

Brits Advised To Approach Car Buying 'With Caution'

Those looking to buy a new car next month are being advised to plan their purchasing wisely.

August 17, 2007 (FPRC) -- In figures released earlier this week by uSwitch.com, thousands of motorists who are to buy a 57 registration vehicle from September 1st are set to waste millions of pounds by opting for uncompetitive forecourt finance deals. As a result of choosing such an option, above taking out a low-rate personal loan, Britons could be unnecessarily spending £985 each in interest payments. Overall, consumers were revealed as losing out to the tune of more than £175 million. Findings from the firm also showed that 2.3 million cars were sold across Britain over the course of last year, with 413,991 being bought during September and a similar figure expected to be sold next month.

A driver taking out just under £7,000 to purchase a Ford Fiesta 1.4 diesel was indicated as being charged an average 12 per cent in annual interest via a showroom finance deal offered by Perrys, paying back £2,282.20 over five years. However, by choosing the same model but plumping for a cheap personal loan the financial services firm revealed consumers may only face interest set at 6.3 per cent, with £1,150 the total interest payable. This in turn could save them some £1,132.20. Meanwhile, those looking to buy a Renault Megane could be £1,027 better off by financing their funding decisions wisely. Savings of £1,076 were said to be available on a five-door Ford Focus if more competitive spending options were pursued by British borrowers.

Mike Naylor, personal finance expert for uSwitch.com, said: "Finance deals offered by car dealerships can be expensive, and unwitting motorists could end up paying as much as £1,131 extra for their dream car. However, there is a simple win-win solution. Finding a competitive loan could save consumers almost 15 per cent off the price of a new car (through the savings made on interest repayments), additionally, having the money ready to buy the car will also give them more bargaining power to get the best purchase price.

"Just because a car dealer can offer you the best deal on a new car, it doesn't mean that they will offer you the best deal to finance it. The message couldn't be simpler - don't pay more for the finance on your new car than you have to." Consequently he advised those considering buying a vehicle next month to make use of a price comparison website to find the most competitive deals possible.

Earlier this year, uSwitch.com suggested that those 400,000 Britons who purchased a '07' registration model in March have lost out on £228 million by opting for expensive finance options instead of low-rate borrowing. As a result, Nick White, director of financial services for the price comparison website, stated those who let the thought of a shiny new car sway them into choosing a showroom deal out of plain convenience could find themselves under an unmanageable "burden" of debt.

"Not only are personal loans cheaper, by organising the loan before visiting the car showroom, people will not feel pressured to get the cash quickly to secure the car of their dreams," he claimed. Mr White also reported that opting for a finance forecourt borrowing plan could see consumers pay interest at some 4.22 per cent above the most competitively-priced personal loan deals available on

the market and twice the rate set by the Bank of England's monetary policy committee.

His comments were echoed by Steven Baillie, loans manager of Sainsbury's Bank. Although statistics from the financial services provider showed that personal loans are set to make up 15.8 per cent of all car purchasing over the coming months he claimed that Britons could still be losing out on millions of pounds.

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For more information contact Abbi Rouse of All About Loans (<http://www.allaboutloans.co.uk>)

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