

key achievements

Over the last twelve months the Finance & Leasing Association:

- Began detailed talks with the Government and the Bank of England on a level playing-field for specialist lenders who want to use the Government's lending support schemes.
- Joined the Government's new Home Finance Forum, Consumer Finance Forum and Small Business Finance Forum. These allow the Government to hear about the concerns of the lending markets and discuss with the industry action to help lenders and their customers.
- Persuaded the Government to introduce legislation to protect lessees if a NHS Foundation Trust fails, and agreed with the NHS Purchasing and Supply Agency new leasing frameworks and guidance.
- Published Good Practice Guidelines for the second charge mortgage sector, which were warmly welcomed by the Treasury, Department for Business, Enterprise & Regulatory Reform (BERR) and the Office of Fair Trading (OFT).
- Successfully lobbied to enable businesses leasing company cars with low emissions to offset rental costs against taxable profits.
- Funded the ACPO Vehicle Crime Intelligence Service (AVCIS), which recovered 350 vehicles worth over £5 million.
- Promoted the economic significance of the FLA's members to the media, Government and regulators.

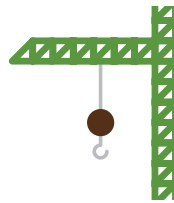
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our contribution

FLA members contributed £2.7 billion to the Exchequer – enough to build 12 new hospitals.

FLA members' businesses make a huge contribution to the UK economy and act as an engine for growth and recovery by supporting capital investment and providing personal credit. The FLA's members play a vital role by offering finance to small, medium and larger companies and to consumers from all walks of life.

Independent confirmation of our contribution was provided in a report commissioned by the FLA from Oxford Economics. The report was launched at an FLA breakfast briefing for journalists, policy-makers and industry representatives on 9 September 2008. The study – probably the most detailed ever conducted of the economic role of our sectors – showed just how big our contribution was in 2007:

- **Employment:** the finance and leasing sector employed – directly or indirectly – some 167,600 people, about 0.6% of total UK employment. This is comparable to the number of people working in the energy and water industries.
- **Economic contribution:** in total, the industry contributed £11.2 billion to GDP, or 0.8% of overall economic output.
- **Taxation:** FLA members contributed £2.7 billion to the Exchequer – enough to build 12 new hospitals.
- **Purchasing:** FLA members supported 40,500 jobs in the supply chain.

■ **The future:** without the investment and consumer spending financed by FLA members, UK GDP would be 7% lower than current forecasts by 2012.

The Oxford Economics report was followed in February 2009 by the Open University Business School's *Quarterly Survey of Small Businesses in Britain*, which was also supported by the FLA.

This report showed that small and medium-sized businesses (SMEs) accessed funding from a range of different sources and that asset finance was particularly important. A third of businesses with turnover below £50 million which needed external funding relied on asset finance. Asset finance was more popular than bank loans for businesses with over 10 employees, particularly in the manufacturing, agriculture and transport sectors.



chairman's foreword

David Betteley

The FLA and its members face a challenging time, but challenges present opportunities.



Twelve months ago I was reflecting in this space on the level of turbulence in the economy and wondering about the impact it would have on our sectors. Since then, the pace of change has been dramatic. The recession has affected all of us, one way or another.

But our industry continues to be resilient. Last year, FLA members provided £89 billion to businesses and households, contributing a third of all fixed capital investment in the UK and supporting half of all new car registrations.

In the motor market, and despite a fall in the final quarter of 2008, dealer finance remains a very popular way to finance car purchases for private buyers. It now accounts for around 53% of the market for private new car sales, compared with 47% in 2007. We need to ensure that the motor finance industry can continue to obtain the funds it needs to serve its customers into 2009 and beyond.

With the help of our members, we are therefore making the case for Government funding support for companies who need it in the motor, asset and consumer finance markets.

The asset finance market stood up very well until November 2008, when we saw a drop in new business of around 30%. The reduced level has been roughly maintained since then. Again, in parts of the market there is a gap between demand and

supply which some kinds of Government support may help close.

The importance of closing that gap is shown by recent research from the Open University Business School sponsored by the FLA (see opposite), which demonstrated that around a third of businesses below £50 million turnover using external funding relied to some extent on asset finance.

The reasons are clear: asset finance funds investment, provides certainty to businesses, and is usually more accessible than other forms of lending. It helps businesses to manage their cash flow, and to obtain the equipment they need, when they need it, at reasonable cost. Asset finance is ideally, and uniquely, positioned to help business to survive the recession and to prepare for market recovery.

