

# ☀️ Guide to buying or leasing a vehicle



Équiterre<sup>•</sup>

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In cooperation with



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# Introduction

Équiterre seeks to make the necessary collective transitions towards an equitable and environmentally sound future more tangible, accessible and inspiring. When it comes to transportation, Équiterre advocates for public policies that will further develop the public transit sector. Équiterre also promotes alternatives to the automobile and informs the public about various issues.

## WHEN THE TIME COMES TO CHOOSE A VEHICLE, IT'S WISE TO CONSIDER WHAT IMPACTS IT WILL HAVE:

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- The larger the vehicle, the more expensive it is. On average, a heavy duty truck (this category includes pickup trucks and sports utility vehicles (SUVs)) costs \$10,000 more than a car at the time of purchase. And since it consumes more gas (per 100 km for example), it will cost you more to fill it up.
- The larger the vehicle, the more polluting it is. On average, an SUV emits 20% more greenhouse gas (GHG) than a car.
- The larger the vehicle, the greater the danger for pedestrians, cyclists and other drivers in the event of a collision, given its height and weight and the effect these have on impact.





« A heavy duty truck costs \$10,000 more than a car at the time of purchase. »

(This category includes pickup trucks and sports utility vehicles (SUVs).)

In 2020, Quebec had nearly 7 million vehicles in circulation. That's a lot! A 2020 study by Équiterre showed that four out of every five new vehicles sold were light-duty trucks. A lot of people buy an SUV without really needing one, because a car would meet their needs most of the time.

If you think you need a vehicle, ask yourself this: could you get around instead via a combination of active transportation (such as biking or walking) and public or shared transportation (ride sharing and car rental)? If the answer is no and you really do need a car, figure out what you actually need in terms of space, safety and capacity before opting for a vehicle that might be larger than what you need and cost more than you can afford.

<sup>1</sup><https://www.equiterre.org/en/resources/the-rise-of-light-duty-trucks-in-canada>

# Financials – What to consider

While you might view having a car as a path to freedom, the financial burden it imposes can impact greatly on your budget and quality of life.

Did you know that 64% of Canadians are concerned about their financial situation<sup>2</sup>? Or that 41% of Canadians view the increase in the cost of living as a major contributor to household stress<sup>3</sup>?

## BUDGET

Whether you opt for a new or used car, it represents a major expenditure that will impact your financial situation. So, before you start shopping around, you absolutely should prepare a budget, whether you're in the habit of budgeting or not. Should you do this even if you're comfortable financially? Of course!

Budgeting is the key to avoiding nasty surprises. While you might be tempted to go car shopping and get reeled in by a dealer's attractive offers, it is imperative that you know what your budget is and stick to it (there's no point drawing up a budget if you're not going to stay within it!).



<sup>2</sup> Web survey by Léger for Option consommateurs to 2 504 Canadiens. March 2022. (French only)

<sup>3</sup> Same



# Where do you start?

- 1 Download the budget worksheet developed by *Option consommateurs*, [available here](#). It will help you a lot!
- 2 Tally your assets (what you have) and your liabilities (what you owe). This will tell you your debt level, and from there you can determine your debt comfort zone.
- 3 List your revenues and expenditures. Are they in balance, or do you need to make changes to some of your expenditures? Is there money left over at the end of the month? If so, is that the exception or the rule?
- 4 Check your bank and credit card statements for the past few months to ensure that all your revenues and family expenses have been taken into account. That way you won't overlook anything!
- 5 After completing this exercise, you'll have a realistic idea of your finances and of how much you can spend on the car of your dreams.

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If you need budgeting help, *Option consommateurs* offers [budget consultations free of charge](#).

## EXPENSES TO CONSIDER

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It's easy to forget how expensive it can be to have a car, so here is a list of all the expenses to consider. A good rule of thumb: the larger the car, the more expensive it is!

### → The sticker price itself

Did you know you can expect to pay \$10,000 more on average to buy an SUV than a regular car<sup>4</sup>?

### → And don't forget the taxes!

Then again, if you buy your vehicle through a private sale, you'll only pay the QST, not the GST.<sup>5</sup>

### → Driver's licence

If you've had speeding tickets in the past two years or if there are demerit points on your record, expect to pay more to renew your driver's licence.

