Car Loan vs PCP in Ireland

If you want to *own your car outright* and keep flexibility (sell any time, no mileage limits), a straightforward car loan usually wins on simplicity. If you want *lower monthly payments* and you're looking to change cars every few years (and accept mileage/condition rules plus a large optional final payment), PCP can fit, but you should compare **total cost** and **end-of-term choices**, not just the monthly figure.

Comparing Both

- **Car loan**: you borrow an amount, repay it in full over a set term, and (normally) you own the car from day one.
- **A PCP (Personal Contract Plan)**: you pay a deposit, then lower monthly payments for a few years because a chunk of the car's price is **deferred** to the end as a **final payment** (often called the *GMFV*, Guaranteed Minimum Future Value).

Car Loan Details

- You borrow a set amount (often the car price minus any cash deposit/trade-in).
- You repay **capital + interest** over an agreed term (e.g., 3–5 years).
- The monthly repayment is higher than PCP *because you're paying off the full amount* over the term.
- At the end: **loan balance is zero** and you own the car outright.

Your monthly repayment is determined mainly by:

1) Loan amount 2) APR (interest rate) 3) Term (months)

You can compare loan repayments from various lenders here on the CCPC loan calculator We did so and the most competitive rate we could find was 6.2% APR. Looking at a "new to you" car costing €41,995, the following are your repayments

Assumptions:
Car price: **€41,995**
Deposit: **€6,299.25** (15%, we'll keep it simple)
Loan Amount: **€35,695.75**
Term: **3 years (36 months)**
APR: **6.2%** (the most competitive we could find on the CCPC)

Monthly & Total Repayments:
Monthly repayment = **€1,089.17**
Total paid over 36 months = **€39,210.12**
Total Cost = **€45,509.37**

Pros

- You own the car (typically from day one) and can sell it whenever you like.
- No mileage limits or "fair wear and tear" return conditions.
- Transparent total cost: you know the repayment schedule and the end date.

Cons

- Higher monthly repayments than PCP for the same car price (because you're repaying everything).
- You carry the depreciation risk (the car's value may fall faster than expected).
- If you choose a longer term to reduce repayments, you can end up paying more interest overall.

A car loan is often a better fit if:

- You plan to keep the car longer than 3–4 years.
- You want the freedom to **sell anytime** without mileage/condition constraints.
- You want a single, clear goal: "repay the loan & own the car".

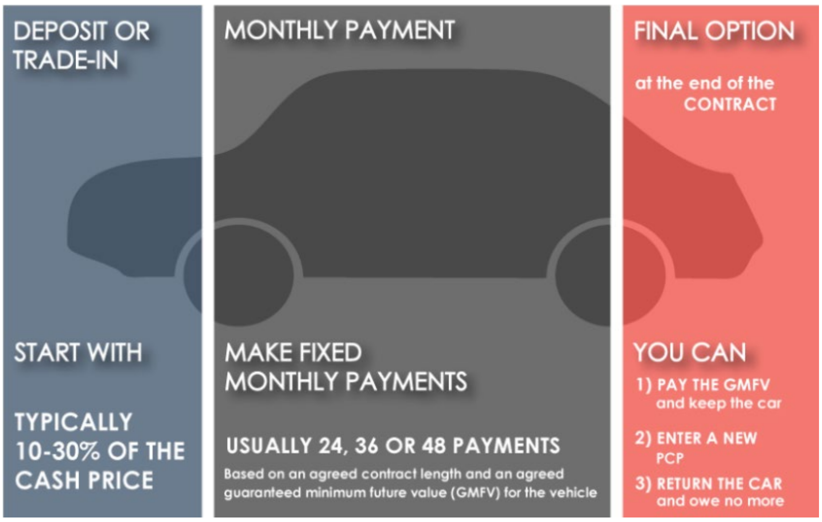
Personal Contract Plan (PCP) Details

PCP is designed to reduce the *monthly* repayment by postponing a large portion of the cost until the end:

- You pay a **deposit** (often 10–30%).
- You make **monthly payments** over a shorter term (commonly around 3 years).
- You finish with a **final payment** (the GMFV) if you want to own the car.

At the end of PCP you typically have three choices:

- Pay the final payment and keep the car
- Hand the car back (subject to mileage/condition rules)
- Trade it in and start another agreement (using any equity, if it exists)



PCPs currently on offer include: Renault e-Tech, Captur or Clio models at 3.9pc APR; Toyota C-HR Hybrid or Corolla Cross at 3.9pc-5.9pc APR and Hyundai Ioniq at 2.49pc APR. Let's take a look at the most competitive Hyundai example.

The actual cost of this car on the road is €41,995
Deposit: **€14,698.23**
Monthly Repayments: **€274.63 (x 36 = €9,886.68)**
Balloon Payment in Month 37: **€19,107.90**
Total Cost: €43,692.81

Important note on PCPs: PCP agreements can calculate interest in different ways depending on the provider and structure (for example, how interest is applied across the financed amount). The point of the example is to show the *shape* of the deal: **lower monthlies + a meaningful end payment/decision**. Always confirm the provider's total amount payable before signing. [More info on the CCPC's PCP explainer here](#).

Pros (PCP)

- **Lower monthly repayments** than a repayment loan on the same car price.
- Can suit people who **like changing cars regularly**.
- Gives a structured "exit point" after a few years.

Cons (PCP)

- **You may not own the car at the end** unless you pay the final lump sum.
- **Mileage limits and condition standards** can matter if you hand the car back.
- You can be exposed to **equity risk**: if the car is worth less than expected, it may affect your options (particularly if you want to change early).
- The "low monthly" can encourage stretching to a more expensive car than your budget truly supports.

PCP can make sense if:

- You strongly prefer a **lower monthly payment** and can comfortably manage the deposit and the balloon payment at the end.
- You expect to change cars every few years and can stay within **mileage/condition** terms.
- You have a plan for the end: keep, hand back, or trade *and you've checked what happens if the car value moves against you*.

The Central Bank repeatedly warns consumers that the reason interest rates appear low on a PCP is because you are typically only borrowing one-third of the cost. You remain on the hook for the final lump sum. If you don't, or can't, pay up, they take the car off you, sell it and recoup the outstanding balance. Win, Win for them. But for a borrower down on their luck, it's Lose, Lose.

The all-important 'half rule' is your get-out clause

The Consumer Credit Act 1995 has specific provision for PCP finance and a vital in-built protection every borrower should know. It's called the "half rule".

This allows you to give back the car if you get into financial difficulty and not still owe the rest of the loan. You have the right to end a PCP agreement at any time and limit your liability to half the PCP price of the car.

The contract you sign must show this, but with the huge paperwork, it can escape a less-than-keen eye.

This article is for general information only and not to be relied upon as personal financial advice. The "best" choice depends on your cashflow, how long you keep cars, and how comfortable you are with end-of-term uncertainty. The 6.2% car loan rate and the 2.49% PCP rate are the lowest we could find, but these are the rates you should be requesting to secure or as close to them as you can get.

If you would like a chat around putting a financial plan in place and give you a little more direction as you head into the new year, why not touch base and reserve your complimentary [Discovery Meeting](). Email [info@lifestylefinancialplanners.ie]() or call 096-75951