



# Hire Purchase Agreement

## Product Information Sheet

### About this Information

You should read this document and all the other information we provide to you carefully so that you can decide whether this product is right for your needs and circumstances.

This is key information that will help you understand our Hire Purchase product. This document does not contain all the information about the agreement you will enter with us.

Hire Purchase Agreements are provided by AGCO Finance Limited (we/us) which is a joint venture between the global financial solutions partner DLL and global machinery manufacturer AGCO Corp.

If, after reading this features and benefits document, you require further information or have any questions we encourage you to contact us. Details of how to do this are shown at the foot of this document.

### Features and Benefits

- ▶ Use of the equipment without investing significant capital.
- ▶ An alternative line of credit.
- ▶ Equipment is acquired by us (the owner) and we pay your nominated supplier the cost you have agreed (plus VAT) if applicable.
- ▶ VAT paid by you (the customer) to us on the purchase price on day one (unless circumstances allow for the VAT to be deferred and funded for up to 3 months\*\*) along with any agreed deposit and advance payment amounts.
- ▶ VAT reclaimable by you (if the business is VAT registered with His Majesty's Revenue & Customs).
- ▶ Fixed payment amounts which can be designed to match the cashflow of your business.
- ▶ Agreement terms are typically fixed for 12 to 84 months.
- ▶ You record both the asset and the HP liability on the balance sheet of your business.\*
- ▶ The interest element of any repayment may be deductible as a trading expense against taxable income.\*
- ▶ The Hire Purchase Agreement cannot be terminated by us if you comply with the terms and conditions of the agreement.
- ▶ You do not own the equipment until all the payments, any arrears, and the option to purchase fee have been paid.

**\*You should always seek advice from your accountant, financial and/or legal advisor before entering into any finance transaction.**

**\*\*VAT deferral in development.**



## Frequently asked questions

### What is a Regulated Hire Purchase Agreement?

- ▶ A Regulated Hire Purchase Agreement is a contract between two parties, where one party, the owner (us), allows the other party, the customer (you), the use of their equipment for a period of time in exchange for the customer making regular payments. At the end of the term, you can purchase the goods by paying an option to purchase fee, usually a nominal fee.
- ▶ The Hire Purchase Agreement is Regulated by the Consumer Credit Act 1974 (as amended) if:
  - It is a business credit agreement/Hire Purchase Agreement where the total amount borrowed is less than £25,000; and
  - You are a sole trader, partnership of 3 partners or less or an unincorporated body such as a club or society.

### Can I select the supplier of the equipment?

- ▶ You control the buying process by selecting the supplier and, as long as the supplier is approved by us, we pay them for the equipment you selected at the price you have agreed less any part exchanges and cash paid direct to them.

### How can Hire Purchase be used?

- ▶ Hire Purchase provides you with a way to use, pay for and eventually own equipment over a fixed period. This can spread the cost of more expensive items over a pre-agreed term.
- ▶ Hire Purchase must be used for approved business equipment.
- ▶ AGCO Finance will acquire the equipment you specify at the price you agree from your nominated supplier.

### Who can request a Hire Purchase facility from AGCO Finance Ltd

- ▶ It may be suitable for any UK based business, purchasing an AGCO item of equipment or an Agribusiness purchasing an asset for their business and looking to acquire the equipment by paying for it over a period.
- ▶ The business must be able to demonstrate affordability.



## What are the benefits of a fixed rate Hire Purchase Agreement?

- ▶ Once the contract has been signed off by AGCO Finance the rate will remain as is, this is irrespective of what happens to the bank of England base rate.
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## What are the benefits of a Hire Purchase Agreement?

- ▶ Typically, no additional collateral or security required.
  - ▶ Unlike a bank overdraft, a Hire Purchase Agreement cannot be terminated by us unless you are in breach of the terms and conditions of the agreement, or a specified termination event occurs.
  - ▶ Additional line of credit for the business to your main business funding facilities.
  - ▶ Payment amounts are fixed and scheduled so help with budgeting and cashflow.
  - ▶ Economic ownership for accounting and tax purposes rests with you (ask your accountant or financial advisor how this affects your business circumstances).
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## How do we make our decision as to whether we wish to offer a Hire Purchase Agreement?

### To help us decide whether to offer you a Hire Purchase agreement, we may require:

- ▶ The latest Information on your business e.g. financial statements, bank statements.
  - ▶ If you have been a customer before, any information we already hold about you.
  - ▶ Information we receive from enquiries we make about you; and
  - ▶ We may also view your credit history with a Credit Reference bureau or ask them to make enquiries for us.
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## What if I change my mind after signing the agreement?