### → Repairs

Whether you're buying new or used, maintenance and repairs are a fact of life. According to a survey by the Automobile Consumer Coalition<sup>7</sup>, at least 30% of consumers don't have any money set aside in case of unexpected repairs. So start putting money aside to ensure you'll have enough to cover these costs.

### → Insurance

Under law you must be insured. Take the time to ask for quotes and compare prices (or ask a broker to do it for you). The same driving record and vehicle model can produce vastly different quotes from insurers. Good to know: certain factors can influence the price you'll pay, such as age, gender, driving experience, credit record and claims history. Don't forget to consider how much of a deductible will be applied in the event of a claim. This is the amount you'll be out of pocket before the insurer pays your claim. Do you have enough savings to pay this if need be?

### → Registration

Large vehicle = large payment! Did you know that the SAAQ charges more – anywhere from \$38.25 to \$407 – for trucks and SUVs, based on the number of engine litres?<sup>6</sup>

# 30%

of consumers have no money  
aside for repairs in the event  
of the unexpected.

<sup>4</sup> <https://www.equiterre.org/en/resources/the-rise-of-light-duty-trucks-in-canada>

<sup>5</sup> Revenu Québec, March 2023

<sup>6</sup> SAAQ, March 2023

<sup>7</sup> *Subprime and extended auto loans : a potential consumer debt crisis?*



## → Maintenance

Don't forget oil changes, tire changes and the like. And speaking of tires, remember: the larger the vehicle, the larger (and pricier) the tires!

## → Gasoline

There's no getting around it! Unless you opt for an electric vehicle, which will save you on average nearly \$2,000 per 20,000 km of driving. And if you plan on driving a lot, choose a smaller vehicle! On average, large vehicles consume 20% more gas than regularly-sized ones<sup>8</sup>. In fact, did you know that gas is Canadians' second leading cost of living concern, right after food prices? 60% of Canadians (37% of Quebecers) list it as a concern. This is one expense you can't take lightly<sup>9</sup>!

## → How many kilometres do you plan on driving per month?

This will help you prepare your gas budget (estimated number of kilometres in relation to the litres per 100 km consumption rating, along with the price per litre).

## → Everything else!

Don't forget to budget for your other activities. The illusion of freedom your new acquisition gives you can quickly give way to stress if you can't keep up with your payments.

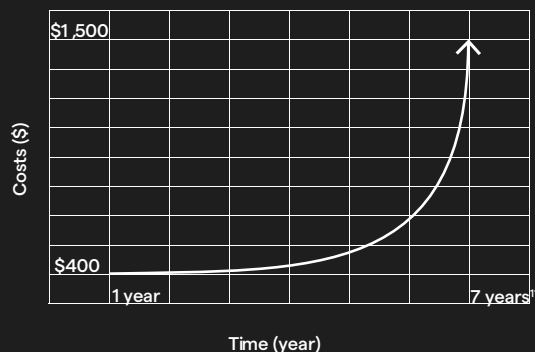
### OWNING A LARGE VEHICLE COSTS A LOT OF MONEY!

You can save up to \$4,000 a year in maintenance and fuel costs alone by buying a smaller vehicle<sup>10</sup>.

## Did you know that...

A new vehicle requires very little maintenance the first few years: about \$400 a year, including tire changes. Typically, it's in year 7 that costs start climbing to around \$1,500 (or more!). While repair costs can vary greatly from one model to the next, you're often better off keeping your vehicle than buying a new one. Good for your wallet, and good for the planet!

### Annual vehicle expenditure index



<sup>8</sup> [https://cms.equiterre.org/uploads/rapport\\_synthese-fr\\_19oct.pdf](https://cms.equiterre.org/uploads/rapport_synthese-fr_19oct.pdf), 2021

<sup>9</sup> Web survey by Léger for Option consommateurs to 2 504 Canadiens, March 2022. (French only)

<sup>10</sup> [https://cms.equiterre.org/uploads/rapport\\_synthese-fr\\_19oct.pdf](https://cms.equiterre.org/uploads/rapport_synthese-fr_19oct.pdf), 2021

<sup>11</sup> Automobile Protection Association, January 2023

# New Car – What you should know

**When you buy or lease a new car, you are protected under the *Consumer Protection Act*, which means that your purchase (or lease) is covered by a legal warranty. While often misunderstood, this coverage is nothing to sneeze at!**

Beware of advertisers and their shrewd tactics! Automobile advertisers pull out all the stops to get you to open your wallet! They do this by creating a sense of urgency (limited time offers), touting their product's scarcity or playing on your emotions by suggesting that you can only be happy if you buy their vehicle. Truly, they have more than one trick up their sleeve. So: stay rational, take the time to think it over and don't lose sight of your actual needs.

