

# *Your Guide to:* **HIRE PURCHASE**

“**Hire Purchase (HP)** is a way to spread the cost of buying something over time. You make regular monthly payments that cover both the item's cost and any interest. Once all the payments are made, you'll have the option to pay a small final fee – called the Option to Purchase (OTP) – which then transfers full ownership of the item to you.”



## MOORGATE

\*Key Features available vary and are subject to the lenders own product offering and credit criteria.

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# *Hire Purchase:* **HOW DOES IT WORK?**

4

## **4. Final Payment & Ownership**

At the end of the agreement, you will need to pay a small final fee to take title ownership. After that, the asset is fully yours.

3

## **3. Make Regular Payments**

You'll then make regular payments over an agreed term, usually between 1 to 5 years, making it easier to manage cash flow.

2

## **2. Pay a Deposit & VAT (if applicable)**

Once you've agreed on the terms, you'll usually pay a deposit - typically around 10% of the asset's value. The VAT on a HP is typically payable upfront too on the full purchase price of the asset.

1

## **1. Choose a Finance Partner**

Start by finding a finance provider that suits your needs. Working with an asset finance broker can make this easier, helping you secure the best deal for your business.

# Hire Purchase:

## KEY FEATURES

TARGET CUSTOMER	TARGET SECTOR	TYPICAL TERM	AGREEMENT VALUE
Business Customers including Partnerships, Sole Traders, Unincorporated Entities and Retail Consumers	Generally suitable for all sectors	Typically, 12 to 60 months however longer terms may be available	£10,000 - £10,000,000
TITLE	SECURITY	PAYMENT STRUCTURE	DEPOSIT
Ownership of the asset remains with the lender until all the instalment payments have been made and the OTP fee has been paid, at which stage title passes to the customer	Asset Security and/or Personal/Corporate Guarantees may be required	Typically, equal payments payable monthly although quarterly and seasonal payments may be available	Flexible initial deposit options, including 100% of the purchase price
FIXED VS. VARIABLE	ONE-OFF/SETTLEMENT PAYMENTS	REFINANCE OPTIONS	SELL/BUY-BACK OPTIONS
Most lenders provide Fixed Rate HP however Variable Rate HP may be available	Options available with varying solutions. Some lenders may charge fees to make one-off payments or early settlements	You may be able to restructure an existing finance agreement or enter a new agreement	Sell/Buy-Back options available to finance existing owned assets

## + PRODUCT SUITABILITY

Hire Purchase (HP) is designed to suit a wide range of customers that want to finance the cost of a purchase by making repayments over a defined period of time.

*Note: Finance in general is not suitable for those who do not have sufficient income to meet the repayment obligations.*

# Hire Purchase:

## BENEFITS VS. RISKS

BENEFITS	RISKS
<ul style="list-style-type: none"><li>• Access to high-value assets without needing to purchase outright</li><li>• Flexible options such as term, frequency and size of instalments</li><li>• Option to take title/ownership of the asset</li><li>• VAT registered businesses can reclaim eligible VAT on the purchase</li><li>• Lifetime support with access to an Account Manager and dedicated Finance Support team</li></ul>	<ul style="list-style-type: none"><li>• More expensive than buying outright/upfront</li><li>• Obligation of the Customer to maintain the asset and ensure it remains in good condition and insured</li><li>• Ownership is not transferred until the agreement is completed and the final OTP fee is paid</li><li>• During the term of the finance agreement the asset cannot be sold without the express permission of the lender</li><li>• The Customer is responsible for the suitability of the asset and must do their own due diligence to ensure that the asset and the supplier are appropriate to their needs</li><li>• If the Customer falls behind on payments and/or does not pay the OTP fee, the lender can take the asset back (repossess it)</li><li>• For variable rate agreements, interest rates can increase, leading to higher monthly repayments</li></ul>

# Hire Purchase:

## ALTERNATIVE PRODUCTS

Not sure if Hire Purchase is the right fit for your business?

There are plenty of other asset finance options to consider, including Equipment Finance, Leasing and Business Car Finance. Each one comes with its own pros and cons, so the best choice will depend on your own unique business needs.

## + TRANSPARENCY

The Consumer Credit Act and other supporting legislation heavily dictate the content of this documentation. Whilst every effort has been made to provide clear explanations of the product, if you experience any difficulty with any of the terms used you can contact us on [compliance@thembn.co.uk](mailto:compliance@thembn.co.uk)

As part of our services, we will provide a quotation identifying important information such as payment amount, term and total amount repayable.

Moorgate Finance does not assist in any co-manufacturing of lender products, the lender will review their pricing in line with a range of benchmarks including key market indicators, rates and other market intelligence.