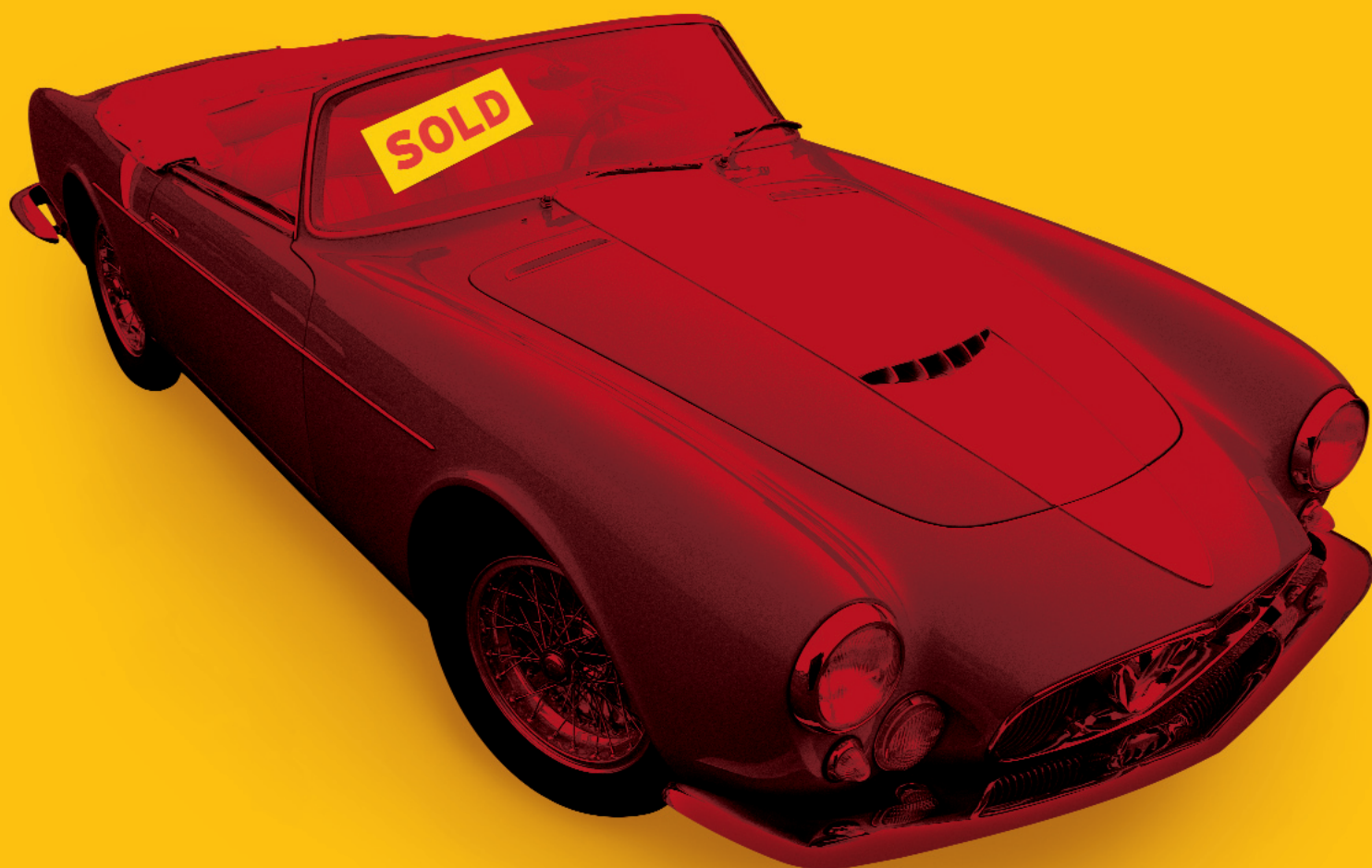


Sainsbury's guide to reducing the cost of motoring



Sainsbury's Bank

Introduction

Since last year, the cost of driving has increased by as much as 2.6%*⁽¹⁾ and is around 10% higher than in 2005. Despite this rising cost of motoring, there are steps motorists can take to reduce this. 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. With Sainsbury's Car Insurance for example, you could save up to £124 on your premium when compared with other insurers*⁽²⁾. Moneysupermarket.com also recognised Sainsbury's Car Insurance in its top 10 most competitive car insurers 2006⁽³⁾.

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

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 7.85 million people said that they are planning to buy a car between September 2007 and February 2008, spending around £7,463 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

Between now and February 2008, research found that 12% of people planning to buy a car said that they would not haggle over price and a further 38% said they would only 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 18.5% will be financed through personal loans, which equates to around £10.8 billion, up by some £2.4 billion 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, and those from Sainsbury's Bank currently start from 6.5% APR typical⁽⁶⁾.