FLA members recognise that consumers, as well as businesses, face additional pressures. The industry has shown that it can effectively self-regulate. Responsible lending is at the heart of all our businesses and FLA members have consistently supported our robust Codes of Practice – supplemented where necessary by good practice guidance, including our new second charge mortgage guidelines, which were warmly welcomed by the Government.

I would like to pay tribute to Stephen Sklaroff and his team at the FLA for continuing to fight the industry's corner during a very difficult period. The FLA's

stature and profile are rising under Stephen's leadership and this is evident in our growing membership. We have recently welcomed a dozen new members in all three Divisions and I would like to extend my personal welcome to them.

The FLA and its members face a challenging time, but challenges present opportunities. Our profile with the Government, our regulators and in the media has risen dramatically over the last year, and the importance of our sectors is now clear across Whitehall. The FLA is represented on all the Government's newly-created Forums for discussing the lending markets and the team at 15 Kingsway is in weekly – sometimes daily – contact with Ministers on a wide range of issues of vital interest to FLA members.

We have a crucial role to play in shaping a regulatory and policy environment that aids economic recovery. I expect to be able to reflect on the year ahead as a turning point for our industry: the year that we laid the foundations of future success via effective campaigning and lobbying, and the year we turned the corner.

director general's report

Stephen Sklaroff



In last year's annual review I wrote about building on the foundations laid by my predecessor. To continue the analogy, during the past year the FLA superstructure has been strengthened. We have worked hard on your

behalf to ensure that the Government's response to the recession properly recognises the need to support specialist lenders in the consumer, motor and asset finance markets. For many companies, that support means sensible and proportionate regulation and a fair tax system. For others, it may need to be more direct.

Either way, it is already clear from conversations with politicians and civil servants that our key messages are beginning to resonate with policy-makers. At the very least, they now understand why access for UK businesses and individuals to the credit provided by FLA members is crucial for economic recovery. Readers will not be surprised to hear that, nonetheless, a lack of co-ordination between and sometimes within Government departments can still sometimes be frustrating. But our increasingly frequent bilateral discussions with individual Ministers from different departments is bearing fruit in a variety of ways.

One very active area of discussion is ensuring access to the Government's various lending support schemes, for those FLA members who want it. These schemes include the Enterprise Finance Guarantee, the Home Owner Mortgage Support Scheme, the Asset Protection

Scheme, the Asset Purchase Facility and several others. Following our discussions with the Government, some FLA members have already applied to some of these schemes. For others, we are pressing for a genuinely level playing-field which allows appropriate access for all lenders, bank and non-bank alike. We are also pursuing the possibility of specially-tailored risk-sharing arrangements in some markets.

FLA consumer finance providers have demonstrated their commitment to responsible lending by adopting new good practice guidelines for second charge mortgages. We lobbied effectively to ensure the new pre-action protocols in the mortgage market made sense for our members. We have actively defended the industry's interests in the face of Government pressure on credit and store cards. We fought a long battle against the Competition Commission's unwise and ill-timed recent decision to stop customers taking out payment protection insurance when they take on new debt. We are now stressing to the Government the need to deal with the inevitable fall-out.

Our lobbying has secured legislation to protect lessees from the failure of NHS Foundation Hospital Trusts. FLA pressure also led to the abolition of the restriction on lessees who want to offset rental costs against taxable profits on low-emission vehicles.

Our new and modernised Business Finance Code will take effect later this year and will enable us to give customers and potential customers an even clearer

reason for doing business with FLA members. Our new fraud-prevention system will also start operations soon, and should make a material difference to asset finance companies facing increased levels of fraud in the current economic conditions.

Our work with the police has led to important successes in the motor market. Motor finance providers have successfully tackled fraud across a wide front. More application fraud is being prevented and more fraudulently-obtained cars recovered than ever before. Our Specialist Automotive Finance scheme continues to promote high standards in the dealerships through which finance is provided to customers.

Our involvement in all the Government's new Ministerial forums for the lending markets means that we are in a position to influence the Government as it develops policy solutions for hard-pressed lenders, businesses and consumers. But we continue to deal directly with the inevitable but unpredictable and sudden announcements of new policy from the top of Government.

