

Frequently Asked Questions

What is the Consumer Credit Directive (CCD) ?

It is an EU wide directive which aims to establish common rules on consumer credit across Europe that the UK is required to implement by 1st February 2011.

When does the Consumer Credit Directive (CCD) become effective?

The CCD comes in to effect on the 1st February 2011. There is a transitional phase that runs from the 10th June 2010 to the 31st January 2011.

Organisations can choose when they wish to go live during this transitional phase as long as they are compliant for the 1st February 2011. Volkswagen Financial Services (VWFS) have chosen to go live on the 27th November 2010.

What type of finance Agreement is covered by the Consumer Credit Directive (CCD)?

Any regulated purchase product(s) sold after the 27th November 2010, with a balance financed up to and including £60,260 are covered by the CCD. Agreements where the balance financed is in excess of £60,260, are with businesses that have exempted themselves, or are for hire products, remain unaffected.

Right of Withdrawal

What is a 'Right of Withdrawal'?

Customers whose finance Agreements are covered by the Consumer Credit Directive have the right of withdrawal from their finance Agreement. They have 14 days, starting from the day after they sign their finance Agreement to withdraw from the finance Agreement (but not the vehicle purchase). They simply inform their finance provider, who is entitled to charge a daily rate of interest as detailed on the finance Agreement until such time as the loan advanced has been settled. The customer must do this without undue delay and within 30 days of giving their notice of withdrawal.

Can I change my mind after I have given notice that I want to exercise my Right of Withdrawal?

Once notification has been given the contract cannot be reversed. Legally there is no Agreement in place to reverse. It would be necessary to enter into a new finance Agreement. Please call VWFS for more information if required.

If I withdraw from the finance, what happens to the vehicle?

The customer has to pay off the outstanding balance on the finance Agreement within 30 days of notification of withdrawing from the finance together with the daily interest charges. If the finance is not repaid, the creditor will take appropriate legal action to recover their monies and/or the vehicle.

If I withdraw from the finance how will this show on my credit file?

A footprint will be left to show that a credit search has taken place by VWFS. If the finance Agreement has been settled with us, the credit file will be updated to show as 'Satisfied'. If the customer has failed to repay, this will show as a 'Default' on their credit file.

What is the difference between 'Right of Withdrawal' and 'Right of Cancellation'?**Right of Withdrawal**

This is only applicable to regulated purchase products (Hire Purchase, Solutions (Personal Contract Plan) and Lease Purchase) up to and including an amount financed of £60,260, governed by the Consumer Credit Directive. This applies to Agreements whether signed at the retailer's premises or elsewhere.

Please Note: The Right of Withdrawal does not apply to refinance Agreements.

Right of Cancellation

This is only applicable to Agreements with an amount financed over £60,260 signed other than at the retailer's or lender's premises and to Agreements where, before entering into the Agreement, the retailer or lender has not had face to face contact with the customer.

Can I cancel the vehicle purchase within the first 14 days?

Under the Consumer Credit Act and Consumer Credit (EU Directive) Regulations 2010 (CCD) a customer has a right to cancel their car purchase only if the Agreement is signed off the dealer's premises and is for a financed amount greater than £60,260.

How do I know if I am a High Net Worth customer?

A High Net Worth customer is defined as anyone who has an; income of over £150,000 per annum and/or £500,000 worth of net assets (excluding their main residential property). They must provide a 'Statement of High Net Worth' signed by a solicitor or chartered accountant (within the last 12 months).

High Net Worth customers do not have the ability to cancel out of the finance Agreement unless the balance financed on a regulated credit Agreement is in excess of £60,260 or for a Hire Agreement where the total rentals (including VAT) exceed £25,000.

PARTIAL PAYMENTS

How do I make a partial payment?

If a customer wishes to reduce the balance of their credit Agreement (i.e. they make a partial payment) they must contact the finance company and inform them if they want to reduce the monthly repayments or shorten the remaining term. Once the payment is made the finance Agreement will be re-calculated. Any partial payment made is in addition to the customer's agreed repayment amounts and does not mean that they can pay less the following month(s), or increase their agreed repayment amounts.

How many times can I make a partial payment during the finance Agreement?

You can make as many additional partial payments of any amount you wish, as long as VWFS has been notified verbally or in writing. Without this notification, no payment will be processed.

If I were to make a partial payment, can I get an illustration of my remaining payments?

Yes, customers can ring VWFS and ask for an indicative quote.

How long is the partial payment quote valid for?

The quote provided is an indicative quote and is valid only on the day it is given as it assumes all rentals will be cleared. Upon notification of payment a new quote will be generated and payment taken.

What is an amortisation table?

An amortisation table shows all the future repayment amounts still remaining to the end of the Agreement, plus any arrears there may be at the time of request. The customer can request this table at any time during the Agreement.

Glossary of terms

What is the SECCI?

SECCI stands for **Standard European Consumer Credit Information**. It is the form of pre-contract information for finance Agreements regulated by the Consumer Credit Directive and provides a comprehensive overview of the Agreement.

What is an adequate explanation?

An adequate explanation is defined under the Consumer Credit Directive as information the customer needs to be aware of when entering into a finance Agreement.

The lender must advise the debtor:-

- of the features of the Agreement which may make the credit to be provided under the Agreement unsuitable for particular types of use,
- how much the debtor will have to pay periodically and, where the amount can be determined, in total under the Agreement,
- the features of the Agreement which may operate in a manner which would have a significant adverse effect on the debtor in a way which the debtor is unlikely to foresee,
- the principal consequences for the debtor arising from a failure to make payments under the Agreement at the times required by the Agreement including legal proceedings and, where this is a possibility, repossession of the debtor's home,
- the effect of the exercise of any right of withdrawal from the Agreement and how and when this right may be exercised,
- to consider the information in the SECCI and that the debtor is able to take the SECCI away, and
- there is an opportunity to ask questions about the Agreement, and how to ask the creditor for further information and explanation.

