

PRESS RELEASE
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LATEST HEADLIGHT REPORT REVEALS GROWING USED CAR MARKET

- New car finance market off to strong start in 2017
- Used car finance will see biggest growth through rest of the year
- Car buyer confidence returns to near pre-Brexit levels

Paragon Car Finance's latest biannual Headlight Report, taking the pulse of the UK's top 30 vehicle finance brokers, reveals strong growth in the vehicle finance market during the second half of 2016. Reflecting recent SMMT data which reported 175,000 new car registrations in January, 46% of brokers surveyed by Paragon saw an increase in new car finance applications in the 6 months to December, with a further 9% reporting a significant increase.

Brokers have also seen growth in the used car market, with 59% of respondents saying they've seen an increase in finance applications over the previous six months. Asked to rate overall car buyer confidence from 1-10 (with ten being very confident), respondents gave an average score of 6.9. While this figure remains below pre-Brexit levels of 7.4, it is a significant increase on last survey's figure of 5.9.

Despite ongoing uncertainty around Britain's trading relationships and major elections in the EU due in 2017, brokers expect growth to continue. Looking forward to the next six months 32% of those surveyed expect continued growth in new car finance while 46% expect further growth in the used car market.

Asked what was driving this growth, an overwhelming 79% of respondents cited the primary reason as being low interest rates, up from 54% in the last survey. Reflecting possible future downward pressures on the market however, the percentage of respondents citing higher disposable income as a contributory factor has fallen from 35% in Q1 2016, to 16% at present. Likewise, just 16% of respondents described greater security of employment as a factor, down from 47% in Q1 2016.

Julian Rance, Head of Paragon Car Finance, said: "While there has been strong growth in new car finance in early 2017 the market is, in many ways, overstated. A range of non-business-as-usual factors have contributed to this including better than expected post-Brexit economic indicators and low interest rates. Looking forward to the rest of 2017 we should expect some market adjustment and a 5 – 10% decrease in the size of the market, driven by low sterling and ongoing political and economic uncertainty.

"The other side of a declining new car finance market however, is a boost to used car finance, which our survey respondents expect to continue growing strongly through the rest of the year. This will be good news especially for brokers, the bulk of who's trade is in used cars."

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For further information, contact:

Liam Thompson
PR Account Manager

Tel: 0121 712 3161

Email: liam.thomphson@paragon-group.co.uk

www.paragoncarfinance.co.uk

Notes to editors

Paragon Car Finance is part of Paragon Bank PLC, a British bank with a specialist lending focus. Launched in February 2014, Paragon Bank applies its specialist lending expertise to offer competitive finance packages for customers in a range of carefully selected UK finance markets.

Established in 1985, The Paragon Group of Companies is a specialist lender and UK banking group. A FTSE 250 company, the Group has over £12.3 billion of assets under management and has helped one and half million customers with their finances.

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About the Paragon Car Finance Headlight Survey: The Paragon Car Finance Headlight Survey is a biannual survey of the UK's top 30 vehicle finance brokers operating across the UK. Situated at the centre of the UK car market, motor finance brokers link lenders to car dealers, specialist vehicle retailers and car buyers to source vehicle finance for the full spectrum of consumers and businesses across the UK. Active in the market each and every day, brokers are uniquely placed to comment on both the demand for and the supply of finance.