# Diesel dilemma for car buyers

Published: May 9, 2017
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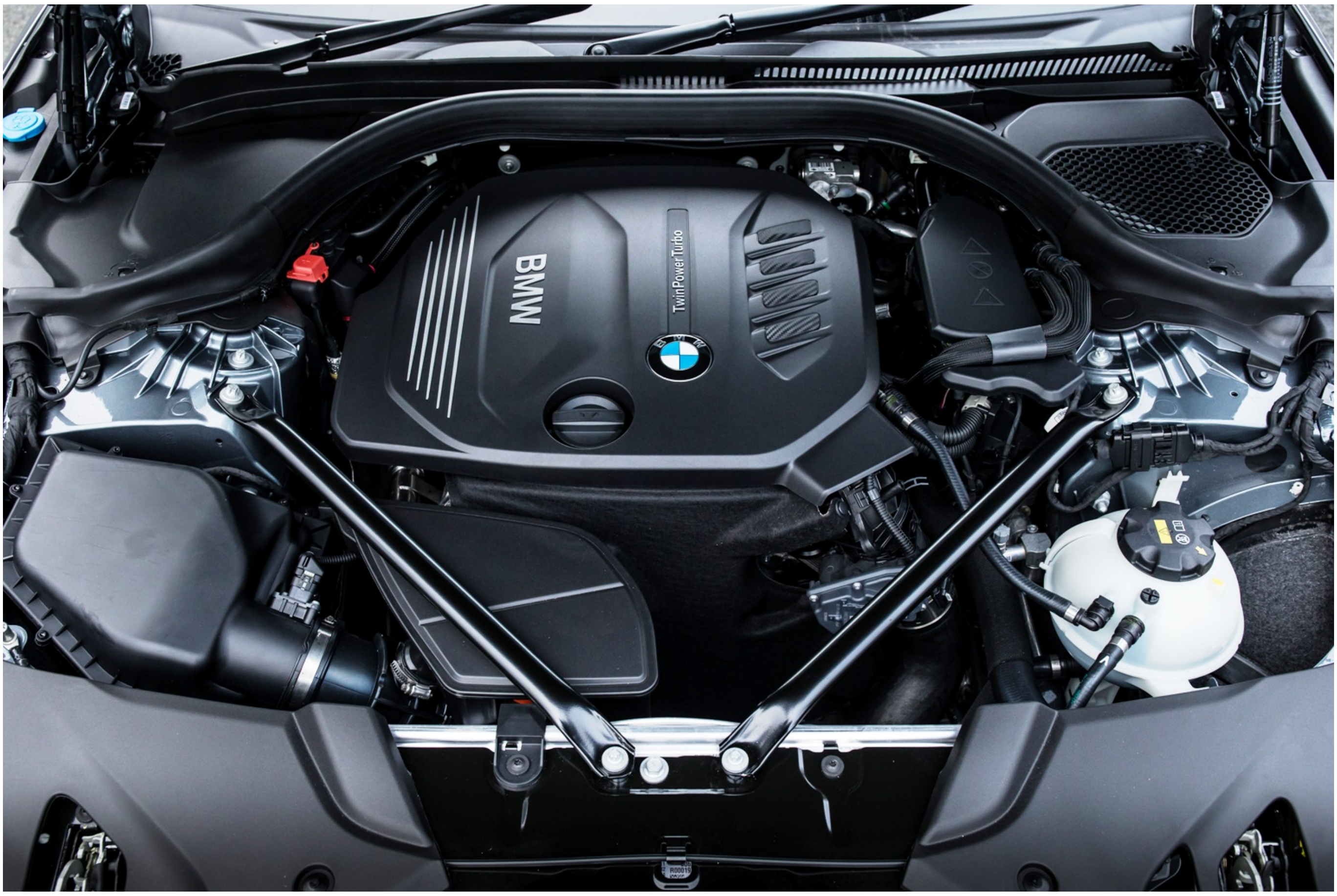
Online version: https://www.wheels-alive.co.uk/diesel-dilemma-for-car-buyers/




Modern diesel engines like this BMW unit are frugal on fuel and have impressive emissions performance, but current buying trends show diesels are out of favour.

## Diesel car sales decline… with knock-on effects for secondhand models.

## Robin Roberts reports.

The decline in diesel new car sales is forcing down used prices as well.

There is a knock-on effect on financing plans increasingly being used by car makers to bolster income, report analysts to Reuters.

Pollution concerns and the likelihood of city centre charging is also affecting the business model used so successfully for a decade. Even in France, where diesels took 80% of sales in 2008, they now make up about half that number.

New diesel car registrations in April dropped 19% in Germany and 27% in Britain, according to latest data.
This is turn is beginning to weigh on used car prices. This has led to a decline of about 3% over the past two years in used-prices in the UK.

Calculations based on steady values are being affected and leading to an increase in prices or payments for plans, both for business and private users. Too high a price will put off buyers and make manufacturers consider reducing them or offering other incentives. With regulators also looking to encourage a shift to cleaner vehicles, there seems little prospect of a recovery soon. The Financial Conduct Authority has expressed concerns about the wording of UK contracts and possible conflicts of interest in arranging them, leading to irresponsible lending.

UK debt rose by the fastest rate in 11 years, in 2016.
The outlook is particularly uncertain in Britain, where car sales hit a record high last year, fuelled by finance packages that now account for nearly 90 per cent of sales versus around a half ten years ago, according to Exane BNP Paribas analysts.
Under the “personal contract plans”, customers pay a small deposit towards a new car and then make monthly payments for two to three years.
After that, they can either buy the car outright or return it to be sold secondhand and use the equity to take on a new car, beginning the cycle of monthly payments again.
How much they can borrow depends on what the finance company believes the vehicle will be worth after the 24 or 36-month period. If residual values fall more than expected, customers will have less money to buy a new car – potentially hitting demand for all new

vehicles, petrol as well as diesel.

Note: Volvo has hit the highest residual values in its history, based on CAP assessments, with some achieving 48.7% after three years/ 60,000 miles.