



Hand  
vehicle  
back

Advanced rental  
payment

Monthly rentals

## What is Contract Hire?

Contract Hire is a form of **flexible leasing** to fund the use of a vehicle. The customer ('lessee') may never take title to ('own') the vehicle.

## Who is the product suitable for?

- ✓ **Customers who do not want to own the vehicle** and are happy to hand it back after a specified period.
- ✓ **VAT registered businesses** - because the monthly rental includes VAT which the business can claim back.
- ✓ Personal Contract Hire (PCH) has also become a popular method of financing the use of a vehicle for consumers.
- ✓ **Servicing plans, maintenance plans and road tax** payments can often be incorporated into Contract Hire agreements to provide the customer with a fixed cost of motoring. This helps consumers and businesses with planning and budgeting.

## What is the process for the customer?

The customer will:

- 1 Agree a mileage allowance based on the maximum number of miles they are likely to travel each year - the more the customer uses the vehicle the higher the monthly payment will be.
- 2 Make an advance rental payment - usually 3 or more rentals (monthly payments) are paid in advance.
- 3 Sign the hire agreement and take delivery of the vehicle.
- 4 Pay all of their remaining monthly rental payments.
- 5 Hand back the vehicle at the end of the agreement.

The amount the customer pays overall will be the total amount the vehicle **depreciates** over the term plus interest and any additional charges.

Continued overleaf ▶

## What else does the customer need to know?

- The finance provider ('lessor') owns the vehicle - the customer is therefore not entitled to sell and must make sure it is kept in good condition.
- If the mileage allowance is exceeded the customer will be required to pay a pence per mile charge to the lessor - set out in the hire agreement.
- If the car is damaged beyond 'reasonable wear and tear' the customer will also be required to pay charges - set out in the hire agreement.
- The customer can terminate the hire agreement early but early termination charges are often applied and can be high. The charges will be set out in the hire agreement.