

Personal Loans ‘Competitive Way Of Buying A New Car’

Opting for showroom finance deals ahead of a cheap UK loan may see Britons lose out when buying a car, new research indicates.

February 15, 2008 (FPRC) -- A study carried out by uSwitch reveals that drivers are on track to waste a total of 174 million pounds in signing up to garage payment options when buying a new '08' registration car next month. It was reported that 224,644 new cars will be purchased this way in March. Research from the price comparison website also shows that more than 2.4 million cars were sold over the course of last year, with about a fifth (19 per cent) of these transactions taking place in March. However, it was claimed that by opting for cheap loans instead of forecourt finance deals motorists could save some 1,084 pounds.

In addition, the study highlighted the significant amount that can be saved in opting for a cheap loan to fund a purchase of a VW Golf - one of the best-selling cars in Britain. With this model costing 11,411 pounds on the road and a ten per cent deposit already made, uSwitch stated that those borrowing 10,270 pounds to assist with their buying will pay 9.4 per cent in annual interest by choosing a motor finance deal offered by Carselect. Such a move, it was purported, would cost borrowers 2,162 pounds in interest over the course of three years. However, by getting a UK personal loan from Moneyback Bank, which is reported to offer one of the most competitive deals on the market, consumers would have a typical interest rate of 6.7 per cent, seeing them pay 1,068 pounds in interest. In turn this would result in a saving of 1,094 pounds.

Commenting on the findings, Mike Naylor, personal finance manager at uSwitch, said: "Brand new cars are already a big expense but consumers can unwittingly inflate the purchase price by up to 1,100 pounds by choosing the wrong finance deal. However, there is a simple win-win solution. Finding a competitive loan and having the money ready to buy the car immediately will not only ensure that people get cheaper finance but it also gives them more bargaining power to get the best purchase price. Just because a car dealer can offer you a good deal on a new car, it doesn't always mean that they will offer the best deal to finance it."

Mr Naylor also advised those looking to purchase a car to take the time to investigate all the finance options available, pointing out that some dealers charge up to 11.8 per cent in interest on their deals with cheap personal loan rates often available to those with a good credit history. Furthermore, he recommended motorists to be conscious of how depreciation can affect the value of a car.

As such, drivers looking for a competitive way to fund getting a car may wish to apply for a low cost personal loan. In opting for this type of borrowing consumers may find that they are left with affordable low-rate repayments to make each month. Last year research carried out by the price comparison firm indicated that by opting for uncompetitive finance deals, motorists could waste a total of 228 million pounds. Nick White, director of financial services, claimed that not only is choosing a personal loan cheaper for consumers but by getting the money before going to the showroom borrowers will have more power to buy the car of their dreams.

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