

New car, big savings

Savvy buyers can save thousands on a new car – here's how

Buying a new car is great fun – if you do it right. But before you get caught up in brochures and colour charts, think about what's really important: where to shop and how to pay. Making the right choices will save you thousands of pounds.

Draw up a shortlist

First, let's deal with the fun bit. If you don't already know the car you want, begin by drawing up a shortlist. Pick out cars that offer a blend of talents to meet your needs – using our reviews, starting on p21, to help. Keep an open mind, as your opinion may change after a few test drives.

Drive as many cars as possible from your shortlist, and don't let the dealer fob you off with a ten-minute spin round the block. Ask to take the car away on your own, to try it on different roads and when loaded up with people or luggage. Some dealers offer 24- to 72-hour test drives.

Don't forget running costs. Diesel cars offer better economy but they cost more to buy, as does the fuel, so you may need to cover thousands of miles before you save money. Factor in depreciation, too – cheap new cars can be costly in the long run if second-hand demand is poor.

Having considered all this, it's time to decide how to pay.

DEALER FINANCE

Many dealers, brokers and supermarkets offer finance packages. These can be very lucrative for dealers but confusing for buyers. However, whatever package you go for, there are three golden rules when choosing dealer finance.

- Always compare finance deals using the annual percentage rate (APR) and the total amount repayable. Never rely on the 'flat rate' interest that dealers often quote.
- Haggle on the APR – dealers will often drop it if you do, saving you hundreds of pounds over the life of the loan.
- Always insist on written finance quotes to take away and mull over – if the dealer refuses to do this, don't do business.

Hire purchase

This is a simple form of finance, secured on the car itself. You pay a deposit (often 10 per cent) and then repay the balance, plus interest, over the loan period. There are usually administration and 'option to purchase' fees, but object to these and the dealer should agree to knock them off.

You don't own the car until you've made the final payment, so you can't sell it without the lender's permission. On the plus side, if the car goes wrong during the loan period, the lender is jointly responsible with the dealer for fixing it.

Haggle on the APR. Dealers will often drop the rate if you persist



PHOTOGRAPHY PAUL WEBB

'THE SALESMAN SAW ME COMING'

Buying a first car can be daunting, especially when you've just passed your test and funds are tight. And, as Lindsay Hinson found, dealer finance can make it even harder.

She decided to take up a special offer on a Ford Ka from her local Ford dealer – it looked great value at £6,395 on the road. But as Lindsay admits: 'I had no experience of cars or finance options. The salesman saw me coming.'

Lindsay was given the 'hard sell' on the dealer's hire purchase scheme, which she thought would help spread the cost over five years. 'It was only after I signed up that I realised the rate was an appalling 19 per cent, plus costs for admin fees,' says Lindsay. 'I was furious.'

Unable to back out of the deal, Lindsay has paid through the nose for her Ka, but says: 'I've learnt a hard lesson from this – I'll research all my finance options next time.'



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0 per cent finance

This is usually a special-offer package for cars the manufacturer, or dealer, needs to shift – such as outgoing models. You pay a large deposit upfront (35 per cent or more is common) but then there's no interest on your monthly repayments. The bad news is that it can be hard to get a discount on top of 0 per cent finance and if you miss any payments, you're usually switched to a higher interest rate.

Personal contract purchase (PCP)

PCPs can suit buyers who want to change their car every two to four years. You pay a deposit (often 10 per cent) and low-monthly instalments over a fixed period, but defer a lump sum until the end of the contract. This 'minimum guaranteed future value' (MGFV) is the amount the lender guarantees your car will be worth after three years, say.

At the end of the term, you can pay the lump sum to keep the car, hand the car back and pay nothing, or sell it privately to fund the balance. Stick to the agreed mileage limits and keep the car in good nick to avoid any complications, and make sure you read the small print.

Personal leasing

Like PCPs, leasing offers low monthly payments (starting from around £100) but you have no option to buy. The type of car, length of contract and agreed



mileage limits determine the overall leasing cost. You normally have to pay up to three months' rental in advance.

INDEPENDENT FINANCE

Sorting out your own finance can be cheaper than going through a dealer.

Cash

This is the simplest option if you have the funds to spare. But don't assume that cash is king – dealers make more money from finance customers. If you're a cash buyer, don't brag about it. Instead, let the dealer think you're considering finance, until you've agreed the bottom-line price

for the car. Only then should you push for a cash discount. Bear in mind your cash could be better invested elsewhere if you can get cheap, or interest-free, finance.

Personal loan

There are very competitive interest rates available but you'll need a squeaky-clean credit record to get them. You can borrow up to £25,000 on an unsecured personal loan and repay the sum over one to seven years. You own the car from day one, but if you default on payments the lender can take you to court. Taking out a loan effectively makes you a cash buyer, so see the tips above.

Credit card

Buying on a credit card requires a large credit limit and even more self-discipline. If you have a fixed, low-rate card it can make sense, but be aware that some dealers charge up to 3 per cent for credit card payments and others may not accept cards for large amounts. On the plus side, the card issuer and dealer are jointly liable for resolving any problems with the car.

Mortgage equity

Adding a new car to a low-rate mortgage can bring a dream car within financial reach. But failing to pay it off quickly can double or triple the overall purchase price. What's more, your home will be at risk if you default on payments.

Where should you buy?

Buying from a local dealer may be the easiest option, but is it good value? We shopped for prices on a new VW Golf 1.6 SE 5-door – on-the-road price £15,375 – and weighed up the pros (+) and cons (–) of other options, to find out.



Franchised dealers Typical saving: £1,000

Customer service counts for a lot, and many people return to the main dealers they know if they've had good previous experiences.

- + Face-to-face service; someone to answer questions
- + Order the exact specification you want
- + Wide choice of cars to look at and test-drive
- + Easy to part-exchange your old car
- + Best comeback if things go wrong
- Expensive – but haggle hard and you can usually get a fair discount
- Selling your old car privately usually beats part-exchange values

Brokers Typical saving: £1,800

Telephone- and web-based brokers can deliver a bargain to your door – if you can make do without the personal service you'll get from a dealer.

- + You can save thousands of pounds on main dealer prices
- + Most now source cars from other UK dealers, so it's easy to compare prices and specs
- + You can usually order the specification you want
- + One-stop shop for many different makes and models
- No test drives available and limited personal contact
- Delivery times and fees can vary – check upfront
- Not many offer a part-exchange service

Car supermarkets Typical saving: £2,000

Supermarkets are a growing threat to established car dealers. Their stock is mainly used, although many also sell factory-fresh and pre-registered cars (those already registered but with only delivery mileage).

- + Very competitive prices – especially compared with main dealers
- + Lots of makes and models on one site
- + Test drives are available – although rarely offered
- + Most offer finance packages
- + Drive the car away the same day
- Choice depends on what's in stock
- 'No-frills' approach to customer service in most cases
- New cars may be imports, so check for full UK specification
- Clock will already be running on pre-registered cars' warranties

Import agents Typical saving: £750+

An import agent can save you thousands by buying from dealers in other EU countries. But many now deal just in luxury cars, rather than VW Golfs.

- + Can source big discounts from other EU countries
- + Saves you hassle on paperwork, negotiation and collection
- + Will usually deliver to your door
- Importing can be time-consuming and delivery times long
- Comparing prices is tricky due to currency fluctuations and equipment differences across countries
- Agent may want a large deposit before confirming delivery date

Compare prices, specs and running costs for all UK new cars with our online
Car Buying Guide
Find it at www.which.co.uk/cars

