To:	Transport & Health Policy Makers, & Practitioners
From:	Professor Adrian Davis
Date:	21st October 2024
Subject:	Essential Evidence 4 Scotland No.92 The financialisation of car consumption

Top Line: Car manufacturers have promoted Personalised Contract Purchasing to solve their long-running problems in their business model related to the need to maintain a certain level of ongoing new car consumption. In doing so, they have partly exported their own financial risk onto consumers, leveraging what is widely construed as consumers' material dependency on their vehicles for transport to do so.

Significant innovation in the methods by which finance is provided to car consumers has increased the extent and scope of private finance in consumption, a characteristic termed 'financialisation'. At the forefront of innovation is the 'personal contract purchase' (PCP), which has become a very popular form of car consumer finance in many parts of the world.[1] The way PCPs are structured means that few consumers keep hold of the car that the agreement is attached to. Instead, they tend to take advantage of the fact that the financing mechanism allows them to return the vehicle, and take out a new PCP deal for a new car, without financial loss. This has resulted in the acceleration of the rate at which new cars are consumed.

Research has focused on the United Kingdom market, because it has been at the forefront of the rise of PCPs internationally.[2] It shows that PCPs have arisen primarily as a response to long-running economic contradictions inherent in car manufacturing, which necessitate the maintenance of a certain level of production amid flatlining demand for new vehicles in 'mature markets' such as the UK. By allowing manufacturers to extend greater quantities of credit to consumers, PCPs help car manufacturers maintain and increase the pool of high spending consumers. This helps them overcome the limitations created by their core business model, albeit in ways that increase financial risks for the industry and consumers, as well as to wider society. This sits in contrast to the known deleterious social impacts of ever greater car use, including on the safety of other road users, noise and air pollution, carbon emissions and community severance, and the disproportionate effects of these problems on the poorest.

Despite these downsides, a culture of 'car dependency' dominates, which rests on the convenience of driving relative to alternatives. It shapes not only individual consumer travel choices but also government policymaking, which tends to prioritise investment in car-based infrastructure over alternative transport modes, and which subsidises production and consumption in various ways. Cars an icon of consumerist freedom, more than just a means of transport, but also an aspirational form of conspicuous consumption which continually reproduces the social competition which capitalism rests upon. Political support for motorisation is strong and forms a barrier to both reducing car dependency and enabling wider progressive change. At the same time, manufacturers have left themselves more vulnerable to the chaos of uncontrollable economic factors, such as consumers' income levels, used car values, and central bank interest rates. Given the size of the debt PCPs create, the personal and industry financial risks can also be seen as implying potential systemic financial risk, with significant collective impacts.

In researching the financialisation of car consumption, the researcher concluded that it is therefore a largely closed world, except for a limited range of indicators sporadically published by industry associations. He added that 'it can therefore be of little surprise that this is the first academic article which seeks to understand it, despite the breadth of its implications across fundamental areas of public policy, and therefore the potential for democratic contestation and debate is currently extremely limited.'

[1] PCP deals are also available in Italy, the Netherlands, South Africa and Russia and 'similar deals centred on monthly repayment of depreciation' can be found in 'in Australia, Canada, China, Switzerland, Germany'. France and Ireland.
[2] Haines-Doran, T. 2024 The financialisation of car consumption, *New Political Economy*, 29(3) 337-355.