- ▶ You have the right to cancel a regulated Hire Purchase Agreement within 14 days of receiving either a copy of the signed agreement, or notification that the agreement has been signed by us.
  - ▶ If you wish to cancel you can do so by contacting us in writing at the address below.
  - ▶ If you cancel the agreement, please note that you would only be cancelling this agreement and not necessarily any agreement for the asset and/or services you have entered into with the supplier and you may still be liable to make them good on the transaction.
  - ▶ Once the cancellation period has expired, you have limited rights to automatically terminate the agreement. Once you have paid 50% of the Full amount payable shown on your agreement stated in the agreement you can return the equipment to us, subject to the asset being returned in an appropriate state.
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## Does taking out an agreement with you affect my credit rating?

- ▶ As part of our application process we will notify you before making a check on your credit history with a Credit Reference Bureau.
  - ▶ Our enquiry will show on your record with them and may affect how others subsequently use this information in granting credit to you.
  - ▶ If you fail to make payments on the due dates, we will register this with a Credit Reference Bureau. This may affect how others view your creditworthiness.
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## How do I make my payment?

- ▶ To ensure that payments are made on the right date all payments must be paid by Direct Debit.
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## How will I know how much I must pay?

- ▶ Your Hire Purchase Agreement will clearly state the payment amounts, number and frequency along with the due dates.
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## What interest rate will I be charged?

- ▶ Interest rate used to calculate the repayments is fixed at the outset and will not change once your Hire Purchase Agreement commences.
  - ▶ Details of the amount of interest and the rate charged (the Annual Percentage Rate) will be detailed on your agreement and it is essential that you read this carefully before deciding whether to accept the terms.
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## Are there fees payable?

- ▶ A documentation fee to cover part of the cost of setting up the Hire Purchase Agreement may be charged on the start date of the Hire Purchase Agreement. The amount payable will be clearly detailed in the Hire Purchase Agreement and will be taken with the first payment.
  - ▶ Fees may be charged for various items during the term, e.g. for rescheduling payment dates, providing copy documentation, changing bank details.
  - ▶ Contact us for the current list of charges and fees that may be applicable.
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## Is there any commission payable to the supplier/broker?

- ▶ Commission may be payable by us to the supplier of the equipment and/or your finance broker and/or any other connected party.
  - ▶ Details of any commission paid, including the amount and how it was calculated, can be obtained from the dealer/broker or us on request.
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## What if the equipment is faulty?

- ▶ In the first instance, you should speak with the supplier to see if they are able to rectify the problem or suggest another suitable remedy.
  - ▶ If the supplier is unable to resolve the issue you should contact us and we will take steps to try and resolve the issue.
  - ▶ If the cost of the equipment is below £30,000 you may have a right to take legal action against the supplier or us or both under Section 75 of the Consumer Credit Act. Speak to your legal advisor or contact us to discuss your rights.
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## Can I settle the agreement early?

- ▶ You can settle the Hire Purchase Agreement early. Contact us for a settlement quote.
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## What happens at the end of the Hire Purchase Agreement?

### **At the end of a Hire Purchase Agreement, you have two options:**

- ▶ Purchase the equipment for the nominal option to purchase fee. - It is assumed that, since the option to purchase fee is small and the equipment will still have value, you will pay the option to purchase fee, and this will be collected with the final payment unless you notify us otherwise.
  - ▶ Return the equipment to us at a place designated by us (usually the original supplying dealer).
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## What happens if I were to miss a payment?

- ▶ Making timely payments on the due date is a strict condition of the Hire Purchase Agreement and why we collect payments by Direct Debit from your bank.
- ▶ Failing to pay your payments on the due dates will mean that you have broken the terms of the Hire Purchase Agreement.
- ▶ You should contact us before you intend to miss a payment to see if there is a way we can help, e.g. change the date of payment, reschedule future payments – Any changes to payment dates may incur additional interest.
- ▶ If you fail to contact us, we will contact you to discuss your options for bringing the agreement back up to date.
- ▶ If you fail to make your payment(s) on the due date(s) it can affect your credit rating. This may have severe consequences on your ability to obtain future credit and/or it may make future credit more expensive.
- ▶ This may lead to us taking action to recover the equipment and any associated costs.
- ▶ If you have paid more than 1/3rd of the total Total amount payable stated in the Hire Purchase Agreement, we can only repossess the equipment with an order of the court (In Scotland we may need an order at any time).
- ▶ Full details of the consequences of missing a payment are outlined in the Hire Purchase Agreement.

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## Contact Us

Tel. +44 2476 053310

[commercialsupport@agcofinance.com](mailto:commercialsupport@agcofinance.com)

<https://www.agcofinance.com/gb/en-gb/contact/contact-details>

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