

Hire Purchase: Unregulated



About this information

You should read this document and all the information we provide to you carefully, so that you can decide whether this product is right for your needs and circumstances. This document provides key information that will help you understand our Hire Purchase product. It does not contain all the information about the agreement you will enter with us.

If you have been provided with information on this product by an equipment dealer or finance broker, you are encouraged to take it away and consider it carefully. The dealer/broker does not act as our agent.

How a Hire Purchase works

Hire Purchase is a financing product which allows you to spread the cost of capital investment via regular rental payments, throughout the funding period, which fully pays off the capital cost of the equipment. At the end of the funding period you can obtain legal ownership by exercising an option to purchase (usually by paying a nominal amount, payable with the last rental payment).

DLL will have legal ownership of the equipment throughout the term of the agreement and we may register this interest with HPI Ltd. You have quiet enjoyment of the equipment throughout the period.

Unless non-VAT qualifying or under an exemption, VAT will be applied to the Hire Purchase agreement and payable upfront at the amount stated on the supplier's invoice for the equipment. We will then issue you with an invoice (which may form part of the Agreement) in order for you to reclaim the VAT.

You should seek advice from your accountant, financial or legal advisor before entering into any financial transaction.

Hire Purchase agreements are provided by De Lage Landen Leasing Ltd (we/us) – a subsidiary of Cooperatieve Rabobank U.A., headquartered in The Netherlands and licensed with the European Central Bank.

If, after reading this information, you require further information or have any questions we encourage you to contact us. Details of how to do this are shown at the foot of this document.

Product features

- You have use of the equipment without investing capital.
- An alternative line of credit to your bank.
- Equipment acquired by us (the owner) and we pay your nominated supplier the cost you have agreed (plus VAT).
- VAT paid by you (the customer) to us, on the purchase price on day one (unless deferred and funded for up to 3 months), along with any agreed deposit amount.
- VAT is reclaimable by you, providing your business is VAT registered with His Majesty's Revenue & Customs.
- Fixed payment amounts.
- Agreement terms are typically fixed for 24 to 84 months.
- You record the investment as an asset and reducing liability on the balance sheet.
- Interest element of the payments is deductible as a trading expense against taxable income.
- Hire Purchase agreement cannot be terminated by us as long as you comply with the terms and conditions of the agreement.
- You do not own the equipment until all the payments, any arrears and the option to purchase fee, have been paid.

Frequently asked questions

What is a Hire Purchase Agreement?

- Hire Purchase is a contract between two parties where one party, the owner (us), allows the other party, the customer (you), use of their equipment for a period of time in exchange for the customer making regular payments. At the end of the term, you can purchase the goods by paying a (usually nominal) option to purchase fee.

Can I select the supplier of the equipment?

- You control the buying process by selecting the supplier and providing they are approved by us, we pay them for the equipment you select, at the price you have agreed.
- Some manufacturers and dealers support the sale of their equipment to enable us to provide preferential financing terms.

How can a Hire Purchase be used?

- Hire Purchase provides you with a way to use, pay for and eventually own equipment over a fixed period. This can spread the cost of more expensive items over a pre-agreed term.
- Hire Purchase must be used for approved business equipment.
- DLL will acquire the equipment you specify at the price you agree from your nominated supplier.

Who may a Hire Purchase be suitable for?

It may be suitable for any UK based business:

- Who can demonstrate regular income.
 - Where you are looking to acquire equipment by paying for it over a period of time, whilst it contributes to the business.
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What are the benefits of a fixed rate Hire Purchase?

- Convenient, easy application process.
 - Typically, no additional collateral or security is required.
 - Unlike a bank overdraft, a Hire Purchase cannot be terminated by us unless you are in breach of the terms and conditions of the agreement, or a specified termination event occurs.
 - Alternative line of credit for the business to your main business funding facilities.
 - Interest element of the payments can be deducted as a trading expense.
 - Equipment is shown as an asset and a reducing liability on your balance sheet.
 - Payment amounts are fixed and scheduled and help with budgeting and cashflow.
 - Equipment acquired by us at the net cost agreed by you with your supplier.
 - VAT on cost price of goods payable by you immediately – may be funded for a short period if required (ask for details).
 - Economic ownership for accounting and tax purposes rests with you (ask your accountant or financial advisor how this affects your business circumstances).
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Can I claim Capital Allowances?

- Capital Allowances are claimed by you even though you do not own the equipment immediately.
 - Check with your accountant how this agreement will be recorded in your financial statements.
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How do DLL make our decision as to whether we wish to offer a Hire Purchase?

