



Calculating & Advertising Finance

No more guess work

V12finance.com - Calculation Examples

Following are examples for differing finance products based on the same cash price. Payment Protection Insurance (PPI) is available as a percentage of the customer instalment which means a base deal without PPI is constructed and PPI offered as an additional payment. The examples below will clarify this.

Classic Credit @ 19.9%APR

Cash Price £1199.99 over 24 months

Example Inputs:

DepositFactor = 0.1000000 (used to determine amount of Deposit in £:p, i.e. 10%)

Factor = 0.0500831 (used to determine the repayment instalment WITHOUT Payment Protection Insurance PPI)

Deposit: the amount the customer pays to you

```
Deposit = Round(CashPrice * DepositFactor, 2)
Deposit = Round(1199.99 * 0.1, 2)
Deposit = Round(119.999, 2)
Deposit = 120.00
```

BalanceBeforeCharges: the amount the customer is borrowing

```
BalanceBeforeCharges = CashPrice - Deposit
BalanceBeforeCharges = 1199.99 - 120.00
BalanceBeforeCharges = 1079.99
```

MonthlyInstalment: the amount the customer repays each month

```
MonthlyInstalment = Round(BalanceBeforeCharges * Factor, 2)
MonthlyInstalment = Round(1079.99 * 0.0500831, 2)
MonthlyInstalment = Round(54.08925, 2)
MonthlyInstalment = 54.09
```

MonthlyPPI: the amount the customer pays each month in addition to their monthly instalment to secure Payment Protection Insurance

```
MonthlyPPI = Round(MonthlyInstalment * 0.16, 2) - where 0.16 is the % of the instalment
that constitutes the PPI Premium.
MonthlyPPI = Round (54.09 * 0.16, 2)
MonthlyPPI = Round (8.6544, 2)
MonthlyPPI = 8.65
```

MonthlyWithPPI: the total monthly instalment including PPI

```
MonthlyWithPPI = MonthlyPPI + MonthlyInstalment
MonthlyWithPPI = 8.65 + 54.09
MonthlyWithPPI = 62.74
```

BalancePayable: the sum of instalment amounts to be paid

```
BalancePayable = MonthlyInstalment * Term
BalancePayable = 54.09 * 24 : NOTE - always the MonthlyInstalment WITHOUT
PPI
BalancePayable = 1298.16
```

AmountPayable: the TOTAL amount the customer will pay for their goods including interest

```
AmountPayable = BalancePayable + Deposit
AmountPayable = 1298.16 + 120.00
AmountPayable = 1418.16
```

ChargeForCredit: the amount of interest payable by the customer

```
ChargeForCredit = BalancePayable - BalanceBeforeCharges
ChargeForCredit = 1298.16 - 1079.99
ChargeForCredit = 218.17
```

When V12finance.com construct the .pdf finance agreement, the figures would look like this:

Total Cash Price (incl. VAT)	1199.99	A
Less Deposit	120.00	B
Loan Amount (A-B)	1079.99	C
Interest/Total Charge for Credit	218.17	D
Total Amount Payable	1418.16	E
Balance Payable	1298.16	F
By 24 Monthly Repayments of	54.09	G
Annual Percentage Rate (APR)	19.9%	
Monthly Payment Protection Insurance (PPI) Premium	8.65	H
Total Monthly Repayment inclusive of PPI (G&H)	62.74	I

NOTE: PPI is optional. When V12finance.com construct the .pdf finance agreement, the amounts in lines H and I would be left blank if the customer has not selected PPI.

Buy Now Pay Later

The basic finance calculations will work as above. Anytime the repayment term and/or APR change, the Factor will change accordingly. V12finance.com will advise you of all the correct factors for each product.

In addition to the above, you will have the *DeferredPeriod* which is the number of months before the first instalment is due from the customer. The *DeferredPeriod* would be used in online quotations which you'll see later on.

