



Operating Lease/ Contract Hire 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 Operating Lease/Contract Hire product. This document does not contain all the information about the agreement you will enter with us.

Operating Lease/Contract Agreement are provided by AGCO Finance Limited (we/us) – AGCO Finance is a joint venture between the global financial solutions partner DLL and 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 charged on your Operating Lease/Contract Hire Agreement payments can be 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.
- ▶ The Operating Lease/Contract Hire Agreement cannot be terminated by us if you comply with the terms and conditions of the agreement.

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



Frequently asked questions

What is a Regulated Operating Lease/Contract Hire?

- ▶ An Operating Lease/Contract Hire is a contract between two parties where one party, the lessor (us), allows the customer, the lessee, (you) the use of the equipment for a fixed period in exchange for regular payments (rentals).
- ▶ An Operating Lease/Contract Hire is an agreement where the total rentals equate to less than the invoice value of the equipment at the start of the agreement.
- ▶ The reason for the above is that the equipment is returned to the owner at the end of the agreement and as such has a value which will have been considered at the commencement of the Operating Lease/Contract Hire Agreement.
- ▶ **In terms of accounting and taxation we recommend you should check with your accountant or financial advisor**
- ▶ The Operating Lease/Contract Hire Agreement is Regulated by the Consumer Credit Act 1974 (as amended) if:
 - It is a business hire agreement/Operating Lease/Contract Hire Agreement where the total payments payable (plus VAT) is up to £25,000 during the fixed term; 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?

- ▶ For Operating Lease/Contract Hire agreements AGCO Finance will only fund equipment supplied through an authorised AGCO franchised dealership. We pay them for the equipment you have selected.

How can the Operating Lease/Contract Hire be used?

- ▶ An Operating Lease/Contract Hire Agreement provides you with the use of equipment over a fixed period for known rentals.
- ▶ Operating Lease/Contract Hire payments are typically lower than that of a Hire Purchase or Finance Lease because they only cover the asset's use and not its full purchase price.
- ▶ VAT is payable on payments as they fall due at the prevailing rate.
- ▶ The Operating Lease/Contract Hire must be for approved business equipment and be used by the business.
- ▶ The Operating Lease/Contract Hire Agreement term will be for less than the anticipated economic life of the equipment.



Who can request a Operating Lease/Contract Hire with AGCO Finance Ltd

- ▶ It may be suitable for any UK based business, purchasing an AGCO item of equipment.
 - ▶ A business looking to just pay for the use of the equipment and not the depreciation and not wanting ownership.
 - ▶ A business looking for a fixed term use of equipment for less than its anticipated economic life.
 - ▶ The business must be able to demonstrate affordability.
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What are the benefits of a Operating Lease/Contract Hire?

- ▶ VAT is chargeable on the payments as they fall due rather than on the full cost of the equipment (NOTE – VAT rates may change during the term).
 - ▶ Typically, no additional collateral or security required.
 - ▶ Unlike a bank overdraft, an Operating Lease/Contract Hire 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 your business in addition to your main business funding facilities.
 - ▶ Payment amounts are fixed and can be scheduled to assist with budgeting and cashflow.
 - ▶ You only pay for the depreciation whilst you have use of the equipment, plus financing costs.
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Can the lessee claim Capital Allowances?

- ▶ You cannot claim capital allowances under an Operating Lease/Contract Hire. Check with your accountant how this agreement will be recorded in your financial statements.
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How do we make our decision as to whether we wish to offer you a Operating Lease/Contract Hire?

To help us decide whether to offer you an Operating Lease/Contract Hire 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 Operating Lease/Contract Hire Agreement within 14 days of receiving either a copy of the signed Operating Lease/Contract Hire Agreement, or notification that the Operating Lease/Contract Hire 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 Operating Lease/Contract Hire Agreement, please note that you would only be cancelling this Operating Lease/Contract Hire 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 cannot unilaterally terminate the Operating Lease/Contract Hire Agreement. If you have any queries, contact us to discuss your options.
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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 Operating Lease/Contract Hire Agreement will clearly state the payment amounts, number and frequency along with the due dates.
 - ▶ Return conditions in your Operating Lease/Contract Hire Agreement will detail any additional fees or charges that may become payable at the end of the Operating Lease/Contract Hire Agreement when the equipment is returned to us with for example, more hours than agreed at the commencement of the Operating Lease/Contract Hire Agreement, be damaged and the tyres could have less tread than was expected. All of these will be explained to you prior to signing the Operating Lease/Contract Hire Agreement.
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What interest rate will I be charged?