Many of the FLA's policy concerns are shared with other financial services organisations. We have good and productive relations with our sister trade bodies and have formed effective lobbying alliances on specific issues. We shall continue to do so.

We continue to fight against ill-thought-through and badly-targeted statutory regulation in all our sectors. We have a number of important successes to show

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for it. All these issues and more are covered in the pages which follow.

The FLA has a particular responsibility to communicate effectively with our members. Regular readers of our newsletters and members' magazine will know that I set great store by this. During the last year we have strengthened our member communications in a variety of ways, and there is more to come – including a new website.

This year's review also showcases the success of our media work. Each section includes a selection of headlines reflecting work of the FLA during the year.

At the end of the review, we have included a section called Working for You. This provides a snapshot of FLA activity, ranging from consultation responses to membership events.

Our events programme has changed and expanded this year and I hope you take advantage of it, our training programmes, and our many networking opportunities as the current year progresses.

I look forward, as ever, to seeing many of you at FLA events in the coming year.



The members of the Board as reported in the 2009 FLA accounts were as follows:

David Betteley – Chairman

Toyota Financial Services (UK) plc

Stephen Sklaroff – Director General

Finance & Leasing Association

Simon Baum

Alliance & Leicester

John Bennett

Bank of America, NA

Peter Cottle

Lloyds Banking Group

Sam Geneen

Five Arrows Leasing Group Ltd

Doug Moody

Mercedes-Benz Financial Services UK Ltd

David Oldfield

Lloyds Banking Group

(appointed 21 February 2008)

Richard Priestman

Lombard North Central plc

Donna Pumfrey

Bank of America – MBNA

(appointed 2 June 2008)

John Sinclair

British Credit Trust Ltd

Chris Stamper

ING Lease (UK) Ltd

Greg Stevens

Cattles plc

Nigel Terrington

Paragon Group of Companies

(resigned 16 May 2008)

Rod Tonna-Barthet

Siemens Financial Services Ltd

(resigned 2 June 2008)



“In a challenging year many sources of business finance dried up, but FLA members continued to keep asset finance flowing to

UK businesses. During the year, the FLA put the industry’s case strongly to the Government, raised the industry’s profile in the national media, and obtained the support of a wide range of business and other trade representative organisations for action to increase tax incentives for new business investment, and make existing Government funding support schemes available for asset finance. We ensured Ministers and senior officials had a clear understanding of how asset finance can help deliver the UK’s economic recovery.”

**Richard Priestman, Chairman
Asset Finance Division**

Support for asset finance

In last year’s Annual Review, we noted that asset finance was well-equipped to handle uncertainty in the UK economy. So it proved. For the first three quarters of 2008, more new business was written than in 2007, which was itself a record year. But in the last quarter of 2008, new business levels were 19% lower than in 2007. This meant that by the end of the year, £28.8 billion of new business had been written by FLA members, the same as in 2007.

According to the Open University Business School survey (see page 4), in Q4 2008 a third of businesses that used any form of external debt benefited from hire purchase or leasing contracts, up from 25% in 2007. Asset finance is now the third most common source of loan finance, after bank overdrafts and term loans. Indeed, more businesses with over 10 employees use hire purchase or leasing than have term bank loans. The manufacturing, agriculture and transport sectors, and companies in the North East, North West and South West make particularly heavy use of asset finance.

The fall in the last quarter of 2008 was not for lack of demand. It arose in part because some providers faced difficulties in obtaining affordable funding from the usual sources. But the most significant factor was the substantially higher risks and losses facing providers. Many had to restrict new lending. The problem was compounded by the fact that asset finance was not eligible for the Government’s various schemes aimed at supporting business lending, including

Asset finance is now the third most common source of loan finance, after bank overdrafts and term loans.

the Small Firms Loan Guarantee Scheme and the new Enterprise Finance Guarantee.

A divisional working group has met BERR and Treasury officials to discuss Government support for business lending through asset finance. The working group has proposed ways in which the Government could share the risk of new asset finance lending. While such a solution may be more useful to some lenders than others, it could form a significant part of our wider discussions with the Government to improve the flow of funds to lenders, and through them to their customers.

Fraud

In a year in which the risks of lending were top of the agenda for many senior executives, and the scale of loss following certain high-profile frauds became apparent, the need for further cooperation between FLA members to mitigate such risks was a clear priority. To manage them, a new fraud intelligence sharing system came online in April 2009. The system is designed to help avoid multiple financing frauds and application frauds.