A typical BNPL deal would be to pay nothing for 12 months followed by 36 payments. The customer can either settle the loan amount (*BalanceBeforeCharges*) BEFORE the first instalment in which case NO interest charges are payable OR the customer does nothing and pays the interest charges as shown.

Here's an example of a 12 month deferred deal with a 36 month repayment at 29.8%APR:

Total Cash Price (incl. VAT)	1,199.99	A
Less Deposit	120.00	B
Loan Amount (A-B)	1,079.99	C
Interest/Total Charge for Credit	920.53	D
Total Amount Payable	2,120.52	E
Balance Payable	2,000.52	F
By 36 Monthly Repayments of	55.57	G
Annual Percentage Rate (APR)	29.8%	
Monthly Payment Protection Insurance (PPI) Premium	8.89	H
Total Monthly Repayment inclusive of PPI (G&H)	64.46	I

Interest Option

The customer starts to pay the instalments of an interest bearing finance agreement but has the 'option' to settle free of interest charges during the option period.

The amount required to settle during the option period will be the amount borrowed less the total amount of the instalments made to date.

The customer can, of course, do nothing during the option period. In this case they simply carry on paying the normal instalment and will incur the interest charges shown in the example later.

Assuming the Interest Option Period is a variable *IFO*, the amount required to settle free of charges will be:

$$\text{Settlement} = \text{BalanceBeforeCharges} - (\text{MonthlyInstalment} * \text{IFO})$$

Here's an example of a 6 month option deal with a 36 month repayment at 29.8%APR:

Total Cash Price (incl. VAT)	1,199.99	A
Less Deposit	120.00	B
Loan Amount (A-B)	1,079.99	C
Interest/Total Charge for Credit	494.65	D
Total Amount Payable	1,694.64	E
Balance Payable	1,574.64	F
By 36 Monthly Repayments of	43.74	G
Annual Percentage Rate (APR)	29.8%	
Monthly Payment Protection Insurance (PPI) Premium	7.00	H
Total Monthly Repayment inclusive of PPI (G&H)	50.74	I

Amount required to settle in the 6th month, when 5 payments have been made:

$$\text{Settlement} = 1,079.99 - (43.74 * 5)$$

$$\text{Settlement} = 861.29$$

Interest Free

The rule with Interest Free is that the Total Amount Payable is not greater than the Cash Price. Therefore, there is a slight difference in the calculation of the monthly instalment as follows as we need to avoid rounding up the instalment:

MonthlyInstalment: the amount the customer repays each month

$$\text{MonthlyInstalment} = \text{Rounddown}(\text{BalanceBeforeCharges} * \text{Factor}, 2)$$

$$\text{MonthlyInstalment} = \text{Rounddown}(1079.99 * 0.166666, 2)$$

$$\text{MonthlyInstalment} = \text{Rounddown}(179.99761, 2)$$

$$\text{MonthlyInstalment} = 179.99$$

If the instalment was left to round naturally, it would result as £180 which would mean the Total Amount Payable would be £1,200.00 compared to a Cash Price of £1,199.99 - that penny difference would be classed as interest; hence the deal would not be Interest Free!

The rest of the deal would look like this:

Total Cash Price (incl. VAT)	1,199.99	A
Less Deposit	120.00	B
Loan Amount (A-B)	1,079.99	C
Interest/Total Charge for Credit	0.00	D
Total Amount Payable	1,199.94	E
Balance Payable	1,079.94	F
By 6 Monthly Repayments of	179.99	G
Annual Percentage Rate (APR)	0.00%	
Monthly Payment Protection Insurance (PPI) Premium	28.80	H
Total Monthly Repayment inclusive of PPI (G&H)	208.79	I

V12finance.com - Advertising Finance

We can use the results above to make featured products more affordable by quoting a monthly instalment. The other point to consider is the setting of a minimum break point for finance on your site. As the basket is being added to by the customer, we could use a minimum break point for finance to suggest the customer trades up to take advantage of finance.

