

Scrappage scheme: what does it mean for your car insurance?

On the 22nd April, as part of the 2009 budget, Cllr Alistair Darling announced the launch of a nationwide 'scrappage scheme' in order to stimulate the floundering UK motor industry. Such incentives are not new internationally, however they do vary from country to country and we are yet to see how UK motorists respond in comparison to the enthusiastic Germans etc.

So far, most of the reports concerning the scheme focus on the financial benefits to the industry and ecological benefits to the environment. However, it seems to me that as a nation, the biggest concern when considering the purchase of a new vehicle is car insurance. So how does insurance fit into the 'scrappage' scheme of things?

If you currently own a car that is over 10 years old, and if it has been in your ownership for a minimum of 12 months, the incentive is there for you to trade in your vehicle for something cleaner and more efficient. If you do so within this tax year you will receive £1,000 from the government and another £1,000 from the motor industry to help with the purchase of your new car. 38 car dealers, producers, and franchisees have signed up to the deal, according to politics.co.uk.

Although it is early days in regards to [car insurance](#) prices, it seemed that the incentive could only be a good thing. In the insurer's eyes, brand new vehicles are often seen to push down premiums because they are safer and more secure than those which are 10 years older. However, there is always the possibility that the scheme may well persuade customers to buy a car with a bigger engine than they perhaps would have done. Additionally, certain newer models will no doubt be more enticing for criminals than their older versions.

Subsequent reports from some companies in the industry, for example Parker's Car Buying Guide, show that many are already dissatisfied with the scheme. Their survey of 600 motorists found that 70 percent felt that it was not generous enough in order to tempt them into trading in their current vehicle, especially after taking into account new finance costs such as tax and insurance. AT rac.co.uk, Kieren Puffet of Parker's also specified that for bigger cars, at least, there are other ways to get bigger savings. It seems that where estates are concerned, differences between insurance quotes for vehicles from the last few years will not be worth the £2,000 when they are far cheaper second hand.

About the Author

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