NHS lending

One of many risks faced by FLA members working with the NHS has been that a Foundation Hospital trust could fail. In the absence of proper bankruptcy arrangements, this could leave lessors with no recourse for agreements entered into by a Trust.

Following successful lobbying by the FLA, the Health Bill introduced into Parliament in January 2009 established arrangements by which an unsustainable Foundation Trust would revert to NHS trust status. The rights of third parties should not be affected by the change in status. This appears to deal with our concerns.

Tax

Last year, the FLA lobbied hard to influence the Government's tax policy. We successfully secured the abolition of the restriction on lessees who wanted to offset rental costs against taxable profits for cars with low emissions. Pressure from the FLA also produced guidance from HM Revenue and Customs on the taxation of software leasing. And the Government acknowledged that their new rules on the sale of lessor companies were adversely affecting transactions not motivated by taxes, and agreed to revisit the rules.

Accounting standards

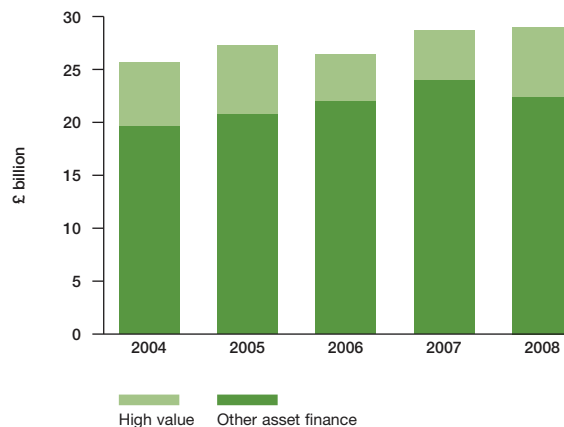
The International Accounting Standards Board (IASB), together with its US equivalent the Federal Accounting Standards Board, will be making key decisions about the future of lease accounting in 2009. The risk is that the new accounting rules for operating leases could be very burdensome for many lessees. We are urging the standard-setters to keep the new rules simple, and we are holding a conference with the key parties in May.

Increasing use of asset finance in the public sector

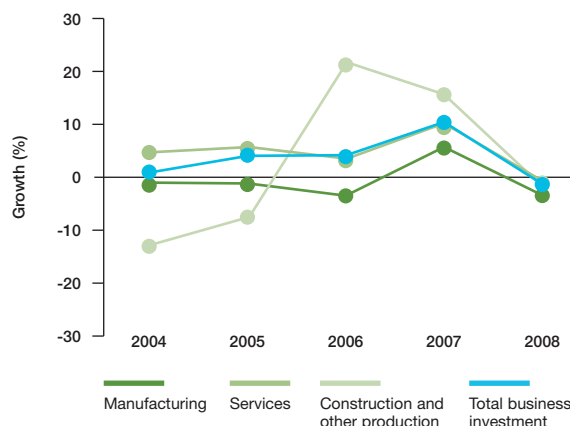
We will also be reviewing in 2009 whether central and local Government departments and agencies, including the NHS, could achieve better value for taxpayers by making greater use of asset finance.

Overall, new leasing and asset finance business was at the same level in 2008 as it was in 2007. FLA members provided £28.8 billion to businesses to fund capital investment in 2008. There was strong growth in finance for projects costing £20 million or more.

Asset finance provided by FLA members



UK business investment by industry sector





asset finance in the media

***FLA calls on
Government to support
finance for SMEs***

Business Money, 23 October 2009

***Careful choices mean
firms get a better deal***

Business Times, 7 February 2009

***London SMEs 'hit
hardest by crisis'***

Financial Times, 16 February 2009

***SME figures increase
despite downturn***

Yorkshire Post, 19 February 2009

***Asset finance lending
tumbles***

Financial Times, 24 February 2009

Business bites

Metro, 24 February 2009

***Be proactive to get
bank funding***

Mail on Sunday, 1 March 2009

***Small and medium-
sized firms braced
for funding deficit***

Mail on Sunday, 8 March 2009

***Asset lenders' access
to money***

**The Today Programme, BBC Radio
Four, 12 March 2009**

FLA members provided £60bn to the consumer finance sector, representing almost 30% of all unsecured lending in the UK.



