News – David Miles provides a vital round-up of car facts and figures

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Author: David Miles

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MOTORING NEWS YOU MIGHT HAVE MISSED…

David Miles (Miles Better Motoring Agency) brings us up to date, including crucial financial information.

Kim adds: “Grateful thanks to David for putting together this feature, which may help readers who are unsure of how the current health emergency situation will affect their motoring/car buying costs, and how they stand if part-way through the buying or finance process”.

With the greater part of the World in Coronavirus lockdown, in the UK there are no showrooms open, with any business available mainly being done on-line and all car and component manufacturers factories are shut down.

UK new car sales figures released this week by the Society of Motor Manufacturers and Traders show sales fell by 44.4% in March and are down by 31% for the first three months of this year. For the year-to-date the Ford Fiesta remained the best selling new car followed by the new VW Golf and the Ford Focus.

But life has to go on so there has been noticeably more website traffic as potential buyers and enthusiasts scan through website pages looking for deals or information. Auto Trader, one of the UK's leading automotive car sales websites, is still reporting 1-million visits a day.

Four items which caught my interest, but might have been missed by the general public, are as follows as we try to keep the motoring news wheels turning.

Petrol/Diesel taxes increase, electric cars see tax costs go up

The road tax costs of many SUVs have significantly risen...

Courtesy of The Times business pages comes an alert that as of April there are significant increases in the cost of new car taxation for owners of new vehicles bought from now on.

Following the adoption of the tougher new and more accurate WLTP (Worldwide Harmonised Light Vehicle Testing Procedure), fuel economy and CO2 measuring system which has replaced the NEDC (New European Driving Cycle), the UK Government has applied re-banding of VED road tax charges and Benefit-in-Kind company car tax rates.

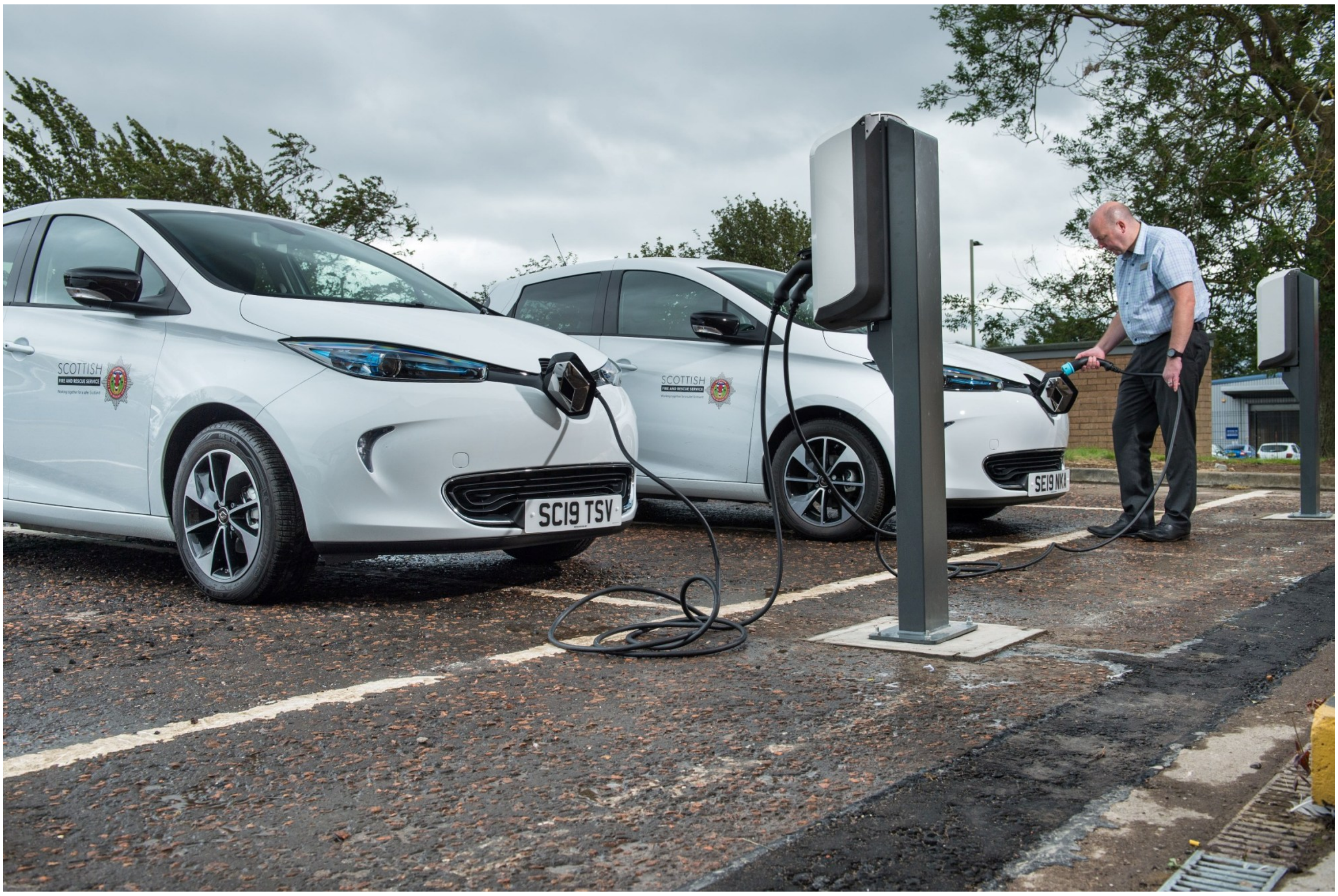
These changes will particularly hit owners of new SUVs, some of which will pay up to £1,285 *more* in VED costs. New owners of the Audi Q5, Jaguar F-Pace, Volvo XC90 and VW

Tiguan Allspace will be hit particularly hard although some owners of new cars would be likely to pay only £5 more.

