



## UNDERSTANDING VEHICLE FINANCE AND INSURANCE

We wish you a warm welcome to Philwest VW a financially sound, innovative and dynamic company. It is our mission to provide you with the best possible motoring solutions.

Purchasing a new vehicle is exciting and yet can be a daunting process. Next to owning a home, your vehicle is one of your larger investments, exposed to many risks. There are not only multiple considerations in respect of the make and model of the vehicle, but also the many options as regards the type of finance and insurance available. The summarised content herein is for information and guidance purposes whilst exploring your options. However, always refer to the relevant contract/s and or policy wording/s for the full terms and conditions on receipt thereof.

### Financing of a Vehicle

Most consumers use a form of financing or leasing to acquire a vehicle. The dealership has **Finance and Insurance Departments** which facilitates the most common route of acquiring credit to purchase a vehicle, and a range of insurance and value added products to protect your newly acquired asset.

The F&I Department is staffed with competent professionals. Always direct all your financial products and services queries to the F&I Business Managers in the Finance and Insurance Department, that are duly authorised representatives of Philwest VW. We cannot accept any liability where information, recommendation, guidance or proposal for financial services is processed by anyone else in the dealership. (see FAIS Act)

The Business Manager will assist you so that you can make an informed decision on an optimum package geared towards realising your dream vehicle whilst at the same time protecting you, your family and asset and offers the benefits of:

- a. Convenience – Dealers offer buyers vehicles, accessories and financing in one place.
- b. Professional Advice on options regarding finance related initiatives plus the broad range of value added products available through the services of our panel of underwriters and product suppliers.
- c. Assistance with completing the necessary documentation.
- d. One Stop Shopping – The dealership's established relationships with a variety of reputable financial services institutions, service and product suppliers.
- e. Special programs – From time to time the dealer may be able to offer manufacturer incentives, such as reduced finance rates which may be advertised for certain models, makes or year-model vehicles.

### Things to Consider

1. Identify the price range and other information for your vehicle purchase.
2. Determine how much you can afford to finance and spend on a monthly payment, which should include all maintenance and running costs and this includes the insurance you will need to secure the risk of owning a vehicle.
3. Your credit report, get a copy so you are aware of what creditors will see. Errors or accurate negative information can impact your ability to get credit and/or your interest rate.
4. Credit Providers generally evaluate your credit application using automated techniques such as credit scoring, where a variety of factors, like your credit history, length of employment, income and expenses may be weighted and scored.
5. The credit provider generally bases its evaluation upon what appears on your credit report and score, the completed credit application, terms of the sale, such as the amount of the deposit, your history with them (if applicable), and your net disposable income after all expenses have been considered.
6. ***The decision to grant credit and/or cover is assumed by the credit provider/s and/or insurance company/ies – not the dealership. This will be based on their criteria and minimum requirements which the Business Manager will be able to disclose to you. In accordance with our standard procedures vehicle transactions may be concluded and signed for only at the dealership or your financing bank.***
7. Restrictions that may be imposed on the most attractive rates or terms quoted regarding credit or insurance.

### What will be required of you when applying for credit/finance:

1. You will be required to complete a credit application. Information on this application may include: your name; identity number; current and previous addresses and length of stay; current and previous employers and length of employment; occupation; sources of income which amounts to your total gross monthly income; all your expenses and financial information on existing credit accounts.



2. Supply the relevant documentation as required by the Financial Intelligence Centre Act 38 Of 2002 [see FICA below].  
(Note: FICA documentation is required for all transactions)
3. In the event that you are applying for credit to purchase a vehicle using two incomes (co-debtor) all or some of the above information will be required by the credit provider for the co-debtor. The Business Manager will be able to provide detail of such requirement.
4. On submission of the credit application to the credit providers, a report on your credit status will be drawn which contains information about current and past credit obligations, your payment record, including the creditor's summary of past due information and any legal steps that may have been taken to collect.
5. Credit Providers generally evaluate applications for credit utilising automated techniques such as credit scoring, where a variety of factors taken from your completed credit application, like your credit history, length of employment, the terms of the sale, such as the amount of the deposit, your history with them (if applicable), and your net disposable income after all expenses have been considered.
6. Each credit provider notifies the dealership of its decision and possible conditions that have to be met if they are to extended credit as per the submitted application, to conclude the transaction.

