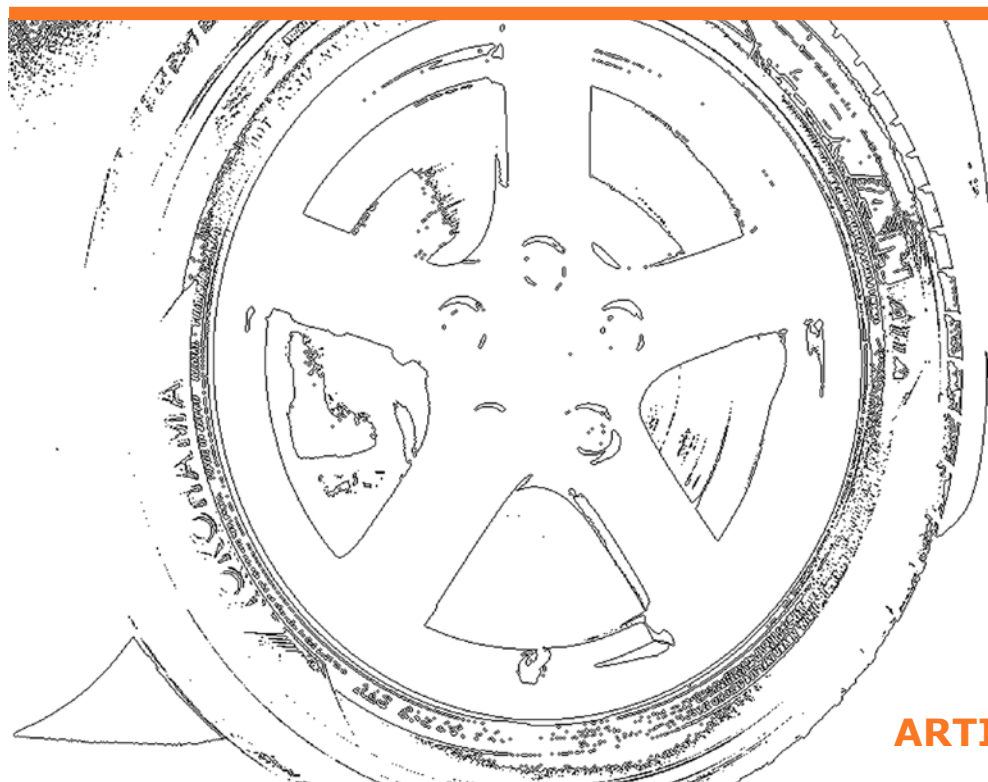


Knowledge

BANK



ARTICLE 42

Lease purchase

Lease purchase

Features

A lease purchase agreement is exactly the same as a hire purchase agreement but with a balloon instalment payable at the end of the contract. This makes the regular monthly instalments similar to those payable under a finance lease agreement incorporating a balloon payment, or maintenance-exclusive contract hire.

Lease purchase is a contradiction in terms; it is not a lease, simply a method of deferred purchase.

Generally, the expression 'hire purchase' is seen in consumer transactions, while 'lease purchase' is reserved for commercial transactions.

Benefits of lease purchase

These are the same as for hire purchase but with the advantage of lower monthly instalments.

A final balloon instalment is payable. If this has been estimated accurately to equal the market value of the vehicle at the end of the lease, the sale proceeds of the vehicle will cover the balloon payment so you will not be left out of pocket at the end of the contract.

Disadvantages of lease purchase

These are the same as for hire purchase.