“More regulation and Government initiatives, along with credit crunch problems, continue to be challenging for many FLA

Consumer Finance Division members. The FLA’s higher lobbying and media profile has enabled access to the Government at the highest level so that we have been able to put forward members’ views and help ensure we avoid the wrong kind of regulatory intervention.”

**Greg Stevens, Chairman,
Consumer Finance Division**

In 2008, FLA members provided £60 billion to the consumer finance sector, representing almost 30% of all unsecured lending in the UK. The most obvious and early impact of the credit crunch was felt in the direct secured (second charge mortgage) market. A number of FLA members active in this market were dependent on the wholesale markets for their funding. As these sources dried up, some companies decided to reduce significantly their new business levels, or cease new business altogether. As a result, in 2008 second mortgage new business fell by 64%. The level of direct unsecured new business also fell by 28%.

By contrast, new credit card business in 2008 was at a similar level to 2007 and retail store credit grew by 3%. The industry continued to make an important contribution to the economy.

Second charge mortgage lending

The second charge mortgage sector was firmly in the spotlight in 2008. We successfully convinced the Government that the sector was not a major cause of arrears and repossessions. The FLA responded robustly to the Government’s review of the market, which resulted in the important finding that there were no systemic problems. Our Good Practice Guidelines for second charge mortgages, published in November 2008, were warmly welcomed by the Treasury, BERR and the OFT.

The Government has now announced a summer White Paper on consumer rights. We will be responding to this, and to the Government’s recent suggestion that the regulation of second charge mortgages might be transferred from the OFT to the Financial Services Authority (FSA).

Payment Protection Insurance

We are making good progress with the FSA, OFT and with other trade bodies on an industry Statement of Principles (SOP) for dealing with payment protection insurance (PPI) complaints. This should help prevent a costly and unnecessary FSA review of past cases. The SOP will set out guiding principles aimed at better regulatory compliance, fairness and transparency. This work should also help reduce the number of PPI complaints going to the Financial Ombudsman Service.

The Competition Commission’s final decision on the PPI market was disappointing. The Commission failed to listen to the industry, or to the many others – including consumer bodies – who pointed out that a ban on the sale of PPI at the credit point of sale would leave consumers unprotected at the worst possible economic time. We are now working to ensure that the resulting regulatory orders are as favourable as they can be for members.

Claims management companies

The FLA has explained to the Ministry of Justice the problems posed for our members and their customers by the Claims Management Companies (CMCs). Both the Ministry of Justice and the OFT have, as a result, publicly warned consumers to be on their guard against unauthorised firms and against those who advertise in a misleading way.

The economic environment will generate increased opportunities both for fraud and for the CMCs. We have therefore created new working groups in each of these areas to examine the issues. An early product is new FLA guidance for members on how to deal with CMCs, which will be available soon.

Helping customers in difficulty

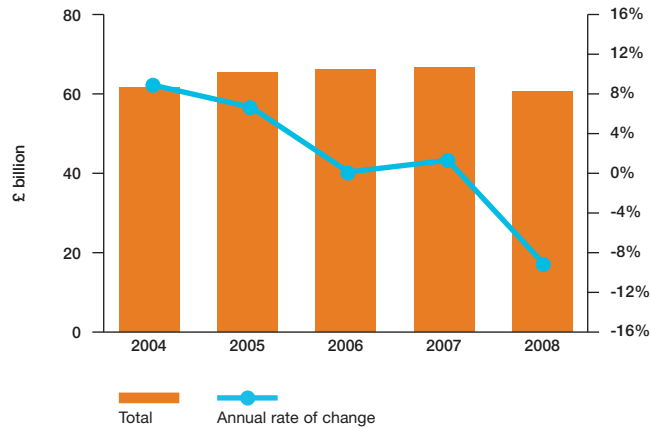
With record unemployment, lenders are under increased pressure to do even more to help customers in financial difficulty. The FLA is actively involved in the Government's new Home Finance Forum and Consumer Finance Forum, each of which is working on new initiatives to help customers with debt problems.

A new 'breathing space' for credit and store card customers has already been introduced. FLA members support in principle its extension to other unsecured credit products, so long as it also applies to council tax and utility debts. The Government's recent proposal to ban unsolicited credit card cheques and limit increases would of course have a direct impact on lenders' business models. The Government assures us that a voluntary industry approach has not been ruled out, and we are now speaking with officials about how this might work in practice.