The Business Manager will on your behalf submit your application for credit to one or more credit provider/s.

## ➤ Interest Rates

- A fixed interest rate is an agreed upon interest rate that is fixed (does not change) over a pre-determined period of time. It is important to note that the fixed rate option is contracted for a specific term.
- A variable/linked interest rate is a fluctuating rate linked to the Mortgage lending rate as set by the SA Reserve Bank from time to time. Monthly repayments are calculated to pay the loan plus the interest over the agreed term of the loan. If interest rates change, so to does your monthly repayment amount.

## ➤ Balloon Payments

The Balloon Payment Option provides you with reduced monthly repayments. The lump sum payment due at the end of the period forms part of the contractual pay plan. At the end of the contractual period you may have the following options available:

- Apply to re-finance the balloon payment for a further period
- Trade in the vehicle, where a third party pays the balloon payment that will liquidate the debt with the bank
- Take ownership of the vehicle by paying the full amount at the end of the agreement, which will liquidate the debt

## ➤ Basic types of Finance Agreements

### ▪ Instalment Sale Agreement (ISA)

An Instalment Sale is a credit agreement in terms of which "goods" are sold by the bank to the customer over a negotiated period and at an agreed interest rate, with agreed monthly instalments (payments). Ownership of the goods passes to the customer upon payment of the last / final instalment.

### ▪ Lease

Lease Agreements provide customers with uninterrupted use of the goods rather than ownership of the goods, for an agreed period paying cost related rentals. Lease repayments are tax-deductible. Ownership remains with the bank for the duration of the agreement, however, there are options available to the client on termination:

- Return the asset to the bank
- Purchase the asset from the bank
- Sell or trade in the asset on behalf of the bank
- Lease the asset for a further period from the bank

### ▪ Rental

Rental Agreements provide customers with uninterrupted use of the goods rather than ownership of the goods. A rental agreement is basically the same as renting a flat or house. True rental agreements fall outside of the National Credit Act. A true rental agreement is a financial agreement where you pay for the use of the asset. When entering into a rental agreement, you are not buying or leasing the asset with a view to owning it at the end of the credit agreement. The vehicle has to be returned to the Credit Provider, within the agreed mileage restrictions, parameters and in a good condition at the end of the agreement. If these restrictions are exceeded you will be responsible for paying any restoration costs (except for fair wear and tear) and excess mileage costs.



## Legislative Adherence

We are committed to serving you, within the ambit of the law, honestly, fairly, with due skill, care and diligence, in your best interest.

### ➤ **NCA** - National Credit Act (NCA) No 34 of 2005

The National Credit Act, which requires all financial institutions and lenders to register as credit providers, came into effect on 1 June 2007. The National Credit Act (NCA) protects your rights as a consumer by regulating the granting of loans or credit. In short, it makes responsible lending a shared responsibility between the consumer and credit provider.

Aimed at protecting credit consumers the Act regulates our country's credit granting practices by making credit or loan applications transparent, fair and easy to understand, thereby providing consumers the knowledge and power to manage their debt effectively and the ability to pay it back comfortably.

**Philwest VW is NOT a credit provider.** The dealership is staffed with credit provider appointed agents authorised to assist you with all your financing requirements.

### ➤ **FICA** - The Financial Intelligence Centre Act 38 of 2001

FICA creates money laundering control obligations for banks, other institutions and professionals, including motor dealers. It is a requirement of FICA that banks obtain or verify information and supporting documentation before opening accounts for customers. You will have to provide the Business Manager with the necessary documents to arrange finance for you, and for compliance with legislation.