Some of the SUV vehicles suffering the biggest annual First Year VED road tax price increases are the Audi Q3 at £425, Q5 £1,285, Volvo XC40/XC60 £750, Volvo XC90 £960, Jaguar E-Pace/F-Pace £960, Mercedes GLC £320, Kia Sportage £750, Seat Ateca £750, VW Tiguan £960 and VW Tiguan All Space at £1,285.

Now these are just examples highlighted by The Times but by coincidence we just happened to have on our last road test until things return to normal, an all-new Peugeot 2008 compact SUV, 1.2 litre 130 hp turbo petrol. At the time of receiving the test car late in March the NEDC CO2 figure was 103 g/km meaning VED First Year road tax cost £130 and the Standard rate £145 with Benefit-in Kind tax at 24%. From April the same vehicle sees WLTP measured CO2 now rated at 132g/km, VED First Year road tax is now £215, Standard rate is £150 and BiK goes up to 29%.

To boost sales of BEVs (battery electric vehicles), such as the best selling Renault Zoe, the Government has implemented tax changes. From April zero emission First Year VED is £0 and in a big move to attract company car buyers BiK becomes £0 cost for the first year of ownership, then increasing by 1% each year after that for models costing under £40k. The Government did however lower their £3,500 purchase discount to £3,000 but some manufacturers have now offered a £500 discount of their own to reinstate the sales incentive.



Renault Zoe first year road tax and Benefit-in-Kind charges are zero.

The new SMMT figures issued this week show an increase in BEV sales of 197% in March to 11,694 registrations with a total of 18,256 having been sold for the year-to-date but they still only account for 2.8% of the total new car market sales.

Car loan sector fears prospect of mass defaults on payments

The Times newspapers also highlights the stability of the £110 billion motor finance sector. This is being called into question as the economic downturn takes its toll of millions of Britains who have borrowed to buy their cars.

With a vast number of workers being laid off or furloughed on lower pay, motor finance lenders will need to offer payment holidays or contract extensions.

The motor trade fears that amongst the seven million customers who have borrowed to acquire a car in the past three years, many will be forced to return the keys if they cannot keep up payments. That in turn could decrease the residual values of used vehicles and leave motorists and finance companies out of pocket. It could also mean there is a huge choice of hand-back models for used car buyers to select from at bargain prices.

Car finance is the second largest lending market after mortgages with vehicles typically being the second biggest monthly outgoing for households after mortgage costs. More than nine out of ten of all new cars sold in the UK are on some form of financing, mostly PCP (personal contract purchase) plans.

Typical of such a plan the motorist pays an upfront amount, normally around 10% of the car’s value, and then makes payments over three/four years. At the end of the loan period the driver either hands back the keys or makes a ‘balloon’ payment to take ownership of the car. Dealers prefer owners to trade in their car instead of making the payment for a new model and the ownership process restarts again.

However if residual values suffer the equity in financed cars is lower, and it could leave owners out of pocket without enough money to continue with their next new car. Under statutory motor finance regulations, if 50% of the borrowings on a car have been paid then the motorist can return the car without any financial penalty but leaving them car-less. If the borrower is less than halfway through their financing plan and needs to return the car they need to make up the balance.

Lenders of PCP funding will need to be flexible given the job market conditions. They need to be flexible by offering contract extensions, payment deferrals, interim loans and refinancing packages. Given the state of very low new cars sales no manufacturer or dealer wants to see a prospective customer walk away from financing/buying a new car.

Ford shines a helpful light for new car buyers

Britain’s best-selling car this year is still the Fiesta…

Announced this week is Ford’s “Peace of Mind” programme for April and May orders of new vehicles. It has been designed to help offset some of the economic impact of the Coronavirus outbreak on new customers.

Andy Barratt, Ford of Britain Managing Director, said: “Ford wants to reassure customers that unprecedented times should not prevent them opting for a replacement new car or van.”

Ford will assist with payments, either as cashback paid when the vehicle is collected to help cover the first three average monthly payments, or a vehicle discount of the same value.

In addition, Ford Credit will defer the first three monthly payments for instalments to start in the fourth month of the agreement. This applies to both PCP car personal contract purchases on Ford Options and Ford Acquire van hire purchase.

Any Barratt added, “With zero per cent finance offered on most Ford cars and all commercial vehicles, “Peace of Mind” brings six months of support across the Ford range. The programme covers orders placed in April and May for delivery by year end.”

Potential good news for UK customers re compensation claims against Volkswagen

The London Court this week found Volkswagen had deceived 90,000 UK motorists by installing ‘defeat devices’ to hide true emission levels during official testing. The Court’s milestone ruling now paves the way for the largest consumer action in English legal history. Based on similar litigation claims against VW in other countries, they have already paid out over £26billion, British drivers of certain past Audi, Seat, Skoda and VW branded models could be entitled to around £3,000 each in compensation. Volkswagen Group are said to be considering the grounds on which it might seek to appeal the Court’s verdict.