Another thing to beware of is the vehicle's advertised price. While not false, the price shown is often the lowest possible amount. For example, it can be the weekly payment amount excluding the cost of any optional features, spread over a very long period and for a lease rather than a sale. Before you get excited, sit down with the dealer, get a quote based on your true wants and needs and make sure you understand the total price of the transaction (not just the weekly or monthly installment amounts).

When you buy or lease a new vehicle, there are three types of warranties.

## LEGAL WARRANTY

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Under law, each of the goods you buy or lease is automatically covered by a legal warranty. This coverage is provided free of charge and is activated once payment is made. You don't have to do anything or pay anything extra to receive this coverage. You automatically qualify under the law, which means that all merchants and manufacturers are required to honour this warranty.

The legal warranty, regulated by the *Consumer Protection Act*, provides that the product you purchase or lease must have a reasonable lifespan and work properly, as expected.

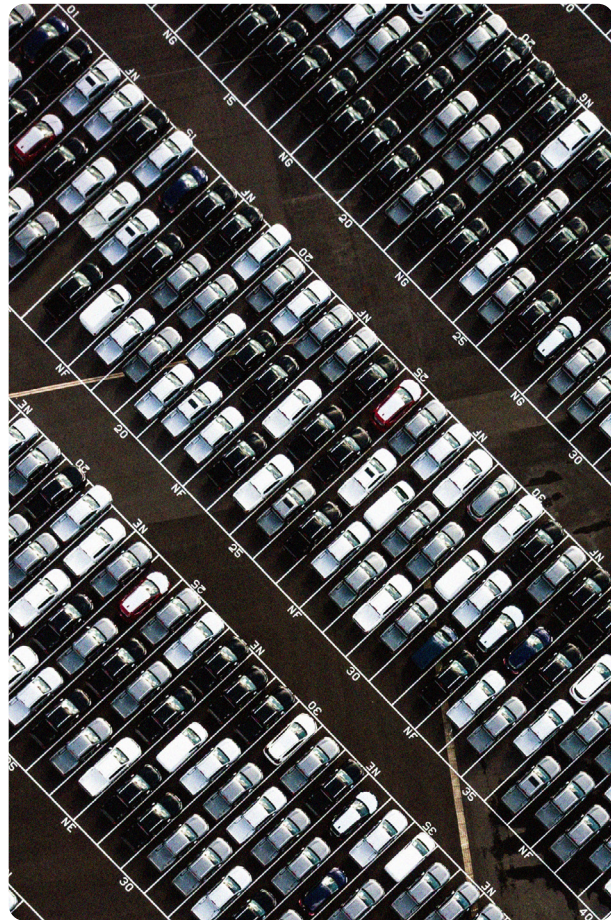
The Act does not spell out the reasonable lifespan of a product. That is determined on a case-by-case basis according to product type, conditions of use and price paid. You can submit a warranty claim to the retailer that sold or leased you the product, or to the manufacturer. They are required to remedy the situation by repairing or replacing the item, or reimbursing you.

Of course, it is your responsibility to use the product properly. For example, if you use it for a purpose other than what it was designed for, or if you use it dangerously, the legal warranty does not apply.

## MANUFACTURER'S WARRANTY

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The manufacturer's warranty, also referred to as the contractual warranty, is what the manufacturer gives you. Since a contract is involved, the manufacturer may set certain terms, conditions and exclusions. For example, the warranty may stipulate that the manufacturer commits to repairing the product for a period of three years or up to 60,000 km.



