “*I don’t remember*” option. It is therefore important to apply caution when analysing data on the specifics of respondents’ current motor finance arrangements within the report, and this data should not be compared with market level statistics.
- Awareness of, and behaviours as a result of DCA: the report explores respondents’ levels of understanding of DCA (the term and an understanding of what it means), and likely behaviour had the presence of DCA been disclosed at the point of taking out the motor finance. The survey methodology can affect how respondents answer questions relating to sensitive topics such as DCA, in that respondents may be more likely to overclaim certain behaviours or actions through an online survey. Additionally, it may be difficult for a consumer to state through an online survey how they actually would have behaved if they had knowledge of DCAs at the time of purchase, notably given that for many, a vehicle purchase is a complex and time pressured sales process.

By comparison, a personal interaction with an interviewer discussing DCAs is likely to illicit more considered responses, as experienced through the qualitative interviews from the broader study. It is therefore important to apply caution when analysing the quantitative data directly assessing the impact of DCAs in isolation. Conclusions on questions addressing DCA topics directly should be drawn through a combination of both quantitative data and qualitative findings, as illustrated in the report.

Not all figures in the charts/ tables on the quantitative data in the report sum to a total of 100%. This is the case if more than one response was possible; and, where all responses have been included, figures may not sum exactly to 100% due to rounding.

Qualitative methodological details

This section summaries the method employed for the qualitative interviews amongst current holders of motor finance and considerers of motor finance.

Overall approach

The qualitative research consisted of 20 online in-depth interviews with consumers, on the topic of motor finance. Interviews were spread across the UK and took place between 4th November to 29th November 2024. Respondents were recruited according to a number of interlocking quotas (see [Sample composition](#) below), through a combined process of free-find, and recruitment from the quantitative survey. Interviews were around 45 minutes in length and were recorded. The depth interviews were focused on capturing a deeper understanding of the consumer shopping journey when purchasing motor finance, and awareness and comprehension of DCAs and possible impacts on behaviour.

All research was conducted by senior Yonder qualitative specialists.

Sample composition

The key quotas for the sample were based on the following:

- Age: 18-34, 35-54, 55-64 and 65+: ensuring a spread of ages was important, given the variation in motor finance ownership across age brackets. For instance, the FLS 2022²⁵ survey shows that 12% of UK adults held a motor finance now or in the last 12 months, with younger adults (17% of adults aged 25-34) more likely to hold motor finance. The sample was therefore structured to achieve a spread across all age groups, but with a minimum quota on young adults (18-34).
- Current holders and considerers of motor finance: to mirror sample profiling in the quantitative survey, the sample was split by:
 - Current holders of motor finance: confirmed as having taken out any of the following motor finance products within the last five years (2019) linked to the purchase of a car or van: PCP, HP, personal loan and conditional sale).
 - Considerers of motor finance: confirmed as considering the purchase of a vehicle (car or van) through one of the focus motor finance products as listed above, had a good idea of what type of car or van they want, and a good idea of how they would pay for it.

Including both groups within the sample meant that analysis could explore any substantive differences between those individuals who had purchased a motor finance product up to several years ago, and those with a more recent experience of the purchase journey. This was of particular relevance to the qualitative interviews, as the interviews went into greater detail than the quantitative survey regarding the purchase journey, so inclusion of participants having recently been through the journey meant the capture of more recent experiences.

²⁵ Sampling for the qualitative fieldwork was based on FLS 2022 data as this was the latest data available at the time of preparing for fieldwork.

- Type of motor finance held: a spread across the four motor finance products of interest (PCP, HP, personal loan and conditional sale), to understand any differences in perceptions or experiences resulting from finance product type.
- Inclusion of participants demonstrating characteristics of sub-prime: affordability was anticipated to be a driver in responding to the impact of DCAs.

The following table illustrates both the target and final quotas achieved:

Quotas		Target	Achieved
Gender	Male	Fall out naturally	8
	Female		7
	Other		-
Age	18-34	Minimum 5	5
	35-54	Fall out naturally	8
	55-64		1
	65+	Maximum 5	1
Ethnicity	Asian & British Asian	Fall out naturally	3
	Black and Black British		2
	White British	Maximum 10	8
	White (Other)	Fall out naturally	1
	Mixed and Other		1
Motor finance holders	Current motor finance holders	15	15
	Considerers of motor finance	5	5
Motor finance type	Personal contract purchase	Minimum 3 of each type	5
	Hire purchase		4
	Conditional sale		3
	Personal loan		3
Characteristics of sub-prime*		5	5

*The quota for sub-prime was set separately to all other interlocking quotas as it was anticipated to be more challenging to recruit sub-prime participants and so no other quotas were set.

Sample source

Participants were recruited through two sources:

- Free-find: through Further Afield, a specialist research participant recruiter. Participants were sourced using a detailed screening questionnaire created by Yonder and approved by the FCA. The screener can be found in appendix two.
- Recruitment from the quantitative survey: the quantitative online survey identified respondents that demonstrated characteristics of sub-prime (please see *Sub and near prime categorisation* in the [Quantitative methodological details](#) section for more details). The online survey included a question through which respondents could opt-in to be contacted for follow up to the online survey for further research purposes. A

total of 55 respondents who demonstrated characteristics of sub-prime and expressed willingness to be recontacted and have their details shared with a third party were passed to our recruitment partner, Further Afield, to gauge willingness to take part in a qualitative interview. All five participants who demonstrated characteristics of sub-prime were recruited through this source.

Recruitment process

Further Afield Ltd is a regular recruitment partner for Yonder working across multiple sectors, with a specialism in financial services. Yonder provided the recruitment team with a full briefing on the nature of the research and recruitment requirements (the 15 free-find participants and the 5 participants showing characteristics of sub-prime who were recruited following the quantitative survey). The key elements of the recruitment process are as follows:

- Once each potential participant had been contacted the recruiter completed a screening interview with them. The aim of screening was primarily to ensure that the individual met the quotas required for the research.
- All potential participants were taken through this screening process.
- Where individuals were willing to take part in the research and met quota requirements, the recruiter agreed an appointment date, and provided each participant with the necessary calendar invite and link for the online depth interview. The recruiter also confirmed each interview booked with Yonder at the same point.
- Recruitment started on 14th October and finished on 18th November 2024.
- Participants were offered an incentive of £50 to take part in the research.

Discussion guide and stimulus used during interviews

Appendix three contains the discussion guide used for the qualitative interviews. The guide was designed to lead the interviews and provide structure, while also providing the interviewer with the ability to adapt the questioning, dependent on the individual circumstances of each participant. Due caution was taken during discussion guide design and execution of the interviews to not include overly complex technical language with regards to motor finance, or the purchase of a motor vehicle.

To follow is an overview of the structure of the discussion guide by section:

- Introduction and warm up: to explain the format of the interview and understand the participant's circumstances.
- Introduction to motor finance and initial reactions: to gauge top of mind reactions to motor finance and explore the participant's awareness and understanding of products.
- Overview of motor finance journey: to explore the participant's motor finance purchase journey, gauge approach to decision making, and understand what influences choice.

- Knowledge and understanding of motor finance deep dive: reassessing the participant's perceptions of the motor finance industry having explored their purchase journey, focusing on potential confusion in the language used by providers.
- Evaluation of DCAs: to gauge reaction to DCAs, identify potential areas of concern or misunderstanding, and explore the potential impact on the participant's decision-making behaviours had information on DCAs been disclosed at the point of purchase.
- At this point in the discussion, two forms of stimulus were presented to the participant:
 - A short definition of DCA: the interviewer explained to the participant that the stimulus provided information related to an agreement that some consumers encountered when taking out motor finance in the past. Participants were shown the description on screen, and the interviewer asked a series of questions to collate spontaneous views on the statement.
 - A media article related to DCA: secondly, participants were shown a short media article on DCAs. Participants were allowed to read the article in full, then the interviewer asked a series of reflective questions on the content, including the extent to which the information may have impacted their decision-making or behaviour regarding their motor finance purchase.
 - Appendix four includes the stimulus presented to participants during the interviews. All stimulus was created or selected by Yonder, with approval by the FCA.
- Looking to the future: assessing how an understanding of DCAs potentially affects future intentions towards motor finance.
- Summary and Close: to offer the respondent the opportunity to express any final views before interview close.

Analysis

A thematic approach to analysis was taken, looking at broad themes and commonalities across participants before examining more closely the significance of these similarities. As a result of this analysis, three broad types of motor finance consumers were identified, relating to varying levels of financial confidence and understanding of motor finance:

1. Low financial confidence and low understanding of motor finance.
2. Overestimated confidence in financial matters and motor finance.
3. High financial confidence and high understanding of motor finance.