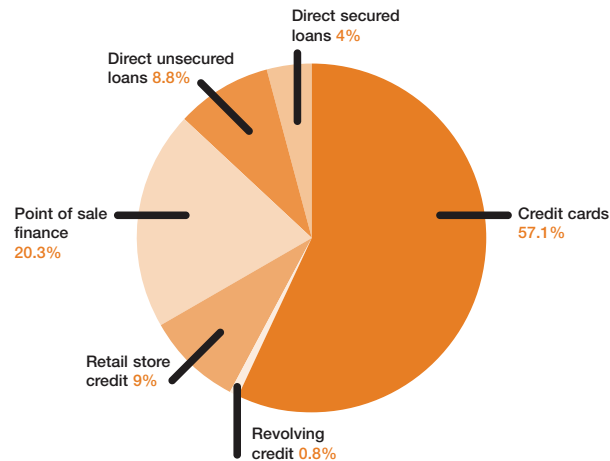
A range of new measures to help borrowers with mortgage arrears is also now in place, including a Pre-Action Protocol, a Mortgage Rescue Scheme and a Home Owner Mortgage Support Scheme.

In 2008 consumer finance provided by FLA members fell by 9% to £60.2 billion. But FLA members' penetration of the market increased slightly from 29.5% in 2007 to 30%.

Consumer finance provided by FLA members



Distribution of FLA consumer finance in 2008 by channel



consumer finance in the media

We have ensured that all these schemes are available for second charge lenders, should they want to use them. The real challenge will be to ensure they provide real assistance to borrowers.

Financial Ombudsman Service

Financial Ombudsman Service (FOS) fees continue to rise. We have pressed for cost efficiencies and for faster lead-times in dealing with complaints. We are also trying to ensure that any company-specific complaint data published by FOS is genuinely meaningful for consumers.

The FLA's Lending Code was recently cited by the FOS as the industry good practice benchmark.

Consumer Credit Directive

The Government is consulting on the implementation of the new EU Consumer Credit Directive, which must be complete by June 2010. We have pressed the Government for more time to make the necessary industry system changes.

Lenders pledge to pass rate cuts on to mortgage payers

The Independent, 23 April 2008

Lenders make pledge to homeowners

ITN, 25 April 2008

Card demand

The Guardian, 30 October 2008

Reforming payment protection insurance could backfire on borrowers

The Times, 7 October 2008

Crackdown on insurance seen as threat to loan costs

The Times, 14 November 2008

Hidden cost of price comparison websites

FT, 24 November 2008

Credit firms 'to help borrowers'

BBC online, 27 November 2008

Instalment credit rises

The Times, 24 February 2009

Shoppers swap banks for store finance deals

Daily Express, 25 February 2009

Gordon Brown unveils new debt protection laws

FT.com, 17 March 2009



**FLA members
financed over
50% of all new
car registrations
in the UK.**



“The last twelve months have been amongst the most challenging for the UK motor industry in recent memory. New car

sales held up well in 2008 until the final quarter, when the credit crisis resulted in a serious fall in consumer confidence. 2009 is expected to be equally tough but the FLA’s excellent initiatives will help motor finance providers to protect their assets, reduce costs and prepare for the inevitable economic recovery.”

**Doug Moody, Chairman
Motor Finance Division**

FLA motor finance members provided £18.1 billion to consumers and businesses for the purchase of vehicles in 2008. This figure was down 5% on 2007, but it masks a Q4 fall of around 22%. Last year, FLA members financed over 50% of all new car registrations in the UK.

Credit continues to be generally available in showrooms, but some motor finance providers are having difficulty in accessing affordable wholesale funding. The FLA has therefore called for the Government to extend its funding support schemes to all types of lenders, including motor lenders. We are not asking for preferential treatment, but for a level playing-field to support those companies that need it.

Specialist Automotive Finance

Over 500 dealerships are now registered for the Specialist Automotive Finance scheme which aims to improve point-of-sale knowledge in showrooms. In summer 2009 we will be launching ‘SAF Approved’ certification for whole dealerships.

Vehicle crime

The FLA’s highly successful fraud prevention partnership with the Association of Chief Police Officers’ Vehicle Crime Intelligence Service (AVCIS) is now in its second year. The unit investigates stolen and fraudulently-obtained vehicles. It has so far recovered over 350 vehicles, worth £5.4 million to the industry.

