

PCP (Regulated) Target Market and Fair Value Document.

Key Features.

Product Name	Personal Contract Purchase (PCP)	Product Brand	ALPHERA Financial Services
Product Type	Hire Agreement with option to purchase	Credit Regulatory Class	Regulated
Description of the product	<p>A PCP is a legal agreement, and for the customer to own the vehicle at the end of the agreement they must make a balloon payment (also known as a Guaranteed Future Value (GFV)), the value of which is fixed or guaranteed by the finance company when the agreement is made and is based on the value the finance company predicts the vehicle to be at the end of the agreement, based on agreed term, mileage and condition.</p> <p>Unlike Hire Purchase a PCP offers the customer 3 options at the end of the agreement:</p> <ul style="list-style-type: none"> ▪ Pay the balloon payment and take ownership of the vehicle. ▪ Hand the vehicle back and make no further payments, subject to mileage and vehicle condition ('wear and tear'). ▪ Part exchange for a replacement vehicle by using any proceeds ('equity') gained if the amount the retailer is prepared to pay for the part exchange is more than the balloon payment due. <p>As a result of this flexibility at the end of the agreement, PCP is our most popular forms of vehicle financing for BMW Group Financial Services. Due to PCP always deferring some of the capital costs to the end of the agreement in the form of a balloon payment, it also provides a lower monthly payment compared to alternative products like Hire Purchase (however, the total amount may be higher than a Higher Purchase agreement).</p> <p>Customers taking out a PCP agreement through our Rolls-Royce Motor Car dealerships also have the option of paying annually.</p>		
Key Terms and Conditions	<ul style="list-style-type: none"> ▪ This is a hire agreement with an option to purchase, where the finance company has title to the vehicle during the term of the agreement. ▪ The customer has three options at the end of the agreement to part exchange, return or purchase the vehicle. ▪ Payments are calculated for a fixed period and based on an anticipated mileage. ▪ An Excess Mileage figure will be shown on the quotation and agreement. If the customer goes over the expected mileage, they will be billed the excess on a 'pence per mile' basis. ▪ The customer is responsible for, the Road Fund Licence, Maintenance, and insurance of the vehicle as well as any fines or congestion charges. ▪ The customer will own the vehicle once the balloon payment and all other necessary payments have been paid. ▪ If the customer decides to part exchange the vehicle, the current value will be assessed by the dealer, and any equity will be used to reduce the cost of the new car. ▪ If the customer decides to return the vehicle, it will be inspected and compared against BMW Group Financial Services' fair wear and tear tolerances, which are based on the BVLRA guidelines. Any damage outside 'fair wear and tear' will be charged to the customer. ▪ The interest is fixed throughout the term. ▪ Accrues more interest than a comparable Hire Purchase agreement as interest is also charged on the balloon payment which does not reduce in value. ▪ There is a statutory right to make lump sum payments. 		

Key features - continued.

Exclusions and Restrictions	<ul style="list-style-type: none"> ▪ The credit application must be in the customer's name. ▪ If the balance to finance is above £150,000.00, the customer must provide a minimum of 20% deposit. ▪ The contract doesn't include a Road Fund Licence beyond the first year, Maintenance, or insurance of the vehicle.
Contract Exit Provisions	<ul style="list-style-type: none"> ▪ There is a statutory right to withdraw from the agreement within the first 14 days of signing. ▪ There is a statutory right to make full early settlement. ▪ There is a statutory right to voluntarily terminate the agreement by paying half of the total amount payable. ▪ Once a customer has paid a third of the total amount payable, BMW Group Financial services must obtain a court order to repossess the vehicle if the agreement is terminated for breach and if the customer has not given consent to repossess.

Target Market.