This framework has been used in the report to provide structure to the qualitative insights.

Interpretation and limitations of analysis

Qualitative research was appropriate for this research as it allowed a complex issue such as DCA to be explored sensitively and in depth, therefore complementing the quantitative findings. It was particularly appropriate for

examining understanding of communications and for assessing participants in as wide a context as possible; for example, their wider views about the motor industry and motor finance providers, and a deeper understanding of DCAs and its impact on individuals.

Qualitative research provides a detailed exploration of the issues but cannot deliver statistical data. Any 'counts' of responses given in the body of the report is to give an indication of the split of response on particular topics. These are indicative only and should not be regarded as statistical measures.

Quantitative questionnaire

FCA Motor Vehicle Finance

METHODOLOGY: ONLINE PANEL

SURVEY LENGTH:

25 MINUTES

SAMPLE: N=4000 CURRENT HOLDERS OF MOTOR FINANCE

N=1000 CONSIDERERS OF MOTOR FINANCE

UK

Screening

Age

Q1. How old are you?

SC

1. Under 18 **Screen out**
2. 18 to 24
3. 25 to 34
4. 35 to 44
5. 45 to 54
6. 55 to 64
7. 65 or over
8. Prefer not to say

Gender

Q2. Are you?

SC

1. Male
2. Female
3. Prefer to self-define (**write in**)
4. Prefer not to say

Region

Q3. Which of the following describes where you live?

SC

1. Scotland
2. North East
3. North West
4. Yorkshire and the Humber
5. West Midlands
6. East Midlands
7. Wales
8. East of England
9. London
10. South East
11. South West
12. Northern Ireland

Working status

Q4. Which of the following best describes your current working status?

SC

1. Working for an employer(s) full-time (30 or more hours per week)
2. Working for an employer(s) part-time (less than 30 hours per week)
3. Self-employed or freelance full-time (30 or more hours per week)
4. Self-employed or freelance part-time (less than 30 hours per week)
5. Unemployed – looking and available for work
6. Unemployed – not looking for work
7. Retired
8. Semi-retired (drawing a pension or other income but still working)
9. Student
10. Long-term sick or disabled
11. Temporarily sick (no job to go to)
12. Looking after the home or family (incl. being a carer for a close family member)
13. Other (**write in**)
14. Don't know

Household income

Q5. What is your **total annual household income** from all sources (including benefits) **before tax** and other deductions?

SC

1. Less than £5,000 a year or per annum (pa)
2. £5,000 to £9,999 pa
3. £10,000 to £14,999 pa
4. £15,000 to £19,999 pa
5. £20,000 to £29,999 pa
6. £30,000 to £39,999 pa
7. £40,000 to £49,999 pa
8. £50,000 to £59,999 pa
9. £60,000 to £69,999 pa
10. £70,000 to £99,999 pa
11. £100,000 to £149,999 pa
12. £150,000 to £249,999 pa
13. £250,000 or more pa
14. Don't know
15. Prefer not to say

Car ownership

Q6. How many cars or vans do you currently have in the household? Please include all cars or vans you own and / or have a lease or finance on, but for personal use only (i.e. excluding vehicles for business use).

SC

1. None
2. 1
3. 2
4. 3
5. 4 or more

Motor finance holder

Q7. Do you currently hold any type of motor finance, either in your own name or in joint names?

This is where you take out finance to acquire a motor vehicle, e.g. hire purchase (HP), a personal contract hire (PCH), personal contract purchase (PCP), conditional sale, a personal contract hire (PCH), or a subscription service, or a loan from a bank or other financial institution – taken out specifically to pay for the purchase of a motor vehicle.

A subscription service is where you have a hire arrangement which you can end by giving notice to the firm. It may include other areas such as servicing arrangements, road tax, or MOT. It does not include where you hire a vehicle for a short period or under a personal contract hire (PCH) plan.

Please do not include any finance that is specifically for servicing plans.

SC

1. Yes
2. No
3. Don't know

Type of motor finance held

Ask if code 1 at Q7

Q8. Which of the options below describes the motor finance arrangements you have at the moment?

Please answer only about motor finance arrangements you took out yourself, either jointly or with a partner, but not any not held through your place of work.

Select all that apply.

MC

1. Hire purchase (HP)

A type of borrowing, where you don't own the vehicle until you have paid in full. You pay an initial deposit and then the remainder in equal monthly instalments. Once you have paid all the instalments, you have the option to own the vehicle outright, usually by paying a small fee to transfer ownership to you.

2. Personal contract purchase (PCP)

Similar to hire purchase (HP), where you pay a deposit and then monthly instalments. Unlike HP, you don't pay the full value of the vehicle, but the amount the vehicle is predicted to lose in value over the length of the contract. At the end of the contract, you can choose to own the car outright by paying a large 'balloon payment' or return the car to the dealer.

3. Conditional sale

Similar to hire purchase (HP), except you automatically own the vehicle when all the instalments have been repaid.

4. Personal contract hire (PCH)

This is where you have a long-term rental agreement where the vehicle is leased for an agreed period (usually two to four years) with fixed monthly payments, and at the end you hand back the vehicle.

5. Using a personal loan to buy outright

A loan from a bank or other financial institution used by you specifically to buy a vehicle for personal use

6. Using a credit card to buy outright

7. Using a subscription service

This is where you have a hire arrangement which you can end by giving notice to the firm. It may include other areas such as servicing arrangements, road tax, or MOT.

8. None of these **Exclusive**

Which was most recent

If code more than one code from 1,2,3, or 5 in Q8

Q9. You currently hold more than one of these motor finance agreements at the moment. Which one did you take out **most recently**?

SC

Pipe from codes 1,2,3, or 5 in Q8

Code finance type selected in Q9 as “current holder deal”

If Q9 is not asked, and Q8 is coded 1,2,3, or 5, code finance type selected in Q8 as “current holder deal”.

This code will be piped into questions later. Use the following text when piping

Q8 / Q9 code	Piping
Hire purchase (HP)	hire purchase
Personal contract purchase (PCP)	personal contract purchase
Conditional sale	conditional sale
Using a personal loan to buy outright	personal loan

When motor finance was taken out

If tagged with “current holder deal”

Q10. Which year did you take out the [current holder deal] deal in?

If you any unsure, please check any documentation you have access to

SC

1. 2024
2. 2023
3. 2022
4. 2021
5. 2020
6. 2019
7. Before 2019

Type of vehicle

If code any of 1,2,3, or 5 in Q8

Q11. What type of vehicle did you get [current holder deal] for? And what engine does it have? *Please select one only*

Grid, SC per row and column

Rows

1. Car
2. Van
3. Other (e.g. motorcycle, caravan, other vehicle type)

Columns

- a) Combustion engine (petrol or diesel)
- b) Electric engine

Code row 1 or 2 as "vehicle current" (don't include the engine in the piping)

Consideration of buying a car

Q12. Are you considering buying a new or used car or van at the moment?

SC

1. Yes
2. No
3. Don't know / unsure

Type of vehicle

If code 1 to Q12

Q13. What type of vehicle are you considering buying, and with what type of engine?

If you're considering buying different types, please select the one you are most likely to buy

Grid, SC per row and column

Rows

1. Car
2. Van
3. Other (e.g. motorcycle, caravan, other vehicle type)

Columns

- a) Combustion engine (petrol or diesel)
- b) Electric engine

Code row 1 or 2 as "vehicle considerer" (just "car" or "van" don't include the engine in the piping)

Current understanding of considerers

If code 1 to Q12

Q14. Thinking of the [vehicle considerer] you're considering buying, how much do you agree or disagree with the following statements?

Grid, SC per row

Rows

1. I have a good idea what type of [vehicle considerer] I want (e.g., I've narrowed it down to 2-3 specific models)
2. I have a good idea how I'll pay for it (e.g. cash / loan / on finance)

Columns

- c) Strongly agree
- d) Slightly agree
- e) Neither agree nor disagree
- f) Slightly disagree
- g) Strongly disagree

Consideration of motor finance

If code A or B for both rows in Q14

- Q15.** You said you were considering buying a new or used [vehicle considerer] . Which methods would you consider using to pay for the car?

Grid, SC per row

Rows

1. Paying fully up front with cash
2. Hire purchase (HP)

A type of borrowing, where you don't own the vehicle until you have paid in full. You pay an initial deposit and then the remainder in equal monthly instalments. Once you have paid all the instalments, you have the option to own the vehicle outright, usually by paying a small fee to transfer ownership to you.