To help DLL decide whether to offer you a Hire Purchase we may use:

- Any information you have given us e.g. business accounts, bank statements.
 - If you have been a customer before, any information we already hold.
 - Information we receive from enquiries.
 - We may also view your credit history with a credit reference agency or ask them to make enquiries for us.
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What if I change my mind after signing the agreement?

- You have no right to cancel the agreement once it has been signed and funded by us.
 - If you have any queries, contact us to discuss your options.
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Will an agreement with DLL affect my credit rating?

- We will ask your permission before making a check on your credit history with a credit reference agency.
 - Our enquiry will show on your record with them and may affect how others subsequently use this information in granting credit to you.
 - If you fail to make payments on the due dates, we will register this with a credit reference bureau. This may affect how others view your creditworthiness
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When is the VAT payable?

- We pay the supplier of the equipment the cost price you have agreed plus VAT.
 - You must pay us the VAT element to us at the start of the agreement.
 - We will send you a VAT invoice (which is usually a copy of the agreement) for you to reclaim the VAT paid in your normal business return (if appropriate).
 - If you ask, and we agree, to fund the VAT for a short period (normally up to 3 months) we will charge you additional interest and incorporate this into your payment schedule.
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How do I make my rental payment?

- To ensure that payments are made on the right date all payments must be made by Direct Debit unless we agree otherwise.
 - If we agree for payments to be made other than by direct debit we will charge an additional fee of 2% of the amount due on each payment.
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What interest rate will I be charged?

- Interest rates used to calculate the repayments are fixed at the outset and will not change once your Hire Purchase commences.
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How will I know how much I must pay?

- Your agreement will clearly state the rental amounts, number and frequency along with the due dates.
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Is there any commission payable to the supplier/broker?

- Commission may be payable by us to the supplier of the equipment and/or your finance broker and/or any other connected party.
 - Details of any commission paid, including the amount and how it was calculated, can be obtained from the dealer/broker or us on request.
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Who insures the equipment?

- The equipment must be insured, at all times, either on a fully comprehensive or all risks basis with us named as first lost payee.
 - You can arrange your own insurance and must provide us with evidence to this effect within 30 days from the start of the agreement or as we request from time to time. You also authorise us to handle any claim on your behalf and agree that the insurance company may pay any settlement proceeds directly to us.
 - If you fail to provide evidence of suitable cover, we have the right (but not the obligation) to include the equipment on our insurance policy for all or any portion of the term of hire.
 - If we decide to include the equipment on our insurance policy, we will charge you a fee which includes any premium and other amounts we must pay to the insurer as well as an administrative fee on which we may make a profit. The fee shall be in addition to each payment amount due and shall be payable at the same time.
 - You must notify us immediately if any damage or loss occurs and we will handle any claim to be made under our insurance policy.
 - A copy of our insurance policy summary will be given to you at the start of the agreement.
 - If at any point during the term you insure the equipment on your own insurance policy, and you provide us with evidence that the policy is valid and in force, we shall arrange termination of cover for the equipment under our insurance policy.
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What if the equipment is faulty?

- In the first instance, you should speak with the supplier to see if they are able to rectify the problem or suggest another suitable remedy.
 - If the supplier is unable to resolve the issue you should contact us and we will take steps to try and resolve the issue.
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Can I settle the agreement early?

- You can settle the Hire Purchase Agreement early. Contact us for a settlement quote.
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What happens at the end of the Hire Purchase agreement?

At the end of a Hire Purchase agreement you have two options:

- Return the equipment to us at a place designated by us (usually the original supplying dealer); or
 - Purchase the equipment for a nominal option to purchase fee.
 - It is assumed that, since the option to purchase fee is small and the equipment will still have value, you will pay the option to purchase fee and this will be collected with the final payment unless you notify us otherwise.
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What happens if I miss a payment?

- Making timely payments on the due date is a strict condition of the agreement and why we collect payments by Direct Debit from your bank.
- Failing to make payments on the due dates will mean that you have broken the terms of the Hire Purchase Agreement.
- You should contact us before you intend to miss a payment to see if there is a way we can help, e.g. change the date of payment, reschedule future payments.
- If you fail to contact us, we will contact you to discuss your options for bringing the agreement back up to date.
- If you fail to make your payment(s) on the due date(s) it can affect your credit rating. This may have severe consequences on your ability to obtain future credit and/or it may make future credit more expensive.
- This may lead to us taking action to recover the equipment and any associated costs.
- If you have paid more than half of Hire Purchase Price stated in the agreement, plus any arrears, you may return the equipment to us with no further liability.
- Full details of the consequences of missing a payment are outlined in the Hire Purchase agreement.

Contact

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