

The Sainsbury's Finance guide to reducing the cost of motoring



Introduction

Since last year, it is estimated that the cost of driving has increased by as much as 13.6%⁽¹⁾ and is around 16.5% higher than in 2006. Despite this rising cost of motoring, there are steps motorists can take to reduce it. For example, many use loans to buy new cars but don't shop around for the most competitive rates, and too many motorists stay with their existing insurers without trying others to see if they could reduce their premiums.

This guide looks at the individual costs associated with owning and running a car and how these can be managed.



All sources correct at time of publish - September 2008:

(1) Based on combined analysis of various sources including Office of National Statistics, AA, and www.direct.gov.uk. Comparison was made between the latest figures from these sources and those from a year ago when Sainsbury's Bank calculated the cost of motoring.

The cost of motoring

Buying a new car

The biggest cost associated with driving is obviously buying a new car. Findings from the latest Sainsbury's Bank Car Buying Index⁽⁴⁾, show that an estimated 6.85 million people are planning to buy a car between September 2008 and March 2009, spending around £7,239 each. Despite this huge cost, many people are not prepared to haggle over the asking price of a new car.

1. It pays to haggle

Research found that of those planning to buy a car between September 2008 and March 2009, 19% had no intention of haggling on the price, and another 19% only planned to haggle slightly⁽⁴⁾. Given that What Car? claims you can save over £1,500 on the list price of a brand new car by haggling, it is clearly worth trying to negotiate a better deal.

2. Shop around for a loan

Of the money that will be spent on buying cars over the next six months, around 18.4% will be financed through personal loans, which equates to around £9.14 billion, down by some £470 million on six months ago.

Unfortunately many people still go to their high street banks for loans, despite the fact that some of them offer rates that are amongst the most expensive available. This is partly explained by the fact that around a third of people wrongly believe that they can only obtain a loan from a bank or building society if they have a current account with them⁽⁵⁾.

For those motorists relying on loans to help finance the purchase of their car, it is important that they shop around and find a loan that offers a competitive rate of interest. Sadly, many people who take out personal loans only obtain one quote which means that they could be paying hundreds of pounds too much over the lifetime of their loans because they have not shopped around for the best deals. Supermarket banks offer some of the most attractive personal loan rates available.

3. Car leasing

Leasing schemes offer another affordable option for people who want to drive a brand new car but find the upfront cost prohibitive. Schemes, like our own Sainsbury's Drive, enable you to drive a brand new car by paying fixed rental payments over a period of time that suits you. Additionally, further headache can be taken out of driving as the road tax is included and the customer can choose to have their servicing included. At the end of the contract, you can decide to simply hand the car back and walk away or take out a contract for another new car.

(4) Research conducted by TNS with 2008 people between 1st to 10th August 2008.

(5) Research conducted by TNS with 2030 people between 2nd February and 11th February 2007.

Insuring your car

Competition in the car insurance industry is intense, which is good news for motorists - but only if they are prepared to shop around for competitive rates and quality cover. Research reveals that in June 2008, the market average car insurance premium was £514.36⁽⁶⁾. However, depending on your age and where you live, premiums can vary dramatically.

Age of motorist ⁽⁷⁾	Average premium in July 2007 ⁽⁷⁾	Average premium in December 2007 ⁽⁷⁾	Average premium in June 2008 ⁽⁷⁾	Average percentage change (between July 2007 and June 2008) ⁽⁷⁾
All motorist	£486.13	£497.26	£514.36	5.81%
17-24	£1,219.47	£1,255.99	£1,249.56	2.47%
17-39	£602.43	£617.14	£632.73	5.03%
40-49	£378.02	£387.03	£401.93	6.33%
50+	£319.06	£332.80	£347.45	8.90%
65+	£334.65	£353.53	£368.09	9.99%

Despite the huge difference in premiums charged by motor insurers, many motorists don't shop around when it comes to buying their insurance. One in five motorists only obtained one quote the last time they bought cover⁽⁷⁾. Of those motorists who obtained two quotes or less the last time they bought cover, 11% said they did not obtain more because they could not be bothered, and 8% said it was because they did not have time to do so.



(6) Research by Consumer Intelligence during June 2008

(7) Research carried out by GfK NOP amongst a representative sample of 967 people between 6th and 8th July 2007

Other costs involved in driving

There are many other costs involved with driving such as tax and your MOT, and many of these are rising. These costs can also be reduced by conducting a little research and shopping around.

1. Petrol

At the time of writing this guide, the cost of petrol was over 112 pence a litre and over 123 pence a litre for diesel, which means that the average motorist spends over £1,440⁽⁸⁾ a year on fuel. However, there are differences in price around the UK, with some areas cheaper than others. Prices may indeed vary from one forecourt to another so it's worth shopping around and making use of discounts and loyalty cards offered by different suppliers. Sainsbury's offers 1 Nectar point per litre of fuel purchased.

2. Car Servicing

The car servicing industry is worth over £8.35 billion a year⁽⁹⁾, which works out at more than £300 per car. Most motorists don't have brand new cars or company cars and the warranties that come with them, and they are therefore often left to their own devices to find a reputable garage. In trying to find one, they should ask friends and relatives for recommendations and make sure that they receive a quote for the work before agreeing to any work. They should also ensure that they receive a detailed invoice showing a breakdown of all the parts used and labour costs involved.



(8) Based on driving an average of 10,000 miles a year in a Ford Focus and average petrol prices, January to June 2008.

(9) Based on analysis of the latest figures from the Office of National Statistics and RPI statistics - some £8.35 billion is spent on servicing. According to the Department of Transport, there are some 27.8 million cars, which equates to around £300 per vehicle.

How Sainsbury's can help reduce the cost of motoring

Sainsbury's Bank can help reduce the cost of motoring in a number of ways:

1. Car insurance

Sainsbury's Car Insurance offers a wide range of benefits as standard under its comprehensive cover. This includes a free courtesy car when your car is being repaired by a recommended repairer, no claim discount protection for the life of your policy⁽¹⁰⁾ and a no claim discount of 70% if you have not made a claim in the past five years, rising to 75% after a further five years' claim free driving with Sainsbury's Car Insurance. It is also one of only a few providers to offer new-for-old replacement of child car seats after an accident as a standard feature of its comprehensive policy, even when there is no perceived damage, and provide support and compensation if you're a victim of car jacking or road rage.

2. Attractive rates on car loans

Sainsbury's Bank offers some of the most competitive rates available on car loans. In addition to a competitive rate, customers can choose to make no repayments for the first three months, get a decision in minutes and have their money transferred directly into their bank account.

3. Car Leasing Scheme

Sainsbury's Drive enables you to drive away a brand new car by paying fixed rental payments over a period of time that suits you. Additionally, further headache can be taken out of driving as the road tax is included and the customer can choose to have their servicing included. At the end of the contract, you can decide to simply hand the car back and walk away or take out a contract for another new car.



(10) Does not protect your premium from going up. Subject to continuing eligibility and your policy remaining in force.

How to contact Sainsbury's Bank

Car Insurance

Call **0800 032 0000** or visit [sainsburysbank.co.uk](https://www.sainsburysbank.co.uk)
or pick up a leaflet in store

Sainsbury's Bank Car Leasing Scheme

Call **0800 096 0526** or visit [sainsburysbank.co.uk/drive](https://www.sainsburysbank.co.uk/drive)
or pick up a leaflet in store

Personal Loans

Call **0800 096 0541** or visit [sainsburysbank.co.uk](https://www.sainsburysbank.co.uk)
or pick up a leaflet in store