What is the rate of interest?

The 'rate of interest' is the interest rate expressed as a fixed or variable percentage applied on an annual basis to the amount of credit taken.

What is the APR?

The APR is based on the total charge for credit (TCC) and includes interest and other charges which affect the cost of borrowing - even if they are not payable under the credit Agreement itself. The APR is an annualised rate reflecting the timing of such charges, as well as the rates and amounts.

The rules for the calculation of the TCC and APR are set out in the Consumer Credit (Total Charge for Credit) Regulations 1980.

The OFT has produced a booklet setting out how an APR should be calculated. Download [Credit Charges and APR](#)

What is the difference between Hire Purchase, Personal Contract Plan (Solutions) and Lease Purchase Agreements?

All three Agreements are a form of a 'Hire Purchase' Agreement where the customer in effect agrees to hire the vehicle and has an option to gain legal title at the end of the Agreement, by paying an 'option to purchase' fee with the final instalment.

With a standard 'Hire Purchase' Agreement the customer pays a deposit and finances the balance over an agreed term and at a fixed rate of interest, which gives them fixed monthly repayments. There is no large optional final (balloon) payment as with a Personal Contract Plan or Lease Purchase Agreement.

Lease Purchase and Personal Contract Plans (Solutions) both defer a large payment to the end of the Agreement known as the optional final payment or balloon, which has the effect of either reducing the monthly repayment or shortening the term when compared to a standard Hire Purchase Agreement.

The key difference between a Lease Purchase Agreement and a Personal Contract Plan (PCP) is the customer. On a PCP Agreement; the customer has the choice to pay the 'option to purchase fee' and appoint VWFS as their agent to sell the vehicle on their behalf. The vehicle will be collected and sold.

Under this arrangement VWFS will pay the 'final payment' from the sale proceeds of the vehicle and either make up any shortfall in value or keep any surplus value as an agency fee. The arrangement is subject to terms and conditions including an excess mileage charge for any mileage over the agreed contract mileage and any items considered under BVRLA (British Vehicle Rental and Leasing Association) / RAC guidelines as not being fair wear and tear.

This means that should the true market value of the vehicle have fallen below the 'final payment' amount in the PCP Agreement by the creditor, the customer can simply return the vehicle (subject to the terms for mileage and conditions). In essence the customer's choice at the end of the Agreement will depend on the market value of the car. If there is a surplus, the Agreement can be settled with the excess proceeds being kept by the customer. If there is a shortfall then the car can be returned to VWFS to cover the amount (subject to terms and conditions). Under a Lease Purchase Agreement the optional final payment is the responsibility of the customer to settle, there are no 'guarantees' as under a PCP Agreement.

How is the interest calculated on a Hire Purchase Agreement?

The interest is calculated using a flat rate of interest per annum and charged on the balance being borrowed. As an example a 5% flat rate per annum means for every £100 you borrow you will pay £5 in interest each year. This rate is fixed for the length of the Agreement. If you borrow £5,000 at a flat rate per annum of say 6% you will pay £300 in interest every year.

How is the interest calculated on a Lease Purchase Agreement?

There are two distinct calculations for working out the interest charges on a Lease Purchase Agreement:

1. The deferred optional final (balloon) payment will attract interest at the actual true effective rate of interest for the duration of the term of the Agreement (i.e. as this remains outstanding for the whole period).
2. The balance (cost less the initial deposit and the deferred optional final payment (balloon) payment) attracts interest at a flat rate per annum and this, together with the amount borrowed and optional interest, is repaid over the life of the Agreement.

How is the interest calculated on a Personal Contract Plan (Solutions Agreement)?

There are two distinct calculations for working out the interest charges on a Personal Contract Plan:

1. The deferred optional final (balloon) payment will attract interest at the actual true effective rate of interest for the duration of the term of the Agreement (i.e. as this remains outstanding for the whole period).
2. The balance (cost less the initial deposit and the deferred optional final (balloon) payment) attracts interest at a flat rate per annum and this, together with the amount borrowed and optional interest is repaid over the life of the Agreement.

What is the 'option to purchase' fee?

At the start of the finance Agreement the ownership of the vehicle is given to the finance company who in turn 'hires' the car to the customer. At the end of the Agreement the customer has the option to purchase the car from the finance company for a nominal sum, called the 'option to purchase' fee. It is this fee that legally transfers ownership from the finance company to the customer. Once the option to purchase fee has been paid, usually with the final instalment, (together with all the other repayments due payable under the terms of the Agreement), legal title to the vehicle will pass from the finance company to the customer.

What is the 'acceptance fee'?

The 'acceptance fee' covers some of the initial set up costs of the finance provider including:

- The costs of credit reference searches, which help protect a customer from potential identity theft
- Registering the lender's interest in the vehicle at a company called HPI Ltd to help prevent their vehicle being sold without their knowledge.

What is a 'balanced fee'?

A 'balanced fee' is the 'acceptance fee' that is deducted from the initial repayment rather than being paid in addition to the first instalment.

Can I re-finance the optional final (balloon) payment on a Personal Contract Plan or Lease Purchase Agreement?

VWFS may consider a request to re-finance the optional final (balloon) payment, but it will be subject to underwriting as would a new application for finance.

Are my finance Agreement repayment amounts fixed?

Yes, your repayment amounts are fixed, for the duration of the Agreement. This means if interest rates rise, your credit Agreement repayments remain as you have signed on the Agreement.