## EXTENDED WARRANTY (OPTIONAL)

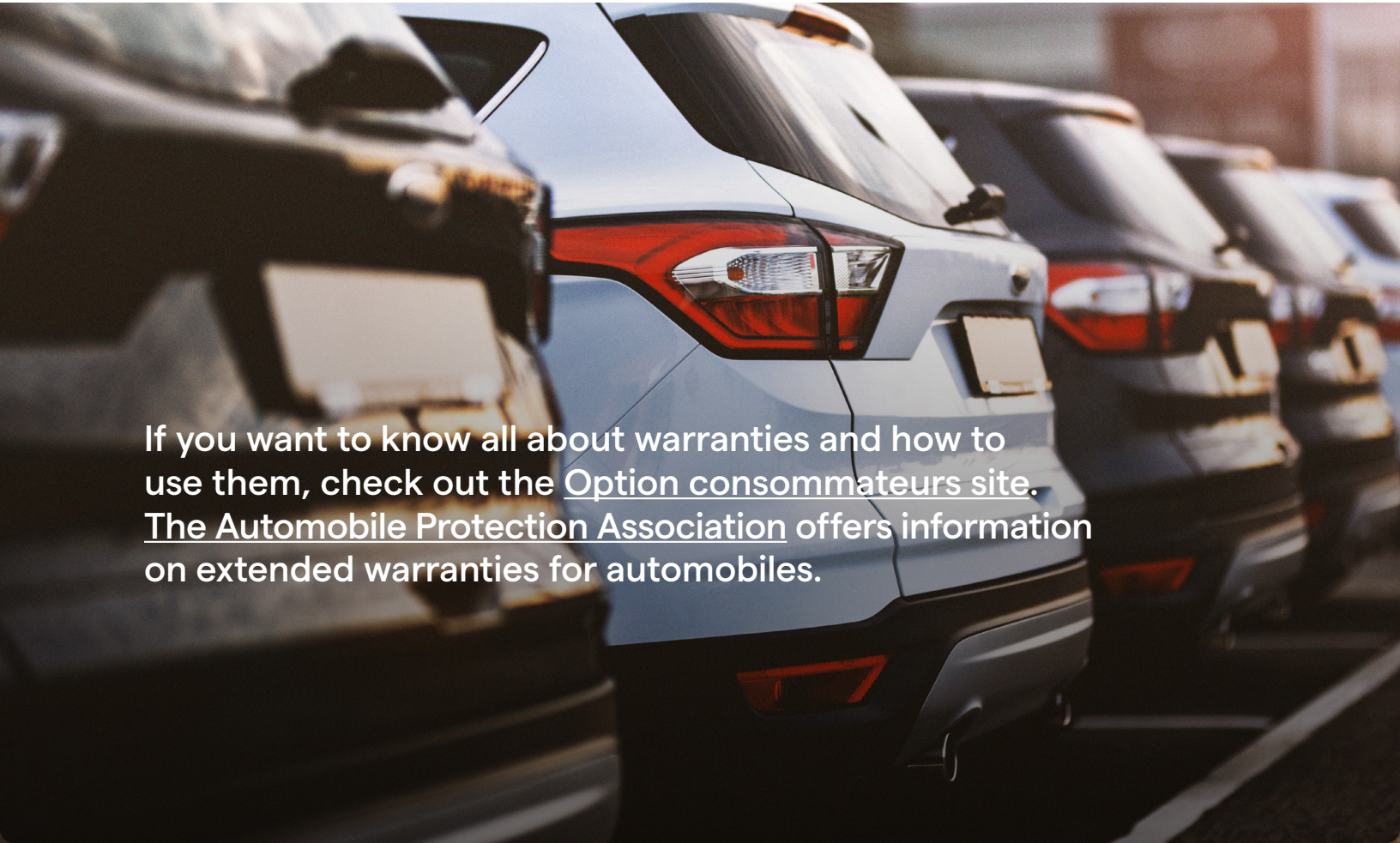
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This is the warranty the store tries to sell you, often for big dollars, at the cash register on your way out. Generally, it serves to extend the manufacturer's warranty. Merchants often use a hard sell approach to convince you to buy this warranty, since it's very profitable for them. Some extended warranties involve a third party.

Before offering you an extended warranty, merchants are required under law to inform you, both verbally and in writing, of the existence of the legal warranty. Since the extended warranty is provided for in a contract, it can have certain exclusions or impose a lower claim limit than what you might expect. Take the time to read the contract before signing!