If you were to offer finance on all orders over £400, someone with a current basket of £188.56 would have the following message displayed – “Spend £211.44 and qualify for Online Finance”

Now to the specifics of advertising finance. First, a disclaimer!

This is a general guide and not an authoritative view of the law as V12finance.com are not legal professionals. If you are unsure about advertising finance, seek professional advice from your legal advisor or local Trading Standards Office.

When a product is featured, we should be giving the customer information about the finance options available. Here's an example:



**Compaq Evo NX9010 P4DT 2.66GHz 256MB 40GB DVD-CDRW XP Pro
£1199.99 inc VAT**

online finance options available!

- **Buy Now, Pay October 2004 – 29.8%APR**
- 6 months Interest Free – 0%APR
- 6 months Interest Option – 29.8%APR
- pay £54.09 for 24 months – 19.9%APR

Click the link for full details of each finance offer

Clicking the buy now, pay October 2004 link will display this pop up:

Buy Now Pay Later

The Buy Now Pay Later scheme is an interest bearing loan where the first instalment is deferred for 12 months. You can either settle in the deferred period BEFORE your first instalment is due and pay NO interest charges OR enjoy the payment holiday and make the normal instalments incurring the interest shown below. The choice is yours.

See the example below, which is based on the costs of the items you currently have in your shopping basket.

Cash price (inc. delivery & VAT)	£1,199.99
Deposit (10%)	£120.00
Amount of loan	£1,079.99
Interest/Total Charge for credit	£920.53
Total amount payable	£2,120.52
Balance payable (if not settled within 12 months)	£2,000.52
<i>Excluding Optional Payment Protection Insurance</i>	
36 monthly repayments of	£55.57
APR	29.8%
<i>Including Optional Payment Protection Insurance</i>	
36 monthly repayments of	£64.46

Written quotation available on request or print this window

Clicking the [6 months Interest Free](#) link will display this pop up:

Interest Free

Our Interest Free finance scheme is what it says, Interest Free – no catch, no ties.

You simply pay 6 payments which will total no more than the cash price of your purchase.

See the example below, which is based on the costs of the items you currently have in your shopping basket.

Cash price (inc. delivery & VAT)	£1,199.99
Deposit (10%)	£120.00
Amount of loan	£1,079.99
Interest/Total Charge for credit	£0.00
Total amount payable	£1,199.94
Balance payable	£1,079.94

Excluding Optional Payment Protection Insurance
6 monthly repayments of **APR 0%** £179.99

Including Optional Payment Protection Insurance
6 monthly repayments of £208.79

Written quotation available on request or print this window

Clicking the [6 months Interest Option](#) link will display this pop up:

Interest Option

With our Interest Option scheme, you start to pay the instalments of an interest bearing finance agreement but have the 'option' to settle free of interest charges during the 6 month option period.

The amount required to settle during the option period will be the amount you borrowed less the total amount of the instalments made to date which, assuming you settle in the 6th month (after 5 payments) would be £861.29.

You can, of course, do nothing during the option period. In this case you simply carry on paying your normal instalment and will incur the interest charges shown below.

The example below is based on the cost of the items you currently have in your basket.

Cash price (inc. delivery & VAT)	£1,199.99
Deposit (10%)	£120.00
Amount of loan	£1,079.99
Interest/Total Charge for credit	£494.65
Total amount payable	£1,694.64
Balance payable	£1,574.64

Excluding Optional Payment Protection Insurance
36 monthly repayments of **APR 29.8%** £43.74

Including Optional Payment Protection Insurance
36 monthly repayments of £50.74

Written quotation available on request or print this window

Clicking the [pay £54.09 for 24 months](#) link will display this pop up:

Classic Credit

Our Classic Credit scheme is simply an interest bearing loan repayable over 24 months.

Optional Payment Protection Insurance is available.