Listed below is the documentation required from you. Please note that this may vary depending on whether you are a new or existing customer, in a personal individual capacity or part of an entity.

### **Required Documentation to conclude a transaction:**

#### *All applicants*

- Proof of Identity - Original Identity or Passport Document, or three (3) legible copies (your photograph must be clear) of your Identity Document (bar coded), that has been certified by a Commissioner of Oaths or the SAPS for registration purposes
- Your original valid drivers licence (credit card) three (3) legible copies (your photograph must be clear) that has been certified by a Commissioner of Oaths or the SAPS for registration purposes
- SARS Tax Number
- Proof of Residence (Rates And Taxes, Retail Account Statements)
- Proof of comprehensive insurance
- Copy of cancelled cheque for debit order
- Signing of the Client Advice Record documentation

#### Individuals

- Proof Of Income (Latest Salary Advice Or Bank Statements),
- Commission Earners – 6 Months Bank Statements
- Copy Of Marriage Contract If Married ANC
- Spouse To Co-Sign Contract If Married COP

#### **If not a SA Citizen**

- Certified Copy – Passport
- SA Residence Permit
- Letter of Appointment
- SA Bank Account Details
- Work Permit

#### Business Entities [CC, (Pty) Ltd, Trusts]

- Proof of business residence
- Company VAT no
- Audited fin stats/6 months bank stats
- Proof of Registration
- Documents For Members/Directors
- Letterhead
- Memorandum Of Articles & Association
- Certificate Of Incorporation
- Resolution to buy the vehicle, in favour of the dealership
- CM29

### ➤ **FAIS Act** - The Financial Advisory and Intermediary Services Act [FAIS] 37 of 2002

This ACT was enacted in November 2002 with the purpose of protecting consumers rights in terms of financial products and to enhance the integrity of the South African financial services industry. The FAIS Act requires that all providers of financial services (including advice and intermediary services) be licensed, and that competent, qualified persons render these financial services.



Philwest VW is an authorised Financial Services Provider and the F&I Business Managers (Business Manager) at the dealership's branches are the representatives under contract, to render intermediary services and/or give advice relating to the financial services products available through the dealership. Philwest VW accepts responsibility for the actions of its representatives in the rendering of advice and intermediary services as per the FSP's license i.e. Long Term Category B, Short Term Insurance Personal Lines and Short Term Insurance Commercial Lines, provided that all information requested by the representative has been supplied by you.

## **Important Information**

- Do not under any circumstances sign any blank or partially completed application forms.
- Complete all forms in ink.
- It is imperative to declare all material information required by the underwriters, when applying for finance and/or insurance cover. Incorrect or non-disclosure by you may impact on any claims that arise from any of the contracts you have entered into.
- Read all contracts carefully as they are legally binding and ensure that they are safely stored.

## **Insurance - offering the most comprehensive cover to related risks of vehicle ownership.**

Insurance assists you to reduce the effects of unexpected losses, giving you the peace of mind you need by ensuring that you will be put back into the same financial position you were in before the insured event took place.

An insurance policy is a contract whereby one party (the insurer), in return for consideration known as a premium (which is payable in advance), agrees to indemnify another party (the insured) against specified damage, loss or liability arising from the occurrence of specified risks or to compensate the insured or beneficiary upon the occurrence of a specified event. The proposals for Insurance whether in verbal or written form, the policy schedule/certificate and all endorsements are integral to policies and should be read as such.

You may only take out insurance if you have an insurable interest, i.e. you (this includes your estate) suffer a direct financial loss in the event of a claim. This principle requires a person effecting insurance to have a legally recognised relationship to the subject matter of the insurance.

