

BUYING A VAN FOR YOUR BUSINESS

...AND FINANCING IT

Whether you are a sole trader or a busy commercial organisation with daily deliveries to make, you must have reliable vehicles. Your needs might be many and various, encompassing cars, trucks or a range of light and medium vans, depending on the nature of your business.



When it comes to choosing your vehicle you will rely heavily on your local dealer. Be sure to take a test drive. Many dealers are able to arrange 24-hour trials, too, so that you can be sure that the style of van you are considering really does meet the needs of the business. You will want to check out the servicing and maintenance support your dealer can provide, but above all you will have to decide upon the most cost-effective way of financing the vehicle.

Again, your dealer will be glad to help. There might even be a dedicated business specialist who would be glad to weigh up the options with you. At the end of the day, of course, it's your business - and your decision.

Your dealer will probably be working with one of the many finance and leasing companies who operate throughout the UK. You can arrange finance through the dealership, or independently if you prefer. The first step is to decide whether you want to buy or lease the van in question. A good finance company will help you find the best solution. If the deal works out well for you, they'll enjoy repeat business, so it's in their interests to look after your business.

The majority of vans and light commercial vehicles on the roads have been purchased rather than leased - but just because you've always owned your fleet doesn't mean that you can't consider alternatives at any time. The benefit of ownership, of course, is that the vehicles look good as assets on your balance sheet and you have the freedom to sell at any time. The downside is the residual risk, not least depreciation when you come to sell and the manpower it can take to administer and maintain the vans you operate.

Leasing, on the other hand, allows you the use of the vehicles without the responsibilities of ownership - and without tying up existing lines of credit. Typically, van leasing schemes run for 12 months and fixed monthly rentals will help you to spread payments evenly and budget accurately for fleet expansion and replacement.

If you decide to buy, will you pay in cash or credit? Capital outlay now could mean less flexibility later and profit opportunities could be lost. You have to decide if finance is more easily available to you for vehicles or for other purposes, of course, and which would be cheaper.

Credit can be obtained through your bank in the form of an overdraft or business loan, but this could tie up lines of credit you would prefer to leave open for other purposes. Financing through a purchase plan can improve cash flow - but there is, of course, a cost attached. You pay interest whatever option you ultimately choose.

If you are considering a purchase plan, where you eventually own or retain the option to own the van, plans are available for

- conditional sale (may also be known as Lease Purchase);
- Hire Purchase; and
- Contract Purchase.

There are as many options in vehicle leasing and you have to decide whether to choose a fixed term agreement or a flexible agreement. Each has its own advantages and you would wish to discuss these in detail with your finance provider - who might also be your commercial vehicles dealer.

When it comes to insurance, of course, you would be expected to arrange cover yourself, although if you are leasing or renting your vans, the finance company might be able to offer insurance as part of



their package. Other services which are well worth looking into are breakdown recovery and accident management.

In summary, whether you're buying the first van you need for your business, or adding to an established fleet, if you do your homework thoroughly at the outset you can free yourself and your capital to work where it's most effective - in your business.