

Hire Purchase

Flexible and cost effective funding

Hire Purchase provides operators with an easy way of initially renting, and ultimately buying, a new commercial vehicle through MAN Financial Services (MFS).

A Hire Purchase package is, in some respects, similar to Finance Leasing. The important difference being: ownership of the vehicle invariably passes to the operator at the end of the hire purchase period - once an 'option to purchase fee' has been paid.



A customer choosing a Hire Purchase option can benefit by claiming any capital or writing down allowances available on the asset.

An MFS Hire Purchase agreement, enables the

operator to have full use of the vehicle for a specific hire period, in return for the regular payments of rentals. The operator simply commits to paying a total rental amount which covers both the cost of the asset, and the financing costs. Provided the contract conditions have been met, the operator has the option to purchase the vehicle at the end of the hire purchase period.

Typically this option is nearly always exercised, as it only costs the operator a fraction of the original purchase price to do so.



Under Hire Purchase contracts, operators can include the vehicle as a fixed asset in their balance sheet, benefiting from capital allowances, and further reducing their tax bill because interest paid can be offset against pre-tax profits.

Hire Purchase provides a flexible and cost-effective alternative to bank loan funding, and can even provide operators with an additional line of credit.



Benefits of Hire Purchase

Features

On balance sheet funding with immediate implied ownership

The Hire period is based upon a fixed term

50% First Year Writing Down Allowances for 'small' companies (12 months from 01.04.07. 'Finance Act 2007')

25% Writing Down Allowances (20% from April 2008)

Initial deposit is negotiable

Agreement is secured on the asset being financed

Full ownership at the end of the term on payment of a nominal 'option to purchase' fee

Benefits

You can claim appropriate Writing Down Allowances as soon as you take vehicle delivery

Period of the agreement is negotiable

Fixed rental payments assist budgeting and cash flow forecasting

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Maximum flexibility

Usually no need for additional security

You can retain 100% of any future net sales proceeds

Key points

- Hire Purchase combines the immediate cash flow benefits of leasing with the opportunity to buy the asset outright at the end of an agreed term
- You can make full use of available First Year Allowances and Writing Down Allowances
- Unlike an overdraft, a Hire Purchase agreement cannot be 'called in' at any time, provided that conditions of the agreement continue to be met
- Interest payments are tax deductible
- Payments may be matched to depreciation
- You can recover VAT on the asset purchased
- Often a quicker decision making process than Bank making a medium term loan
- Documentation requirements are very simple



MAN Financial Services Plc.,

Clearwater House, Clearwater Business Park,
Frankland Road, Blagrove, Swindon. Wiltshire SN5 8YZ
www.manfinancialservices.co.uk

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