

Press Release

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PCP growth fuels record year, while 2015 has potential to be a 'game changer'

On the back of record new car registrations, independent motor finance provider, ALPHERA Financial Services, believes that 2015 has the potential to be a real game changer for vehicle retailers and finance providers alike.

Samantha Cripps, Alphera's head of sales development, comments: "Recent figures from the Society of Motor Manufacturers and Traders (SMMT) have confirmed what many expected; the UK automotive industry has returned to pre-recession registration levels, with almost 2.5 million new cars hitting the roads in 2014.

"While registrations are likely to reach their peak over the coming 12 months, this does not mean there is an absence of opportunity within the market. Indeed, we believe that 2015 has the potential to be a genuine game changer for businesses given just some of the prospects due in the coming year, including continued FCA roll-out, an uncertain General Election and continued economic fluctuations. The key will be how businesses react and deal with this change."

The SMMT data for 2014 highlighted the fourth highest registration level in UK history and the best performance for a decade. It also outlined key trends, including a quadrupling in sales of alternatively-fuelled vehicles and the rise of the multipurpose and crossover vehicle as a flexible and fuel-efficient option for many households.

Cripps continues: "The data is incredibly positive and, while indications are that growth will slow in 2015 as the market reaches its inevitable peak, consumers will continue to take advantage of the great deals available for both new and used vehicles. In addition, as retailers and finance companies demonstrate a renewed focus towards great customer outcomes, the opportunity for consumers to benefit from the low cost of money is likely to continue in the first half of the year."

Figures from both the SMMT and FLA suggest that around 75% of vehicles are currently financed through dealer-sourced credit, with Personal Contract Purchase (PCP) making up a large proportion of the agreements. In line with the wider industry, ALPHERA Financial Services celebrated a record year

in 2014, putting much of its double digit growth down to the increasing penetration of its Select PCP product.

Cripps explains: "Low interest rates in recent years have made it increasingly affordable for consumers to take out credit. While interest rates are likely to go up in 2015, the decreasing price of oil and current low inflation level means that this probably won't happen until the latter part of the year. As such, we believe that PCP will continue to provide a cost-effective and flexible way for consumers to purchase the car they desire.

"Indeed, while the growth in overall car sales may slow down, it is perfectly possible to increase the share of dealer-sourced car finance from the current 75% to more than 80%. We are working closely with our dealer and broker partners to manage the expected peak in both volumes and values over the coming 12 months, focusing on programmes to increase penetration and drive retention."

In conclusion, Cripps argues that the motor retail sector should embrace 2015 as a year of positive change: "With the Financial Conduct Authority acting as a catalyst for a changing regulatory landscape, businesses will be focused on keeping the customer at the heart of everything they do. Maximising retention, utilising the current low cost of money and using this time to focus on business processes is likely to deliver significant game changing growth opportunities for motor retailers and finance providers alike."

ALPHERA Financial Services is a leading F&I provider for franchise dealers, independents and brokers for all marques (except BMW). To find out more about ALPHERA Financial Services, please visit www.alphera.co.uk.

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Notes to editors:

About ALPHERA Financial Services

ALPHERA Financial Services UK is based in Hook, Hampshire. Alphera operates across the F&I sector with franchise dealers, independents and brokers for all marques (except BMW). Worldwide, Alphera provides innovative vehicle finance solutions in more than 25 countries, including the USA, South Africa, Australia and Germany. To find out more, visit www.alphera.co.uk.