

United Kingdom Car Loan Market Report and Forecast 2025-2034

Market Report | 2025-06-06 | 108 pages | EMR Inc.

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Report description:

The United Kingdom car loan market size reached approximately USD 62.48 Billion in 2024. The market is projected to grow at a CAGR of 6.40% between 2025 and 2034, reaching a value of around USD 116.19 Billion by 2034.

Car loans are a financial offering provided by banking companies and government institutions to enable consumers to purchase their vehicle without paying the full price at the time of transfer of ownership. Instead, consumers pay the principal amount of the price along with the interest rate on the loan in periodic installments and gain ownership rights on the vehicle upon completion of the price payment.

The market is being driven by soaring prices of second-hand vehicles and the increasing launches of new vehicles in the UK. With rising inflation, banks are focusing on encouraging consumer savings by putting forth simple terms and conditions for acquiring loans, which is leading to the United Kingdom car loan market development.

Key Trends and Developments

Greater preference for used vehicles; availability of multiple car loan financing options; the switch towards the adoption of four-wheelers; and ease of online loan payment are the major trends impacting the United Kingdom car loan market growth.

Jan 16th 2024

London-based D2C car finance platform, Carmoola, raised £15.5 million equity investment to revolutionise the United Kingdom car finance market.

Sept. 25th 2023

Fitch Solutions reported that the demand for vehicles in the UK would remain robust through 2024.

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Jan 23rd 2023

Metro Bank launched a digital car loan product under its RateSetter brand to offer an end-to-end digital experience to brokers and borrowers and enter the thriving UK vehicle financing market.

Sept. 30th 2022

Lloyds Bank plc provided a loan of 1 million pounds to Lex Autolease and Black Horse for manufacturing electric vehicles.

Greater preference for used vehicles

Britishers are three times more likely to purchase a used car over a brand-new vehicle, especially true for the younger population (aged 18-24 years).

Availability of multiple car loan financing options

Britishers typically enter into a hire purchase agreement or take a personal/guarantor loan to finance their vehicle purchase, among other options.

British motorists are switching towards the adoption of four-wheelers

Nearly half of all bike owners are planning to purchase their own vehicle in a few years in the United Kingdom.

Online loan payment services offered by banks

The increased convenience and flexibility associated with online payment of car loans are expected to boost the market growth.

United Kingdom Car Loan Market Trends

Personal contract purchase and personal contract hire are some car loan financing options that British consumers choose to finance their new/used vehicle purchases. According to the Financing and Leasing Association of the UK, the demand for car leasing reached a value of 2.33 billion pounds in 2022 and recorded a year-on-year growth of 28% from November 2021. This growth in the popularity of car leasing as a financing option is expected to contribute to the United Kingdom car loan market growth.

The proliferation of digital banking services has contributed to the popularity of car loan financing in the UK. Consumers can gain information about car policies, interest rates, and installment sizes online, which facilitates their decision-making process about vehicle purchases. The ease and high speed associated with making online payments for car loans is also impacting the United Kingdom car loan market demand favourably.

Market Segmentation

"United Kingdom Car Loan Market Report and Forecast 2025-2034" offers a detailed analysis of the market based on the following segments:

Breakup by Vehicle Type:

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- Passenger Vehicle
- Commercial Vehicle

Breakup by Ownership:

- New Vehicle
- Used Vehicle

Breakup by Loan Provider:

- Banks
- OEM
- NBFCs

Breakup by End User:

- Individual
- Enterprise

Individuals are expected to dominate the United Kingdom car loan market share over the forecast period

Individuals are expected to constitute a major market share in the coming years. The younger population of the UK is inclined towards the purchase of used and inexpensive cars, which are older than 5 years. Besides, motorcyclists and bike riders are expected to make a transition to four-wheelers, which is expected to lead to the United Kingdom car loan market expansion in the coming years.

With the emergence of the UK as an attractive destination for doing business and the expansion of its warehousing and logistics industry, the demand for commercial vehicle financing is also expected to register a significant growth in the coming years.

Competitive Landscape

Major market players are focusing on designing fair terms and conditions for loan seekers in the UK

Other players in the United Kingdom car loan market include Bayerische Motoren Werke AG (ALPHERA Financial Services), JBR Capital Ltd., Close Brothers Group plc, Tandem Bank Limited, Royal Bank of Scotland plc, and Nationwide Building Society, among others.

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