Territory or territories in which the product will be sold	United Kingdom of Great Britain and Northern Ireland
Type of target	Private Individuals, Sole Traders, and small partnerships of 3 or less partners
Detailed description of the target market	Private individuals or sole traders must be UK resident and over 18 years of age. Partnerships must be located in the UK. Suitability determined by an assessment of the customer's demands and needs.
Key indicators of target market	<ul style="list-style-type: none"> ▪ Private Individuals, Sole traders, and small partnerships of 3 or less partners. ▪ Expressed interest in use, and possible ownership, of a new or used vehicle.
Objectives, demands and needs of the target market	<ul style="list-style-type: none"> ▪ Customers who wish to have a lower monthly payment with the option to purchase by paying the final 'balloon' payment at the end of the agreement. ▪ Offers customers flexible options at the end of the agreement. ▪ Fixed Payments and Fixed Interest. ▪ Expressed interest in use of a new, pre-registered or used vehicle. ▪ Wish to have the option to change or update their vehicle on a periodic basis.
Target market's knowledge and understanding of the product	<ul style="list-style-type: none"> ▪ All customers must have the salient product features explained and these explanations must be evidenced. e.g. <ul style="list-style-type: none"> ▫ Fixed term. ▫ Payment is annual mileage dependant. ▫ Excess Mileage charges and Damage recharges could apply. ▫ Customer will have 3 options available to them at the end of the agreement. ▫ A balloon payment will be due at the end of the agreement if the customer chooses to keep the vehicle. ▫ Statutory right to make lump sum payments, make full early settlement and legal right to voluntary termination. ▫ The vehicle may be repossessed if the customer does not maintain payments. ▪ Where individual customers or Sole Traders have characteristics of vulnerability, distributors must consider what additional steps need to be taken to ensure the customer is able to make a fully informed and responsible borrowing decision. If the product or service on offer is likely to lead to consumer harm, it must not be sold. Any vulnerability identified must be disclosed to BMW Group Financial Services but only if the customer has given consent for you to do so and can be evidenced.
Risks faced by the target market in relation to the subject matter of the product	<ul style="list-style-type: none"> ▪ Changes to customer circumstances during agreement leading to risk of affordability. ▪ Damage to vehicle, or excess mileage completed leading to additional charges at the end of the contract.
Risk tolerance of the target market	<ul style="list-style-type: none"> ▪ Customers who understand the risk of taking out additional borrowing to fund a purchase. ▪ Customers who wish to reduce risk by having more options to purchase / hand back the vehicle at the end of the agreement. ▪ This product is intended for customers who foresee income stability at the start of the agreement and can budget appropriately for the monthly cost.

Fair Value.

Fair Value	The product has been reviewed and signed off as representing fair value to customers.
Factors included, but not limited to, in the assessment of fair value:	<ul style="list-style-type: none"> ▪ Customer benefits, risks, and customer costs. ▪ Refinancing costs. ▪ Operations expenses. ▪ Fixed Commission paid by lender. ▪ Risk of credit losses. ▪ Risk of loss through lower-than-expected resale value.
What should distributors do to ensure the product provides fair value and benefit to the end customer?	<ul style="list-style-type: none"> ▪ Assess the customers' demands and needs and ensure that they align to the features of the product. ▪ Confirm the product is affordable by conducting an assessment with the customer. ▪ Present the customer with the known risks of the product. ▪ Commission, fees, or charges passed onto the customer must be proportionate to the service provided and provide fair value. ▪ Distributors should consider their costs incurred and the provision of comparable products within the market including non-credit alternatives like cash or savings. Distributors should avoid pricing that differs significantly between customers and should also take existing customers and customers with closed contracts into account.

Manufacturers and Distributors Information.

Identity of Manufacturer	BMW Group Financial Services (GB) Ltd, part of the BMW Group
Identity of Distributors	Contracted Partners and Retailers, direct sales
Types of Distribution channels	BMW Group Retailers, ALPHERA dealers and contracted broker partners
Legal Agreement?	Yes

Document control.

Template version	V1.0 April 2023
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We are committed to conducting business in a fair, honest, and open manner and to ensure that we have appropriate product oversight and governance systems and controls in place to offer products that have been assessed as providing fair value to customers that are within the appropriate target market.

This summary document has been created to fulfil our responsibilities under consumer duty regulations and should not be used as a sales or marketing tool. The client facing Partner must always ensure good customer outcomes and act in the best interests of each customer individually.