Insurance is not compulsory by law, but it is a condition of the contract when financing through a credit provider, because the credit provider has an obligation to protect its loan on the asset. You always have the free choice of:

- a) whether a new policy, an existing policy or combination of these options are to be used as security, and
- b) with which insurance company the policy is to be taken out, and the intermediary who should be assisting you, and
- c) whether or not the new or existing policy should provide extra benefits, other than those offered, and
- d) whether the value of the new policy, together with the value of all other policies ceded as security, shall exceed the value of the Loan.

## **Not all insurance policies are the same so to ensure you have yourself covered, confirm and understand:**

- Acceptance terms of insurer - i.e. tracking devices, inspections and housing of the asset, previous claims history; pre-existing conditions pertaining to your health, limitations on certain payouts, etc;
- Who the insurance company (risk carrier) and intermediary (broker) are [sustainability and compliance];
- Applicable exclusions and limitations on a policy - Simply, this will be your responsibility if there are:
  - pre-existing conditions; diseases are not covered for any claim arising from any illness/injury which commenced prior to effecting the insurance cover should that illness/injury materially contribute to the claim;
  - limits on towing and storage – these amounts are defined in the policy wordings
  - excesses (first amount payable), be it a monetary value, time implication or wear and tear calculation.
- Benefits automatically included in the premium quoted, what is available at an extra cost eg: car rental, sound equipment, accessories to the vehicle; additional drivers; 2nd lives (on credit insurance) to name a few
- The cost of the policy i.e. the premium excluding fees paid to the insurance company [risk carrier],
- If there are any pro rata amounts due to your insurers if a policy is taken out mid month (after debit order runs) so that you can provide adequately for this.
- Premiums are payable in advance - If no premium is received by the insurer following acceptance of your proposal then there is no cover.
- The payment frequency of the policy i.e. monthly payments or annual payments.
- Expiry date of your policy/ies this is to ensure that your asset is always covered. Dairise renewal dates.



- Check your policy certificate/schedule carefully upon receipt - you are responsible to verify the correctness of the information contained in it and you only have cover on the specified articles reflected in the policy (contract).
- Read and familiarise yourself with the contents of all your documents, so that you know exactly what insurance cover you have. If you do not understand any section, you must contact your insurance company or intermediary immediately for clarification thereof, to avoid disappointment in the event of claiming.
- Notify your insurance company immediately of any changes that occur which could affect them accepting the risk, as they have the right of refusal i.e. they are not obligated to take on risk if it does not meet their underwriting requirements.
- **NB:** Familiarise yourself with the claims process so that you follow it as detailed in the policy wording and statutory notice (found in the policy wording) in the event of an occurrence giving rise to a claim.
- Cancellation terms of the policy cover:
  - in the event of non payment or a defaulted debit order or cheque with insufficient funds.
  - notice periods required by you and by the insurer and the manner required in terms of the insurance contract - this may differ on the product and underwriter
  - If there is fraud in relation to an insurance policy, the contract can be voided back to inception of the policy.

The following are summaries of the insurance products available through our dealership.

➔ **Autobody Care** **Client Interest**      Yes     No

Covers minor repairs such as chips, minor dents and light scratches associated with the day to day motoring. Maintains the appearance and value of your car without compromising the no claim bonus on your comprehensive motor insurance.

➔ **Comprehensive Insurance** **Client Interest**      Yes     No

- Comprehensive insurance cover is a mandatory condition of the contract when the asset is financed.
- This is to protect the asset and financial position of the client should they suffer a loss such as **theft, attempted theft, hijacking, or damage in any way**. There is also a possibility that due to circumstances beyond your control, damage to a **third party's property** may occur.
- Insurance policies underwritten by different insurance companies have variations in respect of standard and optional benefits (e.g. radio cover), extending to exclusions (e.g. excesses)
- *Comprehensive Insurance does not cover:*
  - *mechanical breakdown* - warranties define "mechanical breakdown" as a defect in parts and workmanship as supplied by the manufacturer, or a defect that makes the part unable to perform the function for which it was designed.
  - *wear and tear* - the gradual deterioration of an asset which results naturally from use and/or age) *or*
  - *consequential loss* - i.e. A loss not directly caused by damage to the asset, but arising as a result of such damage. For example, lost production and loss of profits following a vehicle write off.

