



## Product Information Guide Finance Lease

Finance Lease is a rental agreement where you may share the potential risks or rewards of the future resale value

### How does it work?

Finance Lease is a rental agreement that gives you the opportunity to share in the sales proceeds at the end of the agreement. There are two types of Finance Lease agreement - 'balloon' payment and full pay out. This page explains 'balloon' payment Finance Lease.

### 'Balloon' payment

This is when you defer a proportion of the value of the vehicle until the end of the agreement generating lower monthly rental payments. This must be paid at the end of your agreement, irrespective of whether the proceeds of the sale of the vehicle covers it.

### Cost of leasing your vehicle



Once you have selected your initial rental, there are three decisions to make that will affect your monthly rentals:

- **Your rental payment period**  
Choose any period between 12 and 48 months
- **Final 'balloon' payment**  
Defer an agreed amount until the end of the agreement. This is known as a 'balloon' payment
- **Mileage**  
Choose how many miles you expect to drive each year

### FAQs

#### Can I get a Finance Lease agreement?

Finance Lease agreements are available for both personal and business customers. Finance Lease is not available to customers intending to use the vehicle for hire and reward purposes\*.

#### How will a 'balloon' payment Finance Lease benefit me?

- Lower monthly rental payments than a full pay out agreement
- Opportunity to share in any excess sales proceeds which may settle or contribute to the final 'balloon' payment. The sales proceeds are not guaranteed to cover the final 'balloon' payment
- An element of the VAT on rentals may be recoverable by VAT registered businesses<sup>#1</sup>
- A proportion of rentals may be claimable as an expense against taxable profits<sup>1</sup>

#### Important information to consider

- It is really important that you keep up to date with your monthly payments, so please contact us if you are having any difficulties as the vehicle may be at risk if you don't
- You are responsible for the payment of the final 'balloon' payment, regardless of whether or not the vehicle sales proceeds cover it

- It is important you keep the vehicle in good condition and within the selected mileage as this will affect the vehicle's resale value, and your sales proceeds
- Finance Lease agreements are not designed to be settled early, however, if you wish to do so, you can request a settlement quote. The settlement figure will be based on the amount of rentals left to pay along with your final balloon payment

#### What happens at the end of my agreement?

At the end of your agreement you have two options:

- Sell the vehicle on behalf of Volkswagen Commercial Vehicle Financial Services to an unconnected third party and then settle the final 'balloon' payment. You can then share in any excess sales proceeds
- Settle the 'balloon' payment and enter into a secondary hire period, paying an annual rental to retain the use of your vehicle

#### Will I own the vehicle?

No you will not own the vehicle and you are responsible for selling it at the end of your agreement unless you choose to enter the secondary hire period in order to retain use of the vehicle.

\*i.e. taxis, body-shop usage, long term sub-let agreements (>1 month) or replacement vehicle insurance claim business. #This is subject to a 50% block where there is any element of private use of a motor car. <sup>1</sup>The above note is intended as a summary of the principles of VAT and tax in this complex area. It is not intended to be and should not be construed as constituting tax advice and we make no representations, warranties or guarantees, whether express or implied, that the content is accurate, complete or up-to-date. Volkswagen Commercial Vehicle Financial Services (UK) Limited cannot be held liable in any way for any reliance upon this document, whether in contract, tort (including negligence), breach of statutory duty, or otherwise, even if foreseeable. For specific tax advice relating to your particular set of circumstances, you should contact your own HMRC officer or your usual VAT / tax advisers.