### Did you know that...

- Did you know that buying an extended warranty on a used automobile does not mean that the vehicle was inspected by the warranty provider? The latter is relying on the dealer's good will.



If you want to know all about warranties and how to use them, check out the [Option consommateurs](#) site. [The Automobile Protection Association](#) offers information on extended warranties for automobiles.

## TO BUY OR LEASE A NEW CAR: THAT IS THE QUESTION

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Whether you decide to lease or buy a car, chances are you'll need access to credit financing.

Properly used, credit can be a good way to finance this expenditure. But there are factors to consider before signing on the dotted line. Make sure you know what the interest rate is. What is the percentage, and over how long a period will you need to pay?

The Government of Canada has prepared vehicle lease or loan calculators, which are very helpful in figuring out how much you'll have to pay in total.

If you're considering leasing a car, check out what the kilometre limit is in your contract, as well as the leasing period. Also bear in mind that the dealer could charge you additional fees if, say,

there's a scratch on your car when you return it at the end of your lease contract.

In financing, the rule of thumb is: the shorter the term, the higher the monthly payments, but the lower you'll pay in interest when all is said and done. Determine a) the balance that's right for your budget, and b) your tolerance to debt.

### CAUTION

Beware of long term financing, which can reach as much as eight years! If you decide to resell your car before the loan term is up, the resale value may be dwarfed by the balance owing on your loan.



# Used cars– What you should know

A used car is certainly a good way to lower your purchase costs, but you must do your homework before buying. It's also a great way to reduce your environmental footprint, since the vehicle has already been manufactured.

## HAVE YOU HEARD OF?

The Registre des droits personnels et réels mobiliers (RDPRM)? This must-have tool helps you ensure that the vehicle is free of debt, among other things.

To learn more about the vehicle you're interested in, you can submit a file application to the *Société d'assurances automobile du Québec* (SAAQ). This will indicate all the vehicle's transactions, previous owners and usage. This will cost you about \$15. For a more comprehensive report, head over to CARFAX Canada (formerly known as CARPROOF) for the vehicle's accident history. There is a charge for this service, depending on the type of report you order.

Whether you buy from a dealer or go the private sale route, don't be afraid to ask questions, conduct a visual inspection, have a garage perform a mechanical inspection and take the vehicle for a spin! The seller must disclose any information in their possession necessary to operate the vehicle.

The seller may try to pressure you into a hurried transaction by telling you another offer is already in hand. Don't let yourself be rushed. Take the time to shop around. A better choice may be just around the corner! And if that little voice in your head is telling you the deal is too good to be true, it probably is!

## BUYING FROM A DEALER

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If you're looking to buy a used car from a dealer, the same warranties apply as for a new car: the legal warranty, the manufacturer's warranty (if it remains active) and the extended warranty (if one was purchased and remains active).

Used vehicles are also subject to the warranty of fitness, whose criteria depend on the age of the vehicle. For example, a vehicle under two years old (with under 40,000 km on the odometer) is covered for six months or 10,000 km, whichever comes first. To learn more about vehicle categories and coverage, visit the site of the [Office de la protection du consommateur](#).

See the same site for details on warranty types, and visit the [Option consommateurs website](#) to learn more!

Despite saving money by buying used, you will probably need to finance your purchase. Make sure you know the interest rate and how long it will take you to pay off the debt. Calculate the total price and make sure you stay within your budget!

### → Pre-purchase inspection

Having the used vehicle inspected prior to purchase entitles you to no additional warranty, but this important step can avoid a lot of unpleasant surprises and help you make an informed decision. The [Automobile Protection Association](#) and other independent inspectors offer this service.



### Good to know

- The vendor must be licensed to do business by the Office de la protection du consommateur. OPC offers a [tool](#) you can use to verify whether the Office has intervened with a merchant, whether the merchant has received any formal notices and whether the merchant is licensed. A simple check can avoid plenty of headaches!

## BUYING FROM A PRIVATE SELLER (KIJIJI, MARKETPLACE)

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It's common to see classified ads online for used cars, or even "For Sale" posters inside a parked car. What should you consider before buying from a private seller?