➔ **Extended Cover** **Client Interest**      Yes     No

Commonly referred to as top-up or gap cover. This cover is subject to comprehensive motor insurance policy being in force, and does not cover mechanical breakdown, wear and tear or consequential loss). This product is designed to complement your comprehensive vehicle insurance policy, and offers extended benefits which provide continued peace of mind in respect of your financial obligation regarding outstanding finance.

- **Shortfall and Violation :**

In the event of a total loss, it provides protection against a possible **shortfall** arising between the comprehensive insurance settlement and the balance owing to the credit provider. This excludes the first amount payable already deducted from the total loss settlement, and any insurance related products that were financed.

When the underlying comprehensive insurance policy rejects a claim due to unintentional **violation** of certain policy terms or conditions.
- **Deposit Protector**

Covers an amount of the value of the vehicle towards a deposit in the event of a total loss, and the underlying claim being settled, subject to the maximum indemnity as provided for in the policy wording.





➔ **Credit Protection** **Client Interest**      **Yes**     **No**

Credit Insurance is designed to cover the risk of a loan to credit providers in the event that a loan holder defaults in loan repayments as a result of retrenchment, critical illness, permanent disability, or death. This insurance does not form part of an estate therefore settlement of any claim is immediate subject to the limitations as set out in the policy terms and conditions.

- **Retrenchment**  
This benefit makes the loan repayments while the borrower is unemployed. This benefit is for a limited time only.
- **Disability** (as defined in the policy wording):  
The insurer maintains the loan repayments while the borrower is unable to work. This benefit is for a limited time only. At the end of this time the **Permanent Disability Benefit** commences (if applicable). The loan is usually repaid and the policy ends. This is often called an "acceleration benefit" as it speeds up or "accelerates" the payment of the death benefit. On payment of the acceleration benefit the death benefit falls away and the policy usually ends. A waiting period usually applies.
- **Death**  
The purpose is to protect the estate of the borrower in the event of death. The usual benefit is for the outstanding loan to be repaid subject to the maximum indemnity.

➔ **Mechanical Breakdown Insurance (Warranty)** **Client Interest**      **Yes**     **No**

*(Does not cover accident damage, wear and tear or consequential loss)*

The warranty covers repair and/or replacement of components as required in consequence of a mechanical breakdown **not** caused by accidental damage or neglect, and makes the budgeting of motoring costs simpler.

- **Extended Warranty:** Extension of a manufacturer's warranty for a specified period, however take note of differences and exclusions to the manufacturer's warranty, and the claim process.
- **Used Vehicle Warranty:** Covers certain components as listed in the wording. Indemnity is dependant on the age and mileage of the vehicle, which will determine the plan the vehicle falls under.

**NB:** The vehicle must be serviced and maintained as specified in your warranty booklet (records thereof are mandatory). Authorisation for claims is required from the relevant administrator prior to repair been affected. Where there is technical terminology request the administrators of the policy for a detailed explanation and the implications thereof.

➔ **Tyre Warranty** **Client Interest**      **Yes**     **No**

The tyre warranty provides cover for tyres and rims as a result of accidental or malicious damage. The policy will either reimburse the insured against the cost of repair for the insured tyres and / or rims, or they may be replaced whilst in use under normal conditions. A wear and tear excess is applicable. There are capped limits of indemnity. The policy does not cover road traffic accidents, fire and theft. Terms and conditions of the policy must be adhered to.

## Value Added Products available through the dealership

Special attention has been placed on value as we know it is just as important however is selecting the right protection for your valuable asset, as it is choosing your vehicle. Philwest VW has compiled a selection of proven products to simplify this process while giving you the peace of mind that your vehicle has the correct care that it deserves. In addition to this we have chosen products and suppliers that conform to strict Manufacturer requirements and have comprehensive supplier warranties.

