Long-term ownership of cars is becoming less popular… says AA Cars

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James Fairclough, CEO of AA Cars.

LONG-TERM CAR OWNERSHIP ON THE DECLINE AS FINANCE DEALS DRIVE UPGRADES

- Only a third (35%) of drivers plan to keep their current car for more than five years – marking a sizeable decline in long-term ownership compared with their previous car[1]
- A fifth (18%) of private cars currently on the road are now bought using car finance deals – up by 700,000 since the last car buying cycle
- The most popular car finance deals often allow buyers to 'upgrade' their car after the three year term ends, tempting drivers back to forecourts more frequently
- Drivers who bought their current car using finance are considerably less likely (27%) to keep it for more than five years

The increasing popularity of car finance deals is contributing to the decline of long-term car ownership, according to research from AA Cars, the AA's used car website.

The number of drivers who plan to hang onto their current car for more than five years has dropped considerably – by 11% – since owning their last car. This means there are around 3.4 million fewer drivers who have long term intentions for their current vehicle[1].

The AA-Populus poll of 20,666 drivers found that a fifth (18%) of cars on the road are currently funded using various forms of car finance, such as Personal Contract Purchase (PCP) or Hire Purchase (HP) plans – which equates to around 700,000 more cars funded using these deals since drivers last bought a car[2].

Those who used one of these routes to buy their current car are much less likely to hold onto their car in the long term – only a quarter (27%) of drivers using one of these finance options plan to keep their car for more than five years. Four in 10 (39%) intend to hold onto their car for less than three years.

These deals typically give drivers the ability to upgrade or buy their vehicle once the initial term ends. Only two in 10 (20%) consumers using PCP plans actually buy the car at the end

of the deal, suggesting that the option to ‘upgrade’ to a new car is propelling the sharp fall in long-term ownership[3].

James Fairclough, CEO of AA Cars comments: “Even a few years ago, the majority of drivers would have expected to hang onto their car for as long as possible in an attempt to wring as much value out of it before heading back to the forecourt.

“The growing confidence in car finance products has helped to change this dynamic. The three-year cycle of PCP and HP deals mean that drivers are returning to dealerships much sooner than they would have.

This is good news in a number of respects; as technology advances, cars are becoming cleaner and more efficient. The cyclical effect of these deals means that buyers are introducing these more environmentally-friendly motors to the roads, rather than persevering with older and less environmentally friendly cars.

The domino effect for the used car market is that a glut of nearly-new stock continues to flood forecourts and is available to buyers who are looking to prioritise value over a brand new registration.

For buyers with an eye on car finance plans, it pays to do homework before committing to something, as some deals will invariably suit you better than others. Providers are increasingly hosting a soft credit check service which won’t leave footprints on your credit record. That means you can glance at what you qualify for, see what your total commitment is over the course of the term and then make a call on what suits you best.

Before you sign up to any finance deal, remember to read all the small print so you know what you are signing up to, and seek a second opinion if there’s something you don’t understand or that doesn’t look right. It’s also a good idea to have a second-hand car inspected before purchase to ensure it is mechanically sound.”

About AA Cars:

AA Cars is claimed to be the UK's #1 online resource for buying a used car. Every car comes with free AA Breakdown cover for 12 months and history check, and many dealers have AA Vehicle Inspections – a thorough 128-point vehicle inspection independently conducted by the AA.

More about the AA-Populus poll:

Populus interviewed 20,666 AA members on the AA-Populus online panel between 16th-22nd October 2018.

1. There are 30,900,000 drivers on the road and 11% of 30,900,000 is 3,399,000: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/-608374/vehicle-licensing-statistics-2016.pdf
2. There are 30,900,000 drivers on the road and 2.2% of 30,900,000 is 679,800 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/-608374/vehicle-licensing-statistics-2016.pdf
3. Source: https://www.moneysavingexpert.com/car-finance/personal-contract-purchase/