First of all, it is important to know that your purchase will not be protected under the *Consumer Protection Act* insofar as the seller is concerned. But this doesn't mean you have no recourse if things go south. The seller is required to guarantee that the vehicle is free of hidden defects, over and above what is visible (rust, for example). Even though a private sale excludes the warranty, the seller must answer your questions honestly, to the best of their knowledge and without omitting any important facts. The seller may not engage in misrepresentation, so don't hesitate to ask any questions you may have.

If there is a problem, you can have recourse to the Small Claims Division of the Court of Québec (for disputes under \$15,000). The seller can sell the vehicle under the designation "Sold as is / as seen / without warranty". This eliminates the seller's warranty but takes nothing away from third-party warranties you may be entitled to. For example, the manufacturer's warranty applies if the vehicle is still under warranty. Ditto for the extended warranty, assuming one was purchased.

Lastly, don't hesitate to verify the seller's identity by asking to see the person's proof of ownership and driver's licence. The only person authorized to sell the vehicle is its owner.





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## RESOURCES

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### Autorité des marchés financiers

Regulates Quebec's financial sector to ensure that it operates as it should and that consumers of financial services and products are protected.

### Automobile Protection Association

Upholds consumer rights in the automotive sector. Car buying assistance. Members receive the annual car guide, along with the publication Protégez-Vous and referrals to recommended dealers for the purchase of a new or used automobile.

### CAA Quebec

Assists members by offering benefits, products and services in the mobility, travel, insurance and home sectors.

### Canadian Black Book

Source of Canadian automobile appraisal information.

### CARFAX

Helps Canadians make better decisions about buying, maintaining and selling vehicles.

### Educaloi

Neutral, independent organization with recognized expertise in legal education and clear legal communication.

### Équiterre

Towards a more equitable and environmentally responsible world.

### Financial Consumer Agency of Canada

Works to keep Canada's financial system safe and strong by supervising federally regulated financial entities.

### 2022 Fuel Consumption Guide

Gives information about the fuel consumption of 2022 model year light-duty vehicles.

### Groupeement des assureurs automobiles

Making auto insurance accessible and simplifying claims settlement.

**Insurance Bureau of Canada**

Association representing Canada's private insurers in the field of home, auto and business insurance.

**Option consommateurs**

Non-profit association seeking to assist consumers and uphold their rights.

**Office de la protection  
du consommateur**

Quebec government agency intervening with merchants to ensure they meet their obligations toward consumers. Also aims to help consumers make informed choices by informing them of their rights, obligations and recourse if there is a problem with a merchant.

**Regroupement des cabinets de courtage  
d'assurance du Québec**

Professional syndicate whose mission is to promote and defend the socio-economic interests of its members and to support them in their development.

**Registre des droits personnels  
et réels mobiliers**

Automated government registry that makes public certain rights concerning movable property and individuals.

**Société de l'assurance automobile  
du Québec**

Mission is to protect individuals against the risks inherent in use of the road and to help enforce several laws and regulations.

# Checklist

## CHECKLIST: WHAT TO CONSIDER WHEN SHOPPING FOR A NEW VEHICLE

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- Is this what I really need/want or am I being swayed by the dealer?
- Is the dealer pressuring me by trying to create a sense of urgency (sale price for a limited period, limited inventory, etc.).
- Do I fully understand the total price for the vehicle and what's included? (payment amounts, interest rate, term of the loan, number of kilometres included in the case of a lease, extended warranty if desired, etc.)
- Do I fully understand the warranties included and do I feel the need to purchase an extended warranty?
- Do I have the answers to all my questions?
- Am I sticking to my budget?

## CHECKLIST: WHAT TO CONSIDER WHEN SHOPPING FOR A USED VEHICLE

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- Have I done my due diligence?
  - 1 Registre des droits personnels et réels mobiliers (RDPRM)
  - 2 Request a copy of the file with the Société d'assurances automobile du Québec (SAAQ)
  - 3 Request a copy of the file with CARFAX Canada
- Do I have the answers to all my questions?
- Do I fully understand my warranties?
- Is the vender trying to pressure me to buy on the spot?
- Have I done my visual inspection? Have I had a mechanical inspection done?
- Do I fully understand the total price for the vehicle and what's included? (payment amounts, interest rate, term of the loan)
- Am I getting the feeling that it's too good to be true?

Équiterre<sup>o</sup>

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