The Motor Ombudsman advises careful consideration of all aspects before placing a deposit for a car

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Author:

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Ahead of the new ’24’ number plate age identifier, The Motor Ombudsman advises would-be car buyers to pay attention to all the

details and implications regarding paying a deposit on a vehicle new to them…

They tell us:

(All words and images from The motor Ombudsman).

• Ahead of the arrival of the new '24' vehicle registration on 1st March, The Motor Ombudsman is outlining some key aspects for consumers to take into account before putting a deposit down on a car

• When buying a new or second hand model, it is common practice for a retailer to ask the buyer for an initial payment, usually a percentage of the overall sale price, to secure the purchase of the vehicle

• A deposit is often non-refundable once paid, highlighting the importance of consumers understanding the implications of this type of transaction

• The law also differs if putting a deposit down when buying a car 'at a distance', i.e. online or over the phone, without visiting a retailer's premises at any point during the purchase process

London, 20 February 2024: Ahead of the arrival of the first of two new vehicle registrations this year, on 1st March, The Motor Ombudsman, the Ombudsman for the automotive sector, is highlighting some key considerations for car buyers to take into account before putting a deposit down on a car.

When buying either a new or used vehicle, it is commonplace for retailers to ask for an initial payment – usually a percentage of the overall sale price. This gives a business the reassurance that a consumer has the intention to purchase the vehicle, whilst also providing the seller with a way to recover costs should the sale not go ahead for any reason. The value of the deposit is then often deducted from the overall purchase price, with the remaining amount paid over time via a finance agreement, or settled in full, if the consumer chooses to purchase the vehicle outright from the start of ownership.

With one of the busiest new car buying periods less than two weeks away, as the '24' plate makes its debut in England, Wales and Scotland, The Motor Ombudsman is making consumers aware of the following key factors when it comes to putting down a deposit, to help avoid the chance of a dispute occurring later on down the line:

Determine whether you can afford the deposit and ownership costs

A car is a significant purchase for many, meaning a deposit may be a few thousand pounds – often the first amount that is due at the beginning of the vehicle purchase process.

Therefore, as part of the research phase, prior to putting any money down, it is worth doing an 'affordability health check' at this stage to determine whether the sum required for the deposit, as well as the 'typical' costs associated with vehicle ownership, such as monthly finance repayments, insurance, road tax (if applicable), and vehicle maintenance (i.e. servicing and repairs), are all within budget in both the short and longer-term.

Examine terms and conditions and purchase documentation – carefully!

As with any purchase of a product or service, and as the specifics of car deposit agreements may vary, it is essential to take the time to read any associated small print thoroughly to ensure that all terms and conditions are fully understood. If you are not clear on any of the wording, or its implications, put any questions to the sales representative in writing so that you have a record of any responses and correspondence between you and the business.

Pay the deposit only when you are ready to proceed with the purchase

It is important to only proceed with the payment of the deposit, and the signing of any associated paperwork, whether electronically, or in-person, once you’re completely happy with your decision to go ahead with buying the car. Make sure that you get a receipt for the sum paid, so that you have a formal record of the settling of the deposit.

Opportunities to get a deposit returned are limited

Reading the terms and conditions, and being certain about your purchase decision, is imperative, because in the majority of cases, a deposit will be non-refundable. Making the initial payment implies that you have a contract with the seller, and in some instances, the car may have been withdrawn from sale, and been registered in your name, thereby preventing anyone else from buying it.

Also, if you have paid a deposit prior to any credit assessments for financial agreements, and it is found that you do qualify for any of these (e.g. a Hire Purchase or Personal Contract Purchase arrangement), this may not invalidate your contract to buy the vehicle, meaning the deposit will often be lost unless the terms and conditions state otherwise.

Circumstances where a deposit can be refunded, can include if a vehicle manufacturer is unable to supply the car due to production issues, or if the ordered specification cannot be provided.

Sums / the balance, remain due after a deposit has been paid

The size of the deposit that you put down will determine how much of the vehicle sale price remains to pay off either via a finance arrangement, which is often subject to interest over a set number of years, or via a lump sum, if you have the means to do so. Therefore, the higher the deposit, the lower the monthly instalments that will be deducted as part of your chosen repayment plan.

Internet purchases differ when it comes to the law

Buying a new car online from start to finish over the phone or the web without physically visiting retail premises at any point during the purchase of a car is classed as a ‘distance sale’. The legislation that governs this type of transaction is the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013, and gives you the right to a 14-day cooling off period and to have your deposit back during this time if you decide to cancel. You are also not obliged to give a reason when asking for a refund. This is in contrast to the Consumer Rights Act for physical purchases, where such clauses do not exist.

Take a look at The Motor Ombudsman's Garage Finder for a trusted retailer

The Motor Ombudsman's online Garage Finder (TheMotorOmbudsman.org/garage-finder) is a quick and easy way to find a local independent car retailer or franchise car dealership that is committed to high standards of service, and the delivery of the best possible customer purchase experience. Using a Motor Ombudsman-accredited business also means that, if you do have a dispute about a deposit or the vehicle, that you have been unable to resolve directly with the retailer, there is a fully-independent and impartial third party to go to, to help conclude any complaints swiftly and fairly.

Bill Fennell, Chief Ombudsman and Managing Director of The Motor Ombudsman, said: "It can be easy to get caught up in the excitement of putting in an order for a new car, and to forget the essentials. It is important for both buyers and sellers to be clear about the terms of the deposit, as this will help prevent any disputes later down the line if all parties are clear on the terms from the very beginning."

Bill added: "Last year, we created a dedicated category on our Knowledge Base on the very subject of deposits, to help answer common questions in relation to this type of transaction, and this section has already proved very popular with visitors to our website."

To view the dedicated category on deposits on The Motor Ombudsman's online Knowledge Base, visit www.TheMotorOmbudsman.org/kb-cats/deposits.