3. Personal contract purchase (PCP)

Similar to hire purchase (HP), where you pay a deposit and then monthly instalments. Unlike HP, you don't pay the full value of the vehicle, but the amount the vehicle is predicted to lose in value over the length of the contract. At the end of the contract, you can choose to own the car outright by paying a large 'balloon payment' or return the car to the dealer.

4. Conditional sale

Similar to hire purchase (HP), except you automatically own the vehicle when all the instalments have been repaid.

5. Personal contract hire (PCH)

This is where you have a long-term rental agreement where the car is leased for an agreed period (usually two to four years) with fixed monthly payments, and at the end you hand back the vehicle.

6. Using a personal loan to buy outright

A loan from a bank or other financial institution used by you specifically to buy a car

7. Using a credit card to buy outright
8. Using a subscription service

This is where you have a hire arrangement which you can end by giving notice to the firm. It may include other areas such as servicing arrangements, road tax, or MOT.

Columns

- a) Would be my first choice (Max 1 row)
- b) Would strongly consider
- c) Might consider
- d) Unlikely to consider
- e) Would never consider
- f) Don't know / unsure
- g) Not aware of this as an option

Quotas and routing

If both "current holder deal" and "vehicle current" is coded (i.e. they have a motor finance that is PCP / HP / conditional sale / personal loan at Q8 or Q9, and it was for a car or van), then they will quality as a "Current Holder"

If code A, B or C (First choice, Strongly Consider, Might Consider) to any of 2, 3, 4 or 6 (Personal Loan, PCP, HP, conditional sale) at Q15, AND tagged with "vehicle considerer" (car or van) they will quality as a "Considerer"

If someone qualifies in both groups, then least fill

Code "vehicle type" from "vehicle current" for Current Holders and "vehicle considerer" for Considerers

For "Current Holders" set up soft quotas to monitor on:

- Age
- Gender
- Region
- Working status
- Income

Current holder quotas

18-24	6%
25-34	24%
35-44	20%
45-54	21%
55-64	15%
65-74	9%
75+	5%
Male	55%
Female	45%
England	80%
Scotland	12%
Wales	5%
Northern Ireland	3%

North East	6%	
North West	10%	
Yorkshire and The Humber	9%	
East Midlands	8%	
West Midlands	10%	
East of England	9%	
London	7%	
South East	13%	
South West	8%	
		Q4 codes
Employed	74%	1,2
Self employed	7%	3,4
Unemployed	1%	5,6
Retired	14%	7
Semi-retired	1%	8
NET: Student, Long-term sick, Temp sick, Looking after home/ carer, Other employed, Other	4%	9 to 13
NET: Not retired	86%	All except 7

Less than £15k	6%
£15k - <£30k	20%
£30k - <£50k	26%
£50k - <£70k	19%
£70k - <£100k	11%
£100K - <£250k	12%
£250k+	6%

Deal information

Current holders

The next set of questions are about the car you bought using [current holder deal].

Some of the questions will ask for details of the finance package or choices you made at the time. If you have any documentation around the purchase and finance that you can reference, please get this now so you can reference it during the survey.

Type of car – current holders

Current holders only

Q16. What type of [vehicle type] did you buy using [current holder deal]?

If you're unsure whether it is Nearly New or Used, please select Used

SC

9. New
10. Nearly new (e.g. less than 12 months old with fewer than 10,000 miles on the clock)
11. Used

Type of car – considerers

Considerers only

Q17. What type of [vehicle type] are you considering buying?

Please select all that apply

MC

1. New
2. Nearly new (e.g. less than 12 months old with fewer than 10,000 miles on the clock)
3. Used
4. Don't know [Exclusive]

List price

Q18.

[Current holders] What was the price of the car you bought using [current holder deal] ?

This is the total price of the car you were quoted, irrespective of how it would be financed / paid for, including any optional extras fitted to the vehicle.

If you're unsure, please estimate as close as possible.

[Considerers] Thinking of the car you are considering purchasing, what is the price of car are you looking to buy?

If you're unsure, please estimate as close as possible.

Open numerical £

Deposit

Do not show if 'Current holder' finance type from Q8 is Personal Loan code 4

Q19.

[Current holder] How much did you put down as a deposit when you bought the [vehicle type]?

Please include any deposit contribution paid by the dealership. For example if you paid £4,000 and there was a dealership contribution of £1,000, put £5,000 as the deposit amount

If you are unsure, please check any documentation you have and estimate to as close as possible.

[Considerer] Based on a car costing [answer at Q16], how much of a deposit would you expect to put down?

Open numerical £, Include Don't Know

Monthly payments

Q20.

[Current holder] How much is the monthly payment for [current holder deal]?

[Considerer] Roughly how much are you looking to pay per month to finance the [vehicle type]?

Open numerical £

Length of term

Q21.

[Current holder] How long is the contract for your [current holder deal] deal? Please answer in terms of the full length of the contract (financing term), even if you are still part way through.

[Considerer] Do you have a preference for how long you would want the financing term to be?

SC

1. 24 months and under (2 years and under)
2. 25 – 36 months (2 to 3 years)
3. 37 – 48 months (3 to 4 years)
4. 49 – 60 months (4 to 5 years)
5. 61 – 72 months (5 to 6 years) [Considerers only]
6. 73 – 84 months (6 to 7 years) [Considerers only]
7. Over 84 months (over 7 years) [Considerers only]
8. Don't know / it depends on the deals offered [Considerers only]

Interest rates

Current holders only

Q22. What was the interest rate of your [current holder deal] deal, if you know?

Open numerical %, include Don't know

Interest rate bands

If code Don't know to previous

Q23. You said you didn't know what the interest rate was for your [current holder deal] deal. Are you able to provide an estimate for what you think it was?

SC

1. Less than 5%
2. 5% to 7%
3. 7% to 9%
4. 9% to 11%
5. 11% to 13%
6. 13% to 15%
7. 15% to 17%

8. 17% to 19%
9. 19% to 21%
10. 21% to 23%
11. 23% to 25%
12. Over 25%

Purchase source

Current holders

Q24. Where did you purchase the car from?

SC

1. Manufacturer / brand specific dealership
2. Car supermarket
3. Used car dealership
4. Small independent dealership
5. Online dealership / platform (e.g. Cinch)
6. Private sale (e.g. Auto Trader / Gumtree)
7. Other (please specify)

Credit arrangement source

Current holder

Q25. Was your motor finance arranged via...

SC

1. A vehicle dealer or manufacturer finance provider (e.g. Volkswagen Financial Services)
2. A motor finance specialist (e.g. Black Horse)
3. A loan from a bank or other provider
4. Other credit provider (**write in**)
5. Don't know

Credit arrangement source

Current holder

Q26. What channel did you use to arrange the motor finance?

Please select all that apply

MC

1. Face-to-face conversation
2. Phone call
3. Online on a provider's website
4. Price comparison website
5. Mobile app

Finance provider

Current holders who code 1, 2, 3 (PCP, HP, conditional sale) at Q8

Q27. Do you know which of the following motor vehicle finance provider your financing is with?

SC, Randomise

1. Close Brothers Motor Finance
2. AutoMoney Motor Finance
3. Moneybarn Vehicle Finance
4. We Finance Any Car
5. Specialist Motor Finance
6. MotoNovo Finance
7. V12 Vehicle Finance
8. Auto Finance
9. Startline Motor Finance
10. CarFinance 247
11. Arnold Clark Automobiles
12. Evolution Funding
13. Lookers Motor Group
14. Sytner Group
15. Motion Finance
16. Charles and Dean
17. Alpheria Financial Services
18. Black Horse
19. Blue Motor Finance
20. Other, please specify
21. Don't know **Fix**

Shopper Journey

Past usage of motor finance

Q28.

[Current holder] Have you used other motor finance before your [current holder deal] deal? If so, which types of motor finance have you used before?

[Considerer] Have you used motor financing before? If so, which types of motor finance have you used before?

Please select all that apply

1. Hire purchase (HP)
2. Personal contract purchase (PCP)
3. Conditional sale
4. Personal contract hire (PCH)
5. Using a personal loan to buy outright
6. Using a credit card to buy outright
7. Using a subscription service
8. Not used motor vehicle finance before [Exclusive]
9. Other (please specify)

Consideration of other options

Current holders

Q29. If you didn't have the option to use [current holder deal], which of the following financing options would you consider instead?

Grid, SC per row, Exclude type selected in current holder deal

Rows

1. Paying fully up front with cash
2. Hire purchase (HP)
3. Personal contract purchase (PCP)
4. Conditional sale
5. Personal contract hire (PCH)
6. Using a personal loan to buy outright
7. Using a credit card to buy outright
8. Using a subscription service
9. Leasing a car
10. Not purchasing a car at all

Columns

- a) Would be my first choice (Max 1 row)
- b) Would strongly consider
- c) Might consider
- d) Unlikely to consider
- e) Would never consider

- f) Don't know / unsure
- g) Not aware of this as an option

Consideration of other rank

- Q30.** [Current holders] You said you would consider these different types of motor finance. Please rank them in order of which would be your preferred option, if [current holder deal] was not available.
- [Considerers] You said earlier you would consider these different types of motor finance. Please rank them in order of which would be your preferred option, if [current holder deal] was not available.