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 July 2007, the market average car insurance premium was £486.43⁽⁷⁾. However, depending on your age and where you live, premiums can vary dramatically.

Age	Average car insurance premium paid in July 2007	Percentage change between July 2007 and December 2006 ⁽⁷⁾	Percentage change between July 2007 and July 2006 ⁽⁷⁾
Under 25s	£1253.71	6.39%	11.2%
Under 40s	£609.56	4.23%	5.81%
40 - 50	£366.13	1.22%	3.86%
Over 50s	£319.38	0.94%	2.86%
Over 65s	£342.17	0.79%	2.7%

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⁽⁸⁾. 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.

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 96 pence a litre and over 97 pence a litre for diesel, which means that the average motorist spends over £1,200⁽⁹⁾ 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 £7.6 billion a year⁽¹⁰⁾, which works out at more than £290 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.

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

According to the research company Consumer Intelligence, Sainsbury's Car Insurance could save you up to £124 compared with other providers^{*(2)}. In addition to this, the bank's car insurance also offers a wide range of benefits under its comprehensive cover as standard. This includes a free courtesy car (while yours is being repaired by one of our recommended repairers), full no claims protection 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' claims 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 on car loans available, starting from 6.5% APR⁽⁶⁾. 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 Purchase Scheme

Sainsbury's Bank's car purchase scheme offers a flexible and affordable way to purchase a new car. It also provides customers with access to the very latest makes and models on the market. The scheme's monthly payments are not calculated on the total cost of the car, but instead only on its depreciation plus the interest. Contracts are fixed at the outset for a two, three or four year period. The guaranteed future value of the vehicle is also set with the bank taking the risk of any further depreciation. At the end of the agreement you can choose to either make a final payment and keep the vehicle, choose another car or simply return it owing nothing.

Car buyers already have a useful tool in the What Car? Target Price, in association with Sainsbury's Bank, which provides an achievable discount for every make and model on sale (based on mystery shopping). By first checking Target Price (www.sainsburysbank.co.uk/drive), buyers can find out exactly how much discount to aim for. However, the Sainsbury's Bank car purchase scheme guarantees to beat Target Price every time, offering motorists even bigger discounts with no need to haggle.

- **Helping you find the best deal on a new car:** With every make and model on its system, the bank provides a 'Payment Calculator' that allows people to research and choose a car based on their own personal financial situation. Entering the desired car specifics, available deposit, likely mileage and agreement term the calculator will immediately provide the buyer with the monthly payments they could expect to pay with Sainsbury's Bank.
- **Getting market value for your old car:** A 'Valuation Tool', powered by What Car? offers potential buyers looking to part-exchange or sell their current car the opportunity to find out its potential market value. By entering a car's details (make, model and mileage) into the Valuation Tool, the seller can receive an up to date market valuation of their car.
- **Assessing the value of your company car:** 'Company Car Tax Calculator' allows drivers to find out exactly how much tax they are paying enabling them to then assess whether they should opt out of their company car scheme. Sainsbury's Bank's car purchase scheme can be an excellent alternative because motorists are not restricted to any particular make or model and can make full use of their car allowance without the tax.

How to contact Sainsbury's Bank

Car insurance: Call 0800 032 0000,
visit www.sainsburys.co.uk or pick up a leaflet in store

Sainsbury's Bank car purchase scheme: Call 0800 096 0526,
visit www.sainsburysbank.co.uk/drive or pick up a leaflet in store

Personal loans: Call 0500 40 50 60, visit www.sainsburys.co.uk,
or pick up a leaflet in store

Sources:

- (1) Based on combined analysis of various sources including Consumer Intelligence, Office of National Statistics, www.direct.gov.co.uk carried out August 2007.
- (2) Based on independent telephone research by Consumer Intelligence in April - June 2007 which shows that 10% of consumers could have saved £124 or more when switching to Sainsbury's Car Insurance. Consumer Intelligence, April to June 2007.
- (3) moneysupermarket.com's top 10 consistently competitive motor insurers 2006 (March 2007).
- (4) Research conducted by TNS with 2032 people between 3rd and 12th August 2007.
- (5) Research conducted by TNS with 2030 people between 2nd February and 11th February 2007.
- (6) Sainsbury's Bank loan rates at August 2007. These are subject to change.
- (7) Research by Consumer Intelligence during July 2007.
- (8) Research carried out by GfK NOP amongst a representative sample of 967 people between 6th and 8th July 2007.
- (9) Based on driving an average of 10,000 miles a year in a Ford Focus and average petrol prices, July 2007.
- (10) Based on ONS figures, 2005/06.