Motor Insurance Database

The Motor Insurers’ Bureau has approved access for FLA members to the Motor Insurance Database (MID). The details are now being finalised. Finance companies will be able more easily to verify that vehicles on finance are adequately insured.

Vehicle seizure protocol

The Association of Chief Police Officers has approved the FLA’s new vehicle seizure protocol with effect from 1 May 2009. Regional police forces will run background checks as soon as a vehicle has been seized. Where there is a financial interest, finance companies will have the opportunity to recover their asset. Estimates suggest around 18,000 financed vehicles are seized each year.

Voluntary terminations

The voluntary termination (VT) provisions of the Consumer Credit Act remain a concern for the industry, particularly since the £25,000 financial protection limit was removed in April 2008. At a time when it is important that credit is available to consumers, we are asking the Government to cooperate with us to mitigate unnecessary losses. We are also reviewing whether VTs are compatible with the early settlement requirements of the EU Consumer Credit Directive.

Managing asset registration

Timely and accurate data is a high priority when registering financial interests against assets. The FLA's data quality working group has made new recommendations which will cut costs, deliver operational efficiencies and avoid legal disputes.

The FLA has also revised its Memorandum of Understanding with the Retail Motor Industry Federation (RMIF) for managing asset registration disputes involving our respective members.

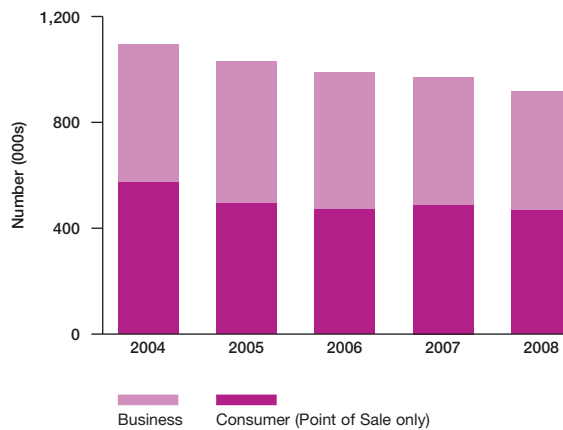
The FLA is a DVLA-Accredited Trade Association, which means asset registration agencies can continue to access DVLA data and provide valuable services to the motor finance industry. The FLA is also working with the DVLA to agree best practice in the recovery of vehicles for finance companies.

Motor Finance Convention

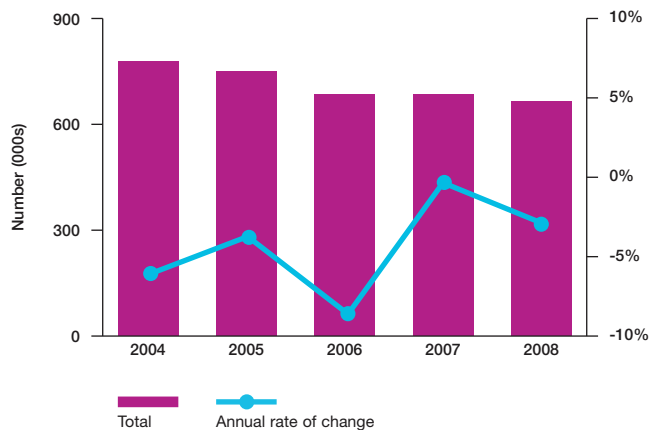
Our 2008 Motor Finance Convention was a sell-out, with around 100 senior executives hearing from an excellent line-up of high-profile speakers.

Overall the motor finance industry reported a reduction in new car finance of 5% and in used car finance of 6% in 2008. FLA members' penetration of the private new car registration market in 2008 was up to 53.2% from 47% in 2007, reflecting the increased use of dealer finance by consumers for new car purchases.

New cars financed by FLA members



Used cars financed by FLA members



motor finance in the media

Cars, cops and criminals – AVCIS

BBC One, 9 July 2008

Dealer finance

Working Lunch, BBC Two,
28 August 2008

Motor finance market

Noons at Noon, Channel 4,
5 December 2008

Auto firms in plea for help as sales dive

The Observer, 7 December 2008

Mandelson considers car loan aid

BBC online, 9 January 2009

Can GAP insurance beat falling car values?

thisismoney.co.uk, 16 January 2009

Car firms get £2.3bn loan package

BBC online, 27 January 2009

Quiet tears for industry package

Daily Telegraph, 31 January 2009

British Bank nears aid for carmakers' finance units

Detroit Free Press, 25 February 2009

Dealers top for finance

Auto Express, 11 March 2009

We believe that regulation should support business growth while providing protection for consumers.