MC Rank

[Current holders] Pipe in all coded a-c in Q29

[Current holders] Pipe in all coded a-c in Q15

Reasons for finance type choice

Current holders

Q31. What was most important to you when choosing [current holder deal] over other options?

Please select up to 3 and rank them

Rank Top 3

1. It was a finance type I was familiar / felt comfortable with
2. It was a finance type I have used before **Do not show if Q28 = 8**
3. It was the most affordable finance type to get the car I wanted
4. It allowed me to get a better car than I could buy outright
5. The finance type meant that the monthly payments were in my budget
6. It was a finance type that was recommended to me by friends/ family
7. It was a finance type that was recommended to me by a finance expert
8. It was a finance provider that I have used before
9. Other (please specify)

Reasons for considering motor finance

Considerers

Q32. Why are you considering using motor vehicle finance over other options?

Please select all that apply

MC

1. It is a finance type I was familiar / felt comfortable with
2. It is a finance type I have used before
3. It will allow me to get the car I want
4. I think the monthly payments will be within my budget
5. It will allow me to get a new car rather than a used car

6. I can't afford to pay cash for a car
7. It is recommended to me by friends/ family
8. It is was recommended to me by a finance expert
9. Other (please specify)

Sources of information

Q33.

[Current holders] Which of the following did you use to understand or research motor finance options?

[Considerers] Which of the following do you plan to use / have you used already to understand or research different motor finance options?

Please select all that apply

MC

1. Online research
2. Talked to friends / family
3. Used online comparison sites
4. Talked to car dealership(s)
5. Talked to a car broker
6. Talked to my bank
7. Other (please specify)
8. None of the above **Exclusive**

Shopping around

Q34.

[Current holders] Which of the following did you do when you were looking for your new car?

[Considerers] Which of the following do you expect to do / have done as part of the purchase of your next car?

MC

1. **[Current holders]** I visited different dealerships / websites to look at different brands and types of cars
[Considerers] Visit different dealerships / websites to look at different brands and types of cars
2. **[Current holders]** I shopped around different dealerships/ finance providers to understand the different finance deals available
[Considerers] Shop around different dealerships / finance providers to understand the different finance deals available
3. **[Current holders]** Once I had decided on the type of finance I wanted to use, I looked at different providers to see who offered the best deal
[Considerers] Once I have decided on the type of finance I want to use, I will plan to look at different providers to see who offers the best deal **[EXCLUSIVE FROM CODE 4]**
4. **[Current holders]** I took up the finance deal offered by the dealership where I bought the car without shopping around at alternative finance providers

[Considerers] I am most likely to take up the finance deal offered by the dealership where I buy the car without shopping around at alternative finance providers [EXCLUSIVE FROM CODE 3]

5. Other (write in)

Why did they shop around

If code 2 and 3 to Q34

Q35.

[Current holders] Why did you choose to shop around at different providers or dealerships?

[Considerers] Why would you choose to shop around at different providers or dealerships?

Please select all that apply

MC

1. To give me confidence I was getting best possible deal
2. To improve my understanding of the different options
3. To negotiate the cost of the finance
4. To give me confidence in the finance provider I was using
5. Other

Why did they shop not around

If code 4 to Q34

Q36.

[Current holders] Why did you choose not to shop around at different providers or dealerships?

[Considerers] Why would you not choose to shop around at different providers or dealerships?

Please select all that apply

MC

1. [Current holders] I was very familiar with the provider I used / had bought from them before [Considerers] If I was very familiar with a provider / I had bought from them before
2. [Current holders] I didn't have time to shop around [Considerers] I don't think I'll have time to shop around
3. [Current holders] It was my only option for the car I wanted [Considerers] If it was my only option for the car I wanted
4. [Current holders] I found it too difficult to compare [Considerers] It's too difficult to compare
5. [Current holders] I felt it wasn't worth it as there's no real difference between credit providers [Considerers] It's not worth it as there's no real difference between credit providers
6. [Current holders] I didn't know what to look for [Considerers] I wouldn't know what to look for
7. [Current holders] The credit provider was recommended to me [Considerers] If the credit provider was recommended to me

Confidence in understanding of their own deal

Current holders

Q37. Thinking of your specific [current holder deal] deal, how much do you agree or disagree with the following?

Grid, SC per row, Randomise rows

Rows

1. I read all the terms and conditions in detail
2. I felt that the provider explained the terms of the finance clearly
3. I felt that I understood what was going on at each stage in the purchase process
4. I felt that my rights to cancel the contract were clearly explained
5. I felt there was too much information to deal with
1. There were additional fees or terms that were not clearly explained which took me by surprise later

Columns

- a) Strongly agree
- b) Slightly agree
- c) Neither agree nor disagree
- d) Slightly disagree
- e) Strongly disagree
- f) Don't know

Negotiating

Current holders who code 1-5 at Q24 (used a dealer)

Q38. When you bought the car from the [Q24 type of dealer], did you try to negotiate the final price or terms of the deal?

SC

1. Yes
2. I didn't know it was possible
3. I did know it was possible but decided not to

Negotiating outcome

Current holders who code 1 (Yes) to Q38

Q39. What happened as a result of you negotiating?

Please select all that apply

MC

1. The price of the car was reduced
2. The interest rate was reduced

3. The dealer included add ons / optional extras for free
4. Other (write in)
5. I tried to negotiate but was unsuccessful

Possibility of negotiating

Current holders who code 3 (Knew it was possible but decided not to) to Q38

Q40. Why did you decide not to negotiate?

Please select all that apply

MC

1. I didn't have the confidence to do so
2. I thought the effort and time required would not be worth it
3. I didn't feel comfortable doing so
4. I was happy with the offer as it was
5. Other (please specify)

If no finance was available

Q41. For whatever reason, if no finance options at all [Current holders: had been] [Considerers: are] available to you, i.e. the only option was to buy a car with cash, what would you [Current holders: most likely have done] [Considerers: most likely do]?

SC

1. Nothing – I would [Current holders: have continued] [Considerers: continue] to use my old car
2. Nothing – I [Current holders: couldn't have afforded] [Considerers: could not afford] to buy a car with cash
1. [Current holders: Bought] [Considerers: Buy] a cheaper car with cash
2. [Current holders: Borrowed] [Considerers: Borrow] money from friends or family to buy a new car
3. Other (write in)

Conjoint

Conjoint

Q42. We would like you to imagine you are buying a new [vehicle type]. [Current holders This will be the same [vehicle type] you bought previously for [car value] [Considerers This will be the [vehicle type] you say are considering buying for [car value].

Over the next few screens, you will be presented with 3 different hypothetical motor finance options for this [vehicle type]. On each screen you should select the option that you would most likely choose for the purchase.

Each choice will have different financing terms around the type of finance, length of the term, monthly payments and deposit, amongst other things.

We would like you to carefully consider all these options when selecting the finance option you would choose.

Level	Attributes			
Price of car	<i>The price of the car purchased / considered.</i> <i>Use exact price, rounded.</i>			
Length of term	Range: 2 to 6 years 1 year increments			
Type of financing	Hire Purchase (HP)	Personal Contract Purchase (PCP)	Conditional Sale (CS)	Personal Loan
Monthly payments	<i>< Determined algorithmically based on the car price, length of term, deposit, balloon payment (if PCP) and interest rate ></i>			
Interest rate	Range: 5% to 25% 2.5% increments			
Deposit	Range: 5% to 15% Increments of 5% Prohibition: Not Personal Loan			
Final Payment	35% of car value Prohibition: Only PCP			

Above or below all options show: The broker will receive a commission from the lender for arranging this loan

Conjoint screen option 1

Which option do you prefer?

1. Option 1
2. Option 2
3. Option 3

Conjoint screen option 2

How likely would you be to purchase this option?

SC

1. I would definitely purchase this
2. I would probably purchase this
3. I would probably not purchase this
4. I would definitely not purchase this

Follow up

Conjoint follow up. If the right financing option wasn't available to you, what would you do?

SC

1. Wait and try again after a period of time
2. Look for a cheaper car
3. Ask friends and family for a loan
4. Not buy a car at all

DCA final post definition

As mentioned earlier, Discretionary Commission Arrangements (DCA) were an arrangement between lenders (the credit provider) and brokers (e.g. the dealership) where the amount received by the broker is linked to the interest rate that the customer pays and which the broker has the power to set or adjust.

