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A car leasing option can be called by many different names; it can be known as a contract hire or a finance lease. It is sometimes known as a car leasing scheme or hire purchase option. This refers to the one and same leasing facility where the approved finance company offers a leasing scheme to the consumer in procuring a car which can be used for a few years.

How a finance lease works

This is a VAT-free financing option that is employed by VAT-registered companies which allows businesses to enjoy procuring a vehicle to facilitate their business operations by paying a plausible sum which is construed as rental rather as loan or repayment.

Different businesses will procure different types of vehicles to facilitate their business operations; hence, there would be different monthly rental incurred which is usually determined by several factors such as the vehicleâ€™s initial cost, period of lease and residual value of the vehicle. The residual value refers to the vehicleâ€™s estimate value at the end of the lease minus the vehicle depreciation. That would compute the monthly vehicle rental with an imposed mileage limit to secure the vehicleâ€™s future value.

The consumer is allowed to use the vehicle in every way; even keeping it at home or traveling across the nation with it while under the car leasing scheme. But at the end of the car lease, the consumer can opt for a pay off contract equal to the vehicleâ€™s residual value. Once that amount is settled by the consumer or business, the vehicle is released totally to the consumer or business. This means that the consumer or business has full ownership of the vehicle.

The vehicle can be registered under the consumerâ€™s or companyâ€™s name.

Options

There are finance companies that offer an extension of the financing with a secondary contract; this means that the consumer or business can return the leased vehicle to lease another newer model. This is attractive when the consumer prefers to drive a newer model after a couple of years. There is less maintenance with new cars than older vehicles.

Professional car leasing companies can offer a variety of options with regards to the monthly payments of the leasing scheme to suit the cash flow of the consumer or business. It is possible to defer monthly payments or lower the amount with a balloon payment later at the closing of the leasing contract.

The best car leasing option can be recommended by the professional finance company depending on the market condition.

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