



Car financing – Are motorists “In too deep”?

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Taking delivery of a new vehicle is always exciting, but the cost of financing it can cause difficulties for some...

Jonathan Davidson, ‘Executive Director of Supervision – Retail and Authorisations’ at the Financial Conduct Authority (FCA) has warned that many people are “in too deep” with their household borrowing, adding that credit levels were close to a high seen in 2008.

He highlighted the vulnerability of those who are just about coping at the moment with



affording to repay loans, but who may well experience serious difficulties if their individual financial situation took a turn for the worse.

The context is a situation in which the number of vehicle finance agreements has nearly doubled in around 10 years, from 1.2 million in 2008 to 2.3 million in 2017.

In addition, and notably, many younger people are borrowing much more these days in relation to their incomes, and as the reason for this Mr. Davidson cited the increased borrowing by students today, compared with previous generations.



Alex Buttle (pictured left), director, car buying comparison website Motorway.co.uk, comments:

“If households are in too deep with their borrowing and piling up a mountain of debt, then the car finance industry could end up being held responsible.

We have seen an explosion in PCP car finance deals in the last few years, which has allowed consumers to buy more expensive cars with a small downpayment and low monthly payments.

Due to attractive rates, consumers have been tempted to stretch themselves because unlike mortgages, a few hundreds pounds on a monthly car finance deal may not feel that much.

But all these debts mount up, and although the car finance industry will be quick to point out that the boom in car finance is not the same as the irresponsible mortgage lending that triggered the 2008 credit crunch, the amount that has been lent in such a short space of



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time is concerning.”