DCA awareness

Q43. Have you heard of Discretionary Commission Arrangements (DCA) before?

SC

1. I have a very good understanding of what they are
2. I have heard of them but have a limited understanding of them
3. I might have heard of them but have no understanding of what they are
4. I haven't heard of them before now

DCA understanding

Q44. What do you think Discretionary Commission Arrangements (DCA) are?

SC, Randomise

1. An arrangement between lenders (the credit provider) and brokers (e.g. the dealership) which allowed the broker to adjust the interest rates offered to customers, typically in exchange for more commission
2. An arrangement whereby lenders (the credit provider) could give lower interest rates to provide cheaper finance deals
3. A method some brokers (e.g. dealerships) used to adjust interest rates on a deal depending on the length of term and car
4. None of the above
5. Don't know

DCA further information

Q45.

[Current holders] If your provider informed you or disclosed that a DCA arrangement was included in the finance deal when you were taking it out, what would you have done?

[Considerers] If you become aware that a DCA is included in a finance deal that you are considering, what would you do?

MC, Randomise

1. Ask the dealer / broker for more information or clarification on DCA
2. Compare with other options from the same provider
3. Compare with other options from other providers
4. Research what DCA involves before making a decision
5. Seek external advice

6. None of these [Fix]

DCA actions

Q46. What do you think your final decision would have most likely been?

SC, Randomise

1. [Current holders] Nothing – I would still have gone ahead [Considerers] Nothing – I would still go ahead
2. [Current holders] Looked [Considerers] Look at alternative finance approaches which did not include DCA
3. [Current holders] Tried [Considerers] Try to negotiate the deal to a cheaper price
4. [Current holders] Looked [Considerers] Look at a cheaper car
5. Don't know / unsure [Fix]

Additional profiling

Vulnerability set 1

Q47. Which, if any, of the following applies to you?

Grid, SC per row

Statement	Category if agree (unless otherwise specified)
1. Over the past 6 months I have fallen behind on, or missed, any payments for credit commitments or domestic bills, for 3 months or more (not necessarily consecutive months)	Over-indebtedness / Sub prime
2. I tend to find that the rate for borrowing I am offered is higher than the rate advertised	Sub prime
3. I can find it difficult to get loans or credit, but they are generally still available to me	Sub prime
4. Keeping up with my domestic bills and credit commitments is a heavy burden	Over-indebtedness
5. I am in debt and am struggling to pay it off	Over-indebtedness
6. I have little to no savings which I can rely on in an emergency / if I incur an unexpected expense for an essential item (e.g. boiler or car breaks down and needs significant repair or replacing)	Low savings
7. I struggle to use technology to manage my money	Poor or non-existent digital skills
8. I am not very comfortable when it comes to using technology (e.g. a computer or smart phone)	Poor or non-existent digital skills
9. I feel confident in managing my money	Low confidence or knowledge in managing financial matters (disagree)
10. When it comes to financial services and products, I would consider myself to be a confident and savvy consumer	Low confidence or knowledge in managing financial matters (disagree)
11. Prefer not to say	
12. None of these [Exclusive]	

Columns

- a) Strongly agree
- b) Slightly agree
- c) Neither agree nor disagree
- d) Slightly disagree
- e) Strongly disagree

f) Don't know

Other credit products

Q48. Do you currently hold any of the following credit products?

Please select all that apply

1. Mortgage

MC

Including a lifetime mortgage, or shared ownership (e.g. you pay part rent and part mortgage)

2. Overdraft (i.e. overdrawn)

Overdrawn on a current account

3. Credit card(s) or store card(s)

Only include those where you have an outstanding balance

4. Other personal loans, not related to a vehicle purchase

Include any of the following: unsecured personal loan, catalogue credit/ shopping account, credit union loan, CDFI loan

5. High-cost short-term credit

Include any of the following: payday loan, instalment credit, short-term instalment loan, logbook loan

6. Any interest free deferred payment credit

This credit lets you buy goods and services interest-free for a relatively short period of time (usually 30 days) or over a few instalments (typically between 3 and 6). You never pay interest but if you miss a payment you may have to pay a fee. Klarna, Laybuy and ClearPay are examples of deferred payment credit or "Buy Now, Pay Later" credit providers

7. Other high-cost credit product

Include any of the following: Home collected credit, guarantor loans, Rent to own (e.g. BrightHouse and Perfect Home), pawnbroking loan, hire purchase, or buying goods on a buy now pay later basis where repayments don't start until after the promotional period ends

Sub prime qual recruitment

If Sub Prime - Strongly / slightly agree to at least 2 of codes 1-3 in Q47

Q49. Thank you for completing this survey. As a further stage of this research project, we are also conducting online video interviews focused on your experiences of considering and purchasing motor finance.

The online video interviews will last 45 minutes and take place between the 30th October and 15th of November via Microsoft Teams or Zoom.

You would be incentivised, with a £50 BACS payment or Amazon voucher.

If you are interested in participating in these interviews, please respond accordingly below. We have a limited number of interview spots and therefore we cannot guarantee that we can invite you to take part, and you may not receive notification if you are not selected.

If you are interested in taking part, we will need to contact you to confirm a few details, and then if selected, schedule an interview.

Please note that we partner with a specialist recruitment agency to recruit you for the online interview, and to do that we would need to pass on your previous survey responses and the contact details you provide to the agency Further Afield. Your personal details will be used for the purpose of recruitment of this project only.

Based on all of the above, are you available between 4th -15th October and interested in taking part in a 45 minute online video interview?

1. Yes
2. No

If yes

Do you consent for Yonder Consulting to pass on your contact details and survey responses to Further Afield, for the purposes of scheduling this online interview?

3. Yes
4. No

If yes

For this research, if selected, we will be required to video and audio record the interviews for analysis and quality assurance purposes. Are you happy to proceed on this basis?

1. Yes, I am happy for the interview to be recorded
2. No, I do not want my interview to be recorded

If yes

Please fill in your details:

Name	
Town/city	
Mobile number	
Email	

Qualitative screener

Recruitment Overview

15 x 45 minutes depth interviews

(5 subprime depth interviews will be recruited off the back of the questionnaire; natural fall out between existing holders of motor finance and current considerers of motor finance)

Soft quotas across the 20 interviews are as follows: Personal loan n=3, Hire Purchase n=5, Personal Contract Purchase n=9, Conditional Sale n=3

Quotas -		
Gender	Male	Fall out naturally
	Female	
	Other	
Age Groups	18-34	Min 5
	35-54	Fall out naturally
	55-64	
	65+	Max 5
Ethnicity	Asian & British Asian	Fall out naturally
	Black and Black British	
	White British	Max 10
	White (Other)	Fall out naturally
	Mixed & Other	
Motor finance holders	Existing holders	10
	Current considerers of motor finance	5
Type of finance holder	Personal loan	Min 3 of each type
	Hire purchase	
	Personal contract purchase	
	Conditional Sale	
Motor finance brokers and lenders	Close Brothers Motor Finance	Mix
	AutoMoney Motor Finance	
	Moneybarn Vehicle Finance	
	We Finance Any Car	

	Specialist Motor Finance	
	MotoNovo Finance	
	V12 Vehicle Finance	
	Auto Finance	
	Startline Motor Finance	
	CarFinance 247	
	Arnold Clark Automobiles	
	Evolution Funding	
	Lookers Motor Group	
	Sytner Group	
	Motion Finance	
	Charles and Dean	
	Alphera Financial Services	
	Black Horse	
	Blue Motor Finance	
	Other, please specify	

Introduction script

Hello! I am calling from **Further Afield**, on behalf of Yonder, an insight and planning consultancy company. We are recruiting for market research about **motor finance** to help our clients better understand **consumer experiences and attitudes towards motor finance** and I would like to ask you a few questions to see if you are suitable to participate.

Recruitment agency and Yonder may use your personal information to analyse the results of the research for their business purposes. Your personal information will be deleted six months after the project ends. The personal information we acquire will be handled confidentially and in accordance with the strict guidelines of the Market Research Society Code of Conduct, GDPR and the Data Protection Act 1998. You have the right to access, withdraw your consent to use and object to processing of your personal data. For further information about your legal rights and how to exercise these please see the Privacy Notice on our website: [Privacy Policy | Yonder \(yonderconsulting.com\)](#) **Recruiter to share if not read out in full.**

If you qualify, you will be asked to take part in a **duration, methodology** in **location on / during date/s**. The research will be audio recorded and filmed and may be viewed/listened to live by the client. Please note that this

is genuine market research, your answers will be treated with confidence and no attempt will be made to sell you anything at all.