➔ **Maintenance Plans** **Client Interest**      **Yes**     **No**

The Maintenance Plan covers all mechanical aspects of vehicle maintenance including servicing and repairs. The owner will however continue to be responsible for petrol and top up oil, accident damage and insurance, tyres and wheel alignment, body paint, glass, auto trim, after market accessories and abuse and negligence.

➔ **Service Plans** **Client Interest**      **Yes**     **No**

Standard vehicle servicing as per the manufacturers service intervals. The cover offered is for an agreed period and distance. The owner will however continue to be responsible for petrol and top up oil, accident damage, insurance, tyres and wheel alignment, body paint, glass, auto trim, after market accessories and abuse and negligence.



➔ **Tyre Bands** **Client Interest**      **Yes**    **No**   
Safety tyre bands are durable, aluminium bands fitted to the well of the wheel rim to lock the tyre in place in the event of a blow-out, puncture or under inflation. Having them helps protect your rims and ensure that you retain control of your vehicle in the event of a puncture or blow-out as you can travel for up to 40 kilometres at a safe speed allowing you to reach a place of safety before having to change the deflated tyre.

➔ **Paint and Interior Protection** **Client Interest**      **Yes**    **No**   
Applying the paint and interior protection to your vehicle, will protect the exterior and the interior of your vehicle. Your vehicle will have a newer look for longer while retaining its re-sale value.

➔ **Vehicle Tracking and Recovery devices** **Client Interest**      **Yes**    **No**   
Various options available through our panel of suppliers.

➔ **Safety Film** **Client Interest**      **Yes**    **No**   
Commonly referred to as Smash and Grab. A protective film that is fitted to the windows of your vehicle, and is your first line of defense against smash and grab attacks and hi-jackings. As if that isn't enough it also helps protect your vehicles interior and regulates its internal temperature.

➔ **Disclosures**  
Relationship with insurers

- Philwest VW has written mandates in place with insurers to act on their behalf as independent intermediaries, confirmation of these mandates are contained in the policy documentation per insurer.
- Philwest VW has an indirect vested interest in their transactions with their insurance suppliers, which is based on the overall performance of the facilities in place.
- Philwest VW is paid the statutory commissions allowed in terms of relevant legislation. Commissions and fees are disclosed on policy schedules, and other related information is disclosed in the statutory notice in the policy wordings.

➔ **Professional Indemnity and Guarantees**  
Philwest VW is not required to hold Professional Indemnity Insurance.  
Philwest VW is not required to hold Fidelity Guarantee cover.

➔ **Complaints**  
Any complaints in terms of dissatisfaction in respect of any of the financial services and products offered and or purchased at the dealership must be lodged in writing to the Complaint Officer – FAIS COMPLAINT, 158 Main Road Somerset West 7130 with supporting documentation and detail regarding the complaint. The full complaint process is available from the Business Manager at the dealership.

➔ **Important Contact Details**

Your Financial Services Provider  
Philwest Volkswagen (Pty) Ltd  
Registration Number: 1963/005449/07  
158 Main Street  
Somerset West, 7130  
Tel. (021) 8513344  
Fax (021) 8514722  
Website: www.philwest.co.za

Compliance Officer Details  
Mr Ewan Dunbar  
158 Main Street  
Somerset West, 7130  
Tel (021) 8513344  
Fax (021) 8514722

The FAIS Ombudsman  
PO Box 74571  
Lynwood Ridge, 0040  
Tel: (012) 4709080  
Website: www.fsb.co.za  
The FAIS Act may be obtained from the Financial Services Board (FSB), Toll free number: 0800 110 443 or 0800 202 087

The National Credit Regulator  
127 – 15<sup>th</sup> Road  
Randjespark, Midrand  
Tel: 0860 627 627  
Website: www.ncr.org.za  
The National Credit Act may be obtained from the Department of Trade and Industry's (DTI) Website: www.dti.gov.za