

A man and a woman are standing next to a white car, looking at a document together. The man is pointing at the document, and the woman is holding it. The car's headlight is visible in the foreground.

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Car Buying Guide

Purchasing a car can be an exciting time, but with lots of things to consider it can also be quite overwhelming.

To help you along the process, we've put together a step by step car buying guide. This will help you make an informed decision when you purchase your next car.



1. Sort out your finance first

It can be tempting to start looking at which car you want to buy straight away, however the most important thing to consider when car shopping is how you will pay for it. Working out which buying options are available to you will allow you to work out what you can realistically afford to be spending on a car as well as which cars fall into your price range.

If you have enough money in savings then you may decide to purchase a car outright. In this case you will avoid paying extra in interest and won't have to worry about future payments. The downside to cash buying is you will be using up a large chunk of your savings at once to pay for a car, which could go towards other priorities.

Car Finance Options

Car financing is becoming an increasingly more popular method of payment. This is because you are able to spread the cost of a car over monthly instalments; making it more affordable. A car finance agreement will usually run over a 3-5 year agreement and can include;

- **Hire Purchase (HP)** – This is where you pay the total amount of a car in monthly instalments with added interest. At the end of the agreement, once all payments have been made, you will own the vehicle outright.
- **Personal Contract Purchase (PCP)** – Similar to HP but instead of paying off the total car amount you only pay the estimated depreciation with interest. With PCP you have the option to purchase the car at the end of the agreement through a "balloon payment".
- **Personal Loan** – Borrowing a sum of money from a lender to use for a personal purchase, such as a car. As with the other loan options, a personal loan involves paying the money back in monthly instalments with interest.
- **Car Lease** – Paying a monthly fixed cost to use a car – usually a brand new one – for an agreed time. This typically costs less per month than other financing options. The difference is that you won't own the car and will be required to give it back at the end of the lease.





Consider your Financial Situation

Whichever financing option you choose you need to make sure it's the right one for you. If you can't or don't want to purchase a car outright you should calculate what you can afford monthly. You should aim to allocate no more than 25% of your household income to all the cars in your household each month, including running and maintenance costs ([Bankrate.com](https://www.bankrate.com)).

Check your credit score

Your credit score will be one of the main factors taken into consideration by lenders when applying for car finance. Typically the better your score, the lower the interest rate you will be eligible for. A poor credit history can limit your options for car finance as many lenders will automatically refuse your application if they see you have previously defaulted on payments.

Here we have put together a guide on [how to improve your credit score](#).





2. Make your finance more affordable

If you do choose to go down the car finance route to buy your next car then you will want to ensure that your monthly repayments are affordable. Putting down a deposit and part exchanging your current vehicle are ways you can reduce your monthly payments.

Although many car finance companies don't require you to put down a deposit, if you can afford to, putting one down at the beginning of your agreement can help to reduce your monthly payments and interest charges as part of the purchase price has already been paid off.

If you have a car that you want to use as part exchange then this can also help to bring down your monthly costs. Your current car can be traded in and the value quoted by the dealer will be added onto the deposit amount. Some people choose to sell their car privately and use the money from the sale as part – or all – of their deposit.

Private sales can sometimes offer you a better deal than part exchanging. If you do choose a private sale option however, it's likely you will have to forfeit going without a car for some time in order to free up the funds to use as a part of your deposit amount. Trading your car in with the dealer you're buying from will allow you to drive to the location in your old car and drive away in your new car with no hassle.



3. What do you need the car for?

Once you have made a decision on finance and your deposit amount, you should then start searching for a car that is suitable for you. When looking for a car it's important to choose something that meets your needs as well as your price range. It's likely that you have a car in mind, or even a list of favourites. But it's good to be open-minded when looking at cars, especially if your options are limited due to poor credit. If you are in this situation then you should base your decision on what is functional and practical, rather than selecting a car based on performance and style.

To help make a decision on what car is right for you, you should be asking yourself the following questions;

- What will I use the car for?
- Do I frequently make long journeys?
- How many passengers will I regularly have?
- Do I need extra space such as a large boot?
- Do I need it to be fuel efficient and cheap to run?
- Will I share the car with a partner or relative?
- How much parking or garage space do I have?



4. Consider other car running costs

When purchasing a car many people typically focus on their monthly finance payments. It's important to know however that this isn't your only financial commitment. You should also take into consideration what you will be spending each month in other car running expenses, including;



Fuel



MOTs



Tax



Servicing



Car insurance



Other maintenance costs
such as car parts and repairs

You should ensure you have enough each month to cover these costs in addition to your repayments. [The Money Advice Service](#) estimate that the average motorist spends up to £3,500 a year on car running costs.



5. Dealership vs private sale

Many believe they will pay less for a used car if they use a private seller rather than a dealer. While in many cases this might be true, there are potential risks in purchasing from a private seller. It's best to only purchase privately if you know what to be aware of. If you're well experienced with cars then a private sale might be a good option for you, especially as it can give you an opportunity to negotiate a discount if the owner is desperate to sell.

The main downside of buying privately is that you have limited legal rights if something happens to the car. Although the initial cost of the car can be higher when purchasing from a reputable dealership, you will have peace of mind that you have somewhere to turn to if there is an issue with the car.

Many [car dealerships](#) such as Red Potato are also able to offer you the full package from helping you find an ideal car to sourcing you affordable car finance, even if you have a poor credit history.



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