See the example below, which is based on the costs of the items you currently have in your shopping basket.

Cash price (inc. delivery & VAT)	£1,199.99
Deposit (10%)	£120.00
Amount of loan	£1,079.99
Interest/Total Charge for credit	£218.17
Total amount payable	£1,418.16
Balance payable	£1,298.16

Excluding Optional Payment Protection Insurance
24 monthly repayments of **APR 19.9%** £54.09

Including Optional Payment Protection Insurance
24 monthly repayments of £62.74

Written quotation available on request or print this window

LOW COST CLASSIC FINANCE
24 MONTHLY PAYMENTS AT 19.9% APR
ON ALL PURCHASES ABOVE £400

For customers who prefer to opt for a traditional credit package, our Low Cost Classic Finance product offers the ideal solution. Classic Finance is a no nonsense, straight forward, interest bearing personal loan which allows you to spread the cost of your purchase over 24 equal monthly payments, at a low APR of 19.8%. It's available on purchases of £400 or more.

Here's a **typical example** based on a cash price of £1199.99:

Cash price (inc. delivery & VAT)	£1,199.99
Deposit (10%)	£120.00
Amount of loan	£1,079.99
Interest/Total Charge for credit	£218.17
Total amount payable	£1,418.16
Balance payable	£1,298.16

Excluding Optional Payment Protection Insurance
24 monthly repayments of £54.09
APR 19.9%

Including Optional Payment Protection Insurance
24 monthly repayments of £62.74

We are licensed credit brokers. Credit is subject to status and written quotations are available on request.
Terms & Conditions apply to optional Payment Protection Insurance



Using the V12finance.com name and logo

Where you use V12finance.com in text, please create a hyperlink to <http://www.v12finance.com> opening in a new window and display the text as follows:

V12 = #666666
finance. = #FF6600
com = #FF6600 & bold

The V12finance.com logos available from www.v12finance.com/downloads may be used. Again, please create a hyperlink to <http://www.v12finance.com> opening in a new window.

More Product Examples

Interest Option

INTEREST OPTION

6 MONTHS INTEREST OPTION ON A 36 MONTH LOAN AT 29.8% APR ON ALL PURCHASES ABOVE £750

Our Interest Option scheme gives you two options. You will start paying the monthly instalment of a 36 month loan about one month after taking receipt of your goods. The first option is to do nothing. You will pay the full 36 instalments resulting in you paying the interest shown on your finance agreement as Total Charge for Credit.

The second option is to settle the finance agreement before the expiry of the 'option' period which means you will not pay any interest at all. The 'option' period is clearly shown on your finance agreement and you will receive a reminder letter about one month before the expiry of the 'option' period.

Here's a **typical example** based on a cash price of £1199.99:

Cash price (inc. delivery & VAT)	£1,199.99
Deposit (10%)	£120.00
Amount of loan	£1,079.99
Interest/Total Charge for credit	£494.65
Total amount payable	£1,694.64
Balance payable	£1,574.64

Excluding Optional Payment Protection Insurance

36 monthly repayments of	£43.74
APR	29.8%

Including Optional Payment Protection Insurance

36 monthly repayments of	£50.74
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Assuming the settlement is made in the final month of a six month 'option' period, you will have made 5 payments, and would need to pay £861.29 which is the amount you borrowed (Amount of loan) less the sum of the net instalments made to date. The amount required to settle disregards any optional Payment Protection Insurance premiums you may have paid.

We are licensed credit brokers. Credit is subject to status and written quotations are available on request.
Terms & Conditions apply to optional Payment Protection Insurance



Interest Free

INTEREST FREE

6 MONTHS INTEREST FREE AT 0% APR ON ALL PURCHASES ABOVE £750

Interest Free is exactly that. No catch. You pay no more than the Cash Price of your goods.

We are licensed credit brokers. Credit is subject to status and written quotations are available on request.
Terms & Conditions apply to optional Payment Protection Insurance



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