



Financing a vehicle for personal use

Private leasing

This term has come to the fore since the introduction of the NCA. Previously, you had to have a car allowance or use your vehicle for business purposes to structure finance agreements in the most affordable manner. The introduction of the NCA has meant that any private individual may now structure their finance agreement in the way that suits them best. Repayment periods have been extended, deposits are now negotiable and balloon payments or residual values can now be used to make vehicle financing as affordable as possible. While both residual values and balloon payments make your credit agreement more affordable, they also differ greatly in their levels of risk.

Residual values versus balloon payments

There has always been confusion around these two phrases. Many people believe that they are the same. Although this is not the case, they both bring down your repayment making it more affordable for you to finance a vehicle. The difference between the two is the risk at the end of the agreement period. A balloon payment is a payment which is made by **you** to us to settle the outstanding debt on the agreement. The full risk is therefore placed on you. The final payment is your responsibility. A residual value is different. The risk of this “final payment” is passed onto us and we become responsible for the balance of the outstanding debt. You have therefore had the benefit of lower repayments throughout the term of the contract and are not liable for a balloon payment at the end of the agreement period. You simply hand the asset back to us, enter into a new credit agreement on another vehicle and off you go.

How is this beneficial?

Many customers rely on their ability to make the balloon payment at the end of their agreement by “trading-in” their vehicles. But what often happens is that the value of the vehicle does not match the outstanding debt that you owe to us. You are then forced to pay in the difference which can be an expensive exercise. A residual value eliminates this depreciation risk and you are simply required to hand the vehicle back to us. You may then enter into a new finance agreement on another vehicle.

FinRent Consumer

We offer a product that caters specifically to customers who wish to eliminate risks. FinRent Consumer is a “private leasing” product which allows you the use of a vehicle over a specific period in return for a series of payments to us. Your monthly repayments are reduced by structuring a residual value into the finance agreement. You also have the added benefit of not being responsible for the residual value as a final payment at the end of your agreement. This lower repayment means that you can either afford to drive a more expensive vehicle or drive one at the most affordable repayment, without taking any risk on the residual value. This takes away all depreciation and resale risk and passes it onto us.

Product	FinRent Consumer with residual value (RV)	Instalment sale without balloon payment (BP)	Instalment sale with 40% balloon payment (BP)
Cost of vehicle	R140 000	R140 000	R140 000
Period of agreement	60 months	60 months	60 months
Deposit	Nil	Nil	Nil
Interest rate	14.5%	14.5%	14.5%
Residual value or balloon payment	(RV) R56 000 (40%)	(BP) R0 (0%)	(BP) R56 000 (40%)
Repayments	R2 653	R3 294	R2 653
Final payment	Nil	Nil	R56 000

Impact of the NCA

The NCA has had a huge impact on the way we lend you money. We may only lend to you if you can afford to pay back the credit provided. For this reason a full affordability analysis is conducted to determine your ability to repay any outstanding and proposed debt. This is done by adding all your income and subtracting all your expenditure. The surplus amount that is left over is what you can afford to repay. It is therefore vital that your debt is structured in the most affordable and low-risk manner as possible.

For more information, please call us on **0860 000 000** or email us at vaf@standardbank.co.za