You will receive £50 as a thank you for taking part in this research. We are working with a platform called Ayda to make secure payments to people that take part in market research. Using Ayda means that you can get paid fast, using a secure platform, with your choice of how to receive payment – direct to bank, PayPal, or an Amazon.co.uk Gift Card. In order to match you with your payment, your name and correct email address needs to be uploaded to Ayda. It's really important we have a valid and correct email for you to be able to access your incentive. Ayda uses bank grade security measures to protect your data and will only use your details for the purposes of paying you and to comply with regulatory bodies. Information on their Privacy Policy can be found here: <https://www.helloayda.com/privacy-policy> You will receive a notification from Ayda to claim payment once all fieldwork has been completed.

USE OF PERSONAL DATA

C1. During the course of this research project, we will be collecting information from you that is classified as sensitive as it relates to personal information. Please confirm and acknowledge that you understand how your personal data will be used and you give consent for this information to be collected.

01	Yes	Continue
02	No	Close

Screening questions

Q1: Do you, a member of your family or close friends, work or have you ever worked in any of the following industries?

01	Advertising	Close
02	PR	Close
03	Journalism / Publishing	Close
04	Marketing / Market Research	Close
05	Vehicle sales	Close
06	Financial services	Close
07	None of the above	Continue

Q2: Have you participated in Market Research in the last 6 months?

01	Yes	Continue
02	No	Skip to Q4

Q3: Please list all subjects of the MR project you have taken part in the last 6 months?

_____ (please specify and check with Yonder)

Q4: What is your gender?

01	Male	Continue
02	Female	Continue
03	Transgender	Continue
04	Non-binary	Continue
05	Another gender identity	Continue
06	Prefer not to say	Close

FALL OUT NATURALLY

Q5: How old are you?

_____ years old

01	18-24yrs	Continue
02	25-34yrs	Continue

03	35-44yrs	Continue
04	45-54yrs	Continue
05	55-64yrs	Continue
06	65-74yrs	Continue
07	75yrs +	Continue
08	Prefer not to say	Close

RECRUIT TO QUOTA

Q6: Which ethnic group and background do you consider yourself to belong to?

01	Asian/ Asian British - Indian	Continue
02	Asian/ Asian British - Pakistani	Continue
03	Asian/ Asian British - Chinese	Continue
04	Asian/ Asian British -Bangladeshi	Continue
05	Asian/ Asian British - Any Other Asian Background	Continue
06	Black/ African/Caribbean/Black British - African	Continue
07	Black/ African/Caribbean/Black British - Caribbean	Continue
08	Black/ African/Caribbean/Black British - Any Other Black/African/Caribbean Background	Continue
09	Mixed/ Multiple - White and Black Caribbean	Continue
10	Mixed/ Multiple - White and Black African	Continue
11	Mixed/ Multiple - White and Asian	Continue
12	Mixed/ Multiple - Any Other Mixed/ Multiple Background	Continue
13	White - English/Welsh/Scottish/Northern Irish/British	Continue
14	White - Irish	Continue
15	White - Any Other White Background	Continue
16	Other - Arab	Continue
17	Other - Gypsy or Irish Traveller	Continue
18	Other - Any Other Ethnic Group: (please specify)	Continue
19	Prefer not to say	Continue

RECRUIT TO QUOTA

Q7: What is your current employment status?

01	Employed full-time (30+ hours a week)	Continue
----	---------------------------------------	----------

02	Employed part-time (<30 hours a week)	Continue
03	Home maker	Continue
04	Student	Continue
05	Retired	Continue
06	Unemployed / Not fit to work	Continue

Q8. What is your occupation (previous occupation if retired)?

Q9: Are you the Chief Income Earner in your household, if no, what is their current employment status?

01	I am the chief income holder	Continue
02	Employed full-time (30+ hours a week)	Continue
03	Employed part-time (<30 hours a week)	Continue
04	Self Employed (30+ hours a week)	Continue
05	Self Employed (<30 hours a week)	Continue
06	Retired	Continue

ASK IF CODE 02-06 AT Q9

Q10. What is the occupation of the Chief Income Earner in your household (previous occupation if retired)?

CODE SOCIAL CLASS BASED ON OCCUPATION OF CHIEF INCOME EARNER

A B C1 C2 D E

Q11: Please can you tell me what is your marital status?

01	Single	Continue
02	Married / cohabiting	Continue
03	Widow / widower	Continue
04	Other (please specify)	Continue

RECRUIT A MIX

Q12: Please can you tell me who you currently live with? (select all that apply)

01	I live alone	Continue
02	Partner/spouse	Continue
03	Children	Continue
04	Parents / grandparents	Continue
05	Housemates / others (bill paying)	Continue
06	I split my time between university and my family home	Continue

RECRUIT A MIX

Q13: What best describes your household composition?

01	Single no children (Pre-family)	Continue
02	Cohabiting / married no children (Pre-family)	Continue
03	Single with children living at home (Family)	Continue
04	Cohabiting / married with children living at home (Family)	Continue
05	Single, all children left home (Empty Nester)	Continue
06	Cohabiting / married, all children left home (Empty Nester)	Continue

RECRUIT A MIX

Q14: Region - Where in the UK are you based?

01	Scotland	Continue
02	North East	Continue
03	North West	Continue
04	Yorkshire and Humberside	Continue
05	West Midlands	Continue
06	East Midlands	Continue

07	Wales	Continue
08	Eastern	Continue
09	London	Continue
10	South East	Continue
11	South West	Continue
12	Northern Ireland	Continue

FALL OUT NATURALLY

Q15: Do you currently own a vehicle?

01	Yes, outright ownership	Continue
02	Yes, part ownership through motor finance	Continue
03	No	Thank and close

Q16: Do you, or have you ever used motor finance when purchasing a vehicle? (*e.g. This is where you take out finance to acquire a motor vehicle*)

01	Yes, currently	Continue
02	Yes, in the past but not currently	Thank and close
03	No but I am actively considering it (<i>e.g. have looked at motor finance options from at least one provider</i>)	Continue
04	No and I am not considering it	Thank and close

RECRUIT TO QUOTA

Q17: What type of motor finance loan do you currently have / are considering?

01	Personal loan (<i>e.g. A loan from a bank or another financial institutional taken specifically to buy a car</i>)	Continue Minimum of n=3
02	Hire purchase (<i>e.g. A type of borrowing, where you don't own the vehicle until you have paid in full. You pay an initial deposit and then the remainder in equal monthly instalments. Once you have paid all the instalments, you have the option to own the</i>	Continue Minimum of n=3

	vehicle outright, usually by paying a small fee to transfer ownership to you)	
03	Personal Contract Purchase (Similar to hire purchase (HP), where you pay a deposit and then monthly instalments. Unlike HP, you don't pay the full value of the vehicle, but the amount the vehicle is predicted to lose in value over the length of the contract. At the end of the contract, you can choose to own the car outright by paying a large 'balloon payment' or return the car to the dealer)	Continue Minimum of n=3 (Most common) *
04	Conditional Sale (Similar to hire purchase (HP), except you automatically own the vehicle when all the instalments have been repaid)	Continue
05	Other	Please describe and check with Yonder

RECRUIT TO QUOTA

*recruiter note- According to Mintel stats, PCP is the most common loan type, followed by HP.

Soft quotas across the 20 interviews is as follows: Personal loan n=3, Hire Purchase n=5, Personal Contract Purchase n=9, Conditional Sale n=3

Q18: Did you use any of the following in organising your motor finance?

01	Close Brothers Motor Finance	Recruit a mix
02	AutoMoney Motor Finance	
03	Moneybarn Vehicle Finance	
04	We Finance Any Car	
05	Specialist Motor Finance	
06	MotoNovo Finance	
07	V12 Vehicle Finance	
08	Auto Finance	
09	Startline Motor Finance	
10	CarFinance 247	
11	Arnold Clark Automobiles	
12	Evolution Funding	

13	Lookers Motor Group	
14	Sytner Group	
15	Motion Finance	
16	Charles and Dean	
17	Alphera Financial Services	
18	Black Horse	
19	Blue Motor Finance	
20	Other, please specify	
21	Don't know	Thank and close

RECRUIT A MIX

Technological requirements

Q19: To take part in this research, please can you confirm that you have access to a laptop or desktop computer that has a working camera, microphone, and speakers?

01	Yes	Continue
02	No	Close

Q20: Do you have a fast and consistently reliable internet connection that you will use to participate in this research?

01	Yes	Continue
02	No	Close

Q21: Please can you tell me if you agree with any of the following statements?