- ▶ Interest rates used to calculate the payments are fixed at the outset and will not change once your Operating Lease/Contract Hire commences.
 - ▶ We do not disclose the interest rate used in calculating the payments.
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Are there fees payable?

- ▶ A documentation fee to cover part of the cost of setting up the Operating Lease/Contract Hire Agreement may be charged on the start date of the Operating Lease/Contract Hire Agreement. The amount payable will be clearly detailed in the Operating Lease/Contract Hire Agreement and will be taken with the first payment.
 - ▶ The Return Condition Agreement will specify what charges or fees may be payable when the equipment is returned at the end of the Operating Lease/Contract Hire Agreement, e.g. excess hours, low track/tyre depth, tyre type, damage beyond reasonable wear and tear.
 - ▶ 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 VAT?

- ▶ AGCO Finance Ltd purchase the selected equipment from your chosen dealer and we pay the net price plus VAT.
 - ▶ VAT is charged to you at the prevailing rate on each payment as it falls due.
 - ▶ Some additional fees may attract VAT at the prevailing rate.
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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.
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What is the residual value of the equipment?

- ▶ At the start of the agreement we (or a third party) will estimate the market value of the equipment at the end of the term, based on its expected use and condition. We use this value to calculate the anticipated depreciation and then calculate the payments charged to you for the use of the equipment over the term.
 - ▶ We do not disclose the residual value to you.
 - ▶ Your payments do not change through the term of the Operating Lease/Contract Hire Agreement irrespective of what happens to the actual market value of the equipment..
 - ▶ The actual value of the equipment at the end of the term is our risk - you will not be penalised or benefit if the market value varies from that we assumed at the outset.
 - ▶ You have no right to acquire the equipment at any time.
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Can I end the Operating Lease/Contract Hire early?

- ▶ There is no right to unilaterally terminate the Operating Lease/Contract Hire Agreement early.
 - ▶ If you wish to discuss terminating the Operating Lease/Contract Hire Agreement before the end of the term you can do so by contacting us and we will consider your request and advise you of your options.
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What happens if I were to miss a Operating Lease/Contract Hire Agreement payment?

- ▶ Making timely payments on the due date is a strict condition of the 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 Operating Lease / Contract Hire 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 make your payment(s) on the due date(s) it can affect you 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.
 - ▶ Full details of the consequences of missing a payment are outlined in the Operating Lease/Contract Hire Agreement.
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What happens at the end of the Fixed Term Operating Lease/Contract Hire?

- ▶ At the end of the Operating Lease/Contract Hire you must return the equipment to us in the condition specified in the Return Conditions unless we advise you otherwise.
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What are the Return Conditions at the end of the Operating Lease/Contract Hire Agreement?

- ▶ The equipment must be returned to us at the end of the term in accordance with a set of Return Conditions that will be specified at the start of the Operating Lease/Contract Hire Agreement.
- ▶ You must ensure you understand and agree with the Return Condition Agreement before you sign the Operating Lease/Contract Hire Agreement.
- ▶ If the equipment does not meet the specified condition additional fees and charges will be levied to compensate us for, e.g. excess hours/mileage, reduced tread/track depth, non-compliant tyres, damage beyond fair wear and tear.

What if I fail to return the equipment on the due date at the end of the Operating Lease/Contract Hire Agreement?

- ▶ Failure to return the equipment to the location specified, and in the condition required, may result in legal proceedings including court action. Additional associated costs may also be incurred and be due from you.

Contact Us

Tel. +44 2476 053310

commercialsupport@agcofinance.com

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

AGCO Finance

P.O. Box 4525

Abbey Park

Kenilworth

CV8 9AX

Registered in England No: 2521081

Registered Office: Building 7, Croxley Park, Hatters Lane, Watford, WD18 8YN

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