

Car Leasing vs Buying

Thinking of buying a new car? Should you go for a finance deal or opt for leasing? And what is the difference anyway? This article explains how and why car leasing can help you save money.

First let's talk about the difference between financing and leasing. With the first option you are paying towards the purchase price of the vehicle. With leasing however, you are actually paying for the use of it, with your monthly payments covering the cost of the depreciation over the time you use it. You have responsibility to maintain the vehicle, with the option to buy or return the vehicle at the end of the agreement.

Leasing payments tend to be cheaper than purchasing, which means it's an affordable way to drive a new (or nearly new) car – perhaps even a range-topping model that would otherwise be out of your reach. There are a few points to consider before opting for a lease agreement: you cannot customize or alter the car in any way and you should also maintain it to a high standard whilst it is in your care. Above all, consider your annual mileage as leasing agreements are limited to 12,000-15,000 miles per year with penalties if this is exceeded. A lease can often be agreed without the need for a down payment and a typical lease period is 2-3 years – about half of the usual finance type of agreement.

Buying the vehicle on a finance agreement means you have ultimate ownership, however the monthly payments will almost certainly be higher as you are paying to purchase the car, not just for the use of it. Finance agreements typically require a down payment (or part exchange vehicle).

Manufacturers' warranties are normally shorter than the finance term which often means maintenance costs work out higher than with a short-term lease where a warranty would cover major maintenance costs for the duration. When the lease period ends, you can choose to either buy or return the car.