01	I use Microsoft Teams / Zoom video calls to communicate with my family and friends	Continue
02	I use Microsoft Teams / Zoom video calls to communicate with my colleagues	Continue
03	I do not use Microsoft Teams / Zoom often enough to feel comfortable doing this	Close

Recording consent

Q22: For this research, we will be required to video and audio record the interviews for analysis and quality assurance purposes. Are you happy to proceed on this basis?

01	Yes, I am happy for the interview to be recorded	Continue
02	No, I do not want my interview to be recorded	Close

RESPONDENT INFORMATION:

Respondent name	
Respondent town/city	
Landline number	
Mobile number	
Email	

INTERVIEWER DECLARATION:

I confirm that this interview has been carried out by me and abides by the MRS Code of Conduct. I have followed the instructions and asked all questions in full as required.

Signed: _____

Date: _____

Qualitative discussion guide

FCA Motor Consumer Finance- Discussion Guide

- *This document sets out the format for discussion but should not be considered a questionnaire and is by no means exhaustive in terms of the questions that may be asked in each session.*
- *We intend to run the sessions in a fluid style. Questions may be asked in a different order to that recorded here and the moderator will exercise their own judgment when probing participants. The moderator will also seek to probe any responses on points of interest that may or may not have been anticipated.*

The research objectives

- Consumer's shopping journey, in terms of what drives their decisions and their levels of knowledge about the industry
- Comprehension of motor finance product options and the differences between them, and where the language used by providers could be considered confusing
- Reactions to DCAs, in a structured interview setting, where we can show different stimulus materials and descriptions of DCAs
- What they would do if they were aware of DCAs at the time of purchase
- The impact from DCAs on trust around of motor finance products and their future decision making

The approach

20 x 45-minute online depths (15 free find, 5 recruited from quantitative results)

Introduction and warm up (4 mins)

Aim: To explain the rules for the session and get to know each other. Importantly, to build rapport to help the respondent relax and talk openly.

Welcome and thank you so much for agreeing to take part in this research session.

- Purpose and length of the discussion – **45 mins**
- We are an **independent market research agency** - no right or wrong answers, reassure participants of confidentiality etc. Explain that even though we are discussing financial needs and products that we are not financial experts so are not able to advise on financial matters.
- We are working on behalf of the FCA (Financial Conduct Authority)
- For today's sessions we're **talking about motor finance** and we would like to explore your **attitudes toward different product options and the industry in general**.
- Highlight that Yonder adheres to the MRS code of conduct, and that the session will be **recorded (video and audio) for research purposes**. Their personal data will be stored securely and deleted after 3 months.
- Can you **introduce yourself** and describe where you live/who you live with, and what car or van you currently use for non-work purposes and have any motor finance on.
 - **Current motor finance holders:** And what was the primary reason for purchasing your most recent car or van? *(please think of your most recently purchased car if you have multiple)*.
 - **Considerers of motor finance:** What is the primary reason for considering purchasing your most recent car or van?

Moderator to make note of whether the participant is a first-time buyer, looking for a replacement/upgrade, etc.

Introduction to motor finance and initial reactions (4 mins)

Aim: Gauge consumers top of mind reactions around motor finance and explore their awareness and understanding of products.

To start us off, I'd like to think broadly about motor finance and motor finance products... As a reminder there are no wrong or right answers; I am looking for your opinion and perspective.

- When you think of motor finance what **comes to mind**? As a reminder, this is where you take out finance to acquire a motor vehicle, and it is taken out specifically to pay for the purchase of a motor vehicle.

Moderator to take note of answer to use as a prompt in future section

- Any particular products or offers?
- Where do these perceptions come from?
- What motor finance **products are you aware of**? Moderator to let consumers spontaneously answer first, and then probe around the following e.g. *Hire Purchase (HP), Personal Contract Purchase (PCP), Conditional Sale, Personal contract hire (PCH), using a personal loan to buy outright, using a credit card to buy outright, using a subscription service.*
 - What would you say are the key differences between these products?

Moderator reminder, only the following motor finance is in scope (rather than leasing options like PCH and using a credit card to buy outright and using a subscription service):

- ❖ **Personal loan (e.g., A loan from a bank or another financial institution taken specifically to buy a car)**
- ❖ **Hire purchase (e.g., A type of borrowing, where you don't own the vehicle until you have paid in full. You pay an initial deposit and then the remainder in equal monthly instalments. Once you have paid all the instalments, you have the option to own the vehicle outright, usually by paying a small fee to transfer ownership to you)**
- ❖ **Personal Contract Purchase (Similar to hire purchase (HP), where you pay a deposit and then monthly instalments. Unlike HP, you don't pay the full value of the vehicle, but the amount the vehicle is predicted to lose in value over the length of the contract. At the end of the contract, you can choose to own the car outright by paying a large 'balloon payment' or return the car to the dealer)**
- ❖ **Conditional Sale (Similar to hire purchase (HP), except you automatically own the vehicle when all the instalments have been repaid)**

Overview of motor finance journey (15 mins)

Aim: To explore how consumers make decisions, what influences their choices

- Now I'd like to understand how you would **go about making decisions about considering and purchasing motor finance. Please do not include any finance related to servicing plans.** Please consider motor finance that you'd take out personally, either on your own or with a partner, not through your workplace. You may find it useful to think about this in chronological order.

This is where you take out finance to acquire a motor vehicle, e.g. through hire purchase (HP), a personal contract purchase (PCP), conditional sale, or a loan from a bank or other financial institution – taken out specifically to pay for the purchase of a motor vehicle.

Moderator reminder, only the following motor finance is in scope (rather than leasing options like PCH and using a credit card to buy outright and using a subscription service). Moderator will need to adapt language for those who currently have motor finance vs those who are considering it. Moderator to listen out for any references to DCAs

I'd like you to walk me through your decision-making process for motor finance in more detail, by focusing on the specific example of:

- **Current motor finance product you have taken out** (current holders). *Moderator to ask the participant to think of the most recent motor finance they have taken out if they have more than one in place.*
- **Motor finance product you have been actively considering** e.g. have looked at motor finance options from at least one provider (considerers)

Imagine telling this as a story, capturing the highs and lows of your journey and any challenges you faced on the way, including any specific moments or turning points that were particularly influential in your decision-making process. Please start from the moment you were first motivated to explore motor finance options, through your evaluation of the suitability of different motor finance products, and finally to your decision on whether to take out a motor finance product with a provider.

Car purchase journey including awareness and initial reactions

- **How often do you typically change** your car or van?
 - What **type of car** would you typically consider purchasing? (e.g., new, near-new or used) [near new= less than 12 months old, fewer than 10,000 miles on the clock]
- **At what point of the car purchasing journey** did you **start thinking about motor finance**?
 - Did you have a **specific car in mind** first or **did finance options influence your choice**?
- How were you made **aware** of the motor finance products available? (e.g., Which websites, information, and resources/people helped to inform you?)
- How does your **decision-making process for motor finance differ**, if at all, from your **approach to other financial options**? E.g. taking out a loan ?

Steps Taken

- What were the **key steps** you took when considering this motor finance? *(Moderator to gauge whether this needs to be directly asked or is indirectly described)*
- **Who else was involved** in the decision-making process, and who did you consult for advice? E.g. dealers/ brokers/lenders/online forums/friends or family?
 - **Why** was their input important?
 - How did their input **influence your choice**?

Evaluation of Motor Finance Products & Resources

- How did you **evaluate** different motor finance options?
 - What **factors or different aspects** did you consider?
 - What factors were **more or less important to you**? E.g. deposit? Monthly payments? Length of term? Interest rates?
- **If current holder or considerer of PCP:** prompt around the role of **balloon payments**, (e.g., Is it something they wanted to avoid/be interested in? Why?
[A 'balloon payment' in car finance is essentially the final payment you make if you wish to keep the car after your Personal Contract Purchase (PCP) finance agreement ends. It is an optional payment, meaning you can either purchase the vehicle outright, swap it out for a new finance deal on another car, or simply just hand it back])

Role of providers/dealers/brokers/lenders

Moderator note- in some cases, the distinction between providers and dealers may not be so clear-cut as consumers can arrange financing through dealerships in the case of captive lenders (subsidiaries of

car manufacturers offering finance on their own vehicles). Also, where applicable when talking about providers, be aware this can include lenders and brokers within this conversation, e.g. typically the provider designs financing products, the lender supplies the actual loan funds, and the broker acts as an intermediary, connecting borrowers with lenders and helping them find suitable financing options

- **How was the loan or credit arranged?** (e.g., through a dealer or manufacturer finance provider, a motor finance specialist, a loan from a bank or other providers, another credit provider?)
 - **What method of contact did you use** e.g. in person, phone, online etc?
- We understand that you used **<Moderator insert provider from screening information>...** as your provider(s) for your motor finance. **Why did you ultimately select them?** (*moderator to probe on the lender and the dealer separately where applicable*)
- **What role did providers play in your decision-making process for motor finance?**
 - How important is the role of a provider in building trust and confidence that you're **getting a good deal** on your motor finance?
 - What actions or information from a provider builds trust? E.g. give recommendations
- **What role did car dealers play in your decision-making process for motor finance?**
 - Do you feel there is a distinction between providers and dealers? In what way?
 - How important is the role of a car dealer in building trust and confidence that you're **getting a good deal** on your motor finance?
 - What actions or information from a dealer builds trust? E.g. give recommendations

Role of negotiation

- When considering this motor finance, **were you aware that certain terms** (e.g. interest rates or monthly payments) **might be open to negotiation?**
 - And **how confident did you feel** about negotiating in general? Why?
- **Which terms** of your motor finance, if any, **did you attempt to negotiate?**
 - **Why, what were you hoping to achieve through negotiation?** E.g. get a better deal or have a trade-off between a higher deposit and lower monthly payments etc
 - **How did you negotiate?** E.g. through what channel such as face-to-face, online, phone
 - **How easy or difficult was it to negotiate?**
 - **What was the outcome of this negotiation?** To what extent were you satisfied with the outcome?
- **Which terms** of your motor finance, if any, **did you not attempt to negotiate?**
 - **Why?** What influenced this decision? e.g. did you think it was not possible to negotiate on these terms
 - Looking back, **how do you feel about the terms you chose not to negotiate?** E.g. do you now wish you had tried to negotiate them or feel it could have made a difference to your overall agreement? Why or why not?

Before we move on to the next part of the discussion, I'd like to wrap up this section with a few questions:

- Overall, what have your experiences been of **motor finance in general?**
 - How, if at all, **has this changed over time?** Why? E.g. has it become easier as time has gone on/ do they feel more familiar which has helped or is it more complex/frustrating and why?
- **What does transparency mean** to you in the **context of motor finance?**
 - **What do you have in mind?** E.g. car pricing, product comparison options, payment terms, or interest rates? Or all of these aspects?
 - How transparent do you think the motor finance industry is and why?

Knowledge and understanding of motor finance deep dive (5 mins)

Aim: Reassessing consumers' reaction to the motor finance industry after talking through their decision-making and exploring their knowledge and understanding, particularly thinking about any potential confusion in the language used by providers.

Thanks for sharing your decision-making journey for considering or purchasing motor finance. This was valuable. I now have a few more questions...

- Earlier, when we talked about what came to mind regarding motor finance, you mentioned [**moderator to refer to previous notes**]... Now that we've explored it in more detail, **does anything else come to mind?**
- And how do you feel about your **understanding** of the various motor finance options available to you?
 - How do you feel about the **language** used in motor finance- how easy or difficult is it to understand? Can you give me an example? **Moderator to listen out for any references to DCAs**
 - How do you feel about the way your **rights and information about deals are explained** to you in the motor finance industry?
 - What **sort of information (if any)** did the lender give you about the motor finance loan? *E.g. do you remember being talked through what it would involve/ give a document which summarised it etc*
- How do you **generally approach reading and understanding the terms and conditions of products and services?** (**Moderator to gauge how people feel about this overall e.g. do they feel awkward, feel they can/ feel they aren't right to do it**)
 - How if at all, **does your approach to motor finance terms differ from your approach to the terms and conditions of other products and services?** E.g. do you tend to read motor finance terms and conditions more or less thoroughly? Why?
 - And overall, **how easy/ difficult** do you find them to understand?
 - When reviewing these terms and conditions; **what aspects or details**, if any, are you **looking for?** Why?

Evaluation of Discretionary Commission Arrangements (DCAs) (10 mins)

Aim: Gauge reactions to DCAs, identify potential areas of concern or misunderstanding, and explore how consumers' behaviour might have changed if they were aware of it.

Moderator to share the screen with stimulus to allow consumers to spontaneously and naturally respond to the idea. The moderator will explain to the consumer that they are about to review some information related to an agreement that some people, encountered when taking out motor finance in the past, and the goal is to gather their thoughts on it.

Reactions to stimulus: (slide 1)

- Spontaneously, what is your gut reaction to this? **What comes to mind?**
- What stands out to you?
- What is the big idea conveyed on this slide/**what do you think this is trying to tell you?** (*Moderator to gauge understanding/comprehension*)
- Do you think **you've ever had a DCA before?**
- Anything that is particularly **easy to understand/ anything unclear?**

Reactions to stimulus: (slide 2)

- How do you **feel about this?**
- How would you tell a friend about what you've just read?
- How **relevant** is this for you?
- How **surprising** is this to you? *Probe on any prior awareness of DCAs*

Overall DCAs evaluation:

- How do you **feel about the concept of discretionary commission arrangements** in the motor finance industry?
 - Has, if at all, **this impacted how you feel about motor finance?** Why?
 - Or motor finance products?

- Or motor finance providers/dealers/brokers?
- Does this make you feel **more or less confident about making decisions** on motor finance? Why do you say that?

Awareness Impact:

Imagine you were about to purchase a car with motor finance...

- If your **provider informed you or disclosed** these arrangements, would this have **changed your decision around taking out motor finance**?
 - Why/why not?
 - How? *E.g. impact likelihood to take it out, impact type of motor finance, influence finance options/financing length, type of research conducted e.g. talking to friends/online research*
- If your **provider informed you or disclosed** these arrangements, how, if at all, would it have **influenced your decision to negotiate your motor finance**? *E.g. be more inclined to negotiate?*
 - Would this information have **affected your confidence** in negotiating? Why?
 - [if would be more inclined to negotiate] And **which motor finance terms would you be more motivated to negotiate and why?** *E.g. what makes these terms important to you?*
- Would you be **more or less likely to do something differently** if you were aware of DCAs? *E.g. getting motor finance without a DCA/from a different provider or through a personal loan etc. Why?*

Potential Actions:

- Would you **do anything differently or the same when considering and purchasing motor finance**, or would you follow a similar process as you have done before?
 - If you would do something differently; what would it be and why?

Looking to the future (5 mins)

Aim: Assessing how the knowledge of DCAs affects future intentions towards motor finance..

- Thinking about the future, I'd like you to think about what would make you feel **more confident and or reassured** about motor finance moving forward. *E.g. What information/support/resources?*
 - Why do you say this?
 - What would be most effective for **lenders/ brokers and dealers** to do moving forward?
 - Would the introduction of this information/support/material impact your likelihood of taking out future motor finance? In what way?
- *Moderator to probe around dealers and provider confidence/reassurance more generally vs their current or prospective ones?*

Summary and Close (2 mins)

Aim: Wrap up the session and offer the respondent the opportunity to express any final views.

- Is there **anything else you would like to share such as information or final thoughts** regarding your thoughts on discretionary commissions or motor finance in general?
- What **advice would you give to motor finance providers** regarding motor finance options for consumers like yourself?
- As discussed at the start of the interview, we are not financial experts BUT if you feel you would like further support we can direct you to:
 - ❖ <https://www.fca.org.uk/consumers/how-complain>
 - ❖ <https://www.citizensadvice.org.uk/>

Thank and Close

Stimulus used in the qualitative interviews

Slide 1:

Discretionary Commission Arrangements (DCA) were agreements between lenders (like banks) and brokers (such as car dealerships) that allowed brokers to adjust the interest rate offered to customers. The commission the broker earned was linked to the interest rate the customer paid. Therefore, if the customer agreed to a higher interest rate the broker may have received a higher commission

Slide 2:

Discretionary commission agreements (DCAs)

In January 2021, the regulator the Financial Conduct Authority (FCA) banned DCAs. The ban prevents brokers (including car dealers) from increasing interest rates on car finance in a way that also increases their own commission. Some lenders and brokers argue DCAs give them more flexibility to tailor other aspects of motor sales like add-ons to their customers needs, but the FCA decided DCAs are unfair as they could result in consumers paying more without knowing how broker incentives impacted their loan terms. Many consumers were unaware that the terms of their deal, including interest rates, could be negotiated, further limiting their ability to make better informed decisions and choose the right deal for them.

The use of discretionary commission arrangements was widespread in the motor finance market where lenders allowed brokers and car dealers to adjust interest rates. Effectively this meant rewarding brokers for charging consumers higher interest rates, leading to consumer harm in the form of higher interest costs for consumers.

In about 40% of car finance deals, there were hidden 'discretionary commission arrangements'. This is where lenders allowed brokers & car dealers to up the interest to increase their commission – so you overpaid, without knowing.