The FLA recognises the need for regulation to manage risk. But we believe that regulation should support business growth while providing protection for consumers. We will continue to resist statutory regulation where the need is not clear, or where self-regulation by the industry is obviously the better solution. Our members have a very good track-record in sharing best practice and the FLA's two codes of practice are independently monitored, widely respected, and subject to regular review.

The Lending Code

The FLA Lending Code is an excellent example of self-regulation in the face of increased pressure for more statutory regulation. The Code has received positive endorsements from both the Financial Ombudsman Service (FOS) and the Office of Fair Trading (OFT).

The FOS recently cited the FLA as the 'leading trade association in the UK's consumer credit sector' and believes our Code reflects industry best practice. The OFT has also said that firms subscribing to our Code will be well-placed to comply with its proposed new guidance on irresponsible lending.

Robust monitoring ensures that the Code remains relevant and credible. Visits to firms help assess member compliance. Chief Executives sign an annual compliance statement. Members continue to demonstrate a high level of compliance with, and commitment to, the Code.

In 2008, a Disciplinary Panel was created to deal with any major breaches of the Code.

The FLA's Conciliation Scheme continues to provide an important and valuable service for both members and consumers by helping to resolve complaints.

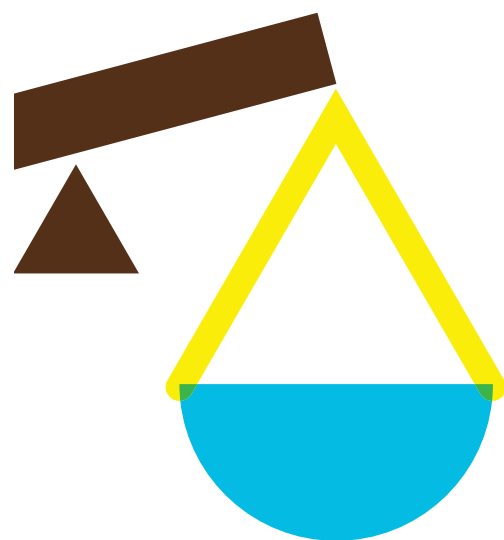
The Lending Code will be reviewed in 2009. The review will take into account the OFT's current work on irresponsible lending and the introduction of the EU Consumer Credit Directive.

Relations with consumer advisers

We continue to work very closely with the leading money advice groups, including Shelter, the Money Advice Trust, Citizens Advice and the Consumer Credit Counselling Service. The FLA is developing new proposals with the advice agencies that will assist consumers to help themselves.

The Business Finance Code

A thorough review of the FLA's Business Finance Code has just been conducted, to ensure that it remains fit for purpose in a changing business and regulatory environment. The review has resulted in a shorter, easier to understand, Code that should demonstrate clearly to customers the benefits of using an FLA member. Subject to AGM approval, the revised Code will take effect in the summer.



the business environment – focus on fraud

The FLA is working in all three of its divisions to help members avoid and detect fraud.

Changes in the leasing and lending markets precipitated by the recession have increased the importance of fraud for all our members. The FLA is working in all three of its divisions to help members avoid and detect fraud.

A National Fraud Strategy was launched by the Government in March. A new National Fraud Strategic Authority will coordinate Government action. The new National Fraud Reporting Centre and National Fraud Intelligence Bureau will centralise reporting and dissemination of advice on all kinds of fraud. We are working with the Government to ensure resources are sufficient to use such intelligence effectively.

A new FLA Financial Crime Forum is considering the impact of fraud and money-laundering on the industry, as well as all relevant Government, EU, and international regulatory developments.

FLA members who provide motor finance are already working to tackle car fraud. FLA members reported in 2008 that 10,500 fraudulent motor finance agreements were caught by screening processes at the application stage. If approved, they would have resulted in loans worth £123 million.

By collaborating with other organisations and sharing information and best practice, the FLA is also helping its members to understand the impact of organised crime.

See page 8 for the FLA's new asset finance fraud intelligence-sharing system.



the FLA in europe and internationally



We remain heavily engaged with the Brussels authorities on a range of issues.

The adoption of the Consumer Credit Directive (CCD) in May 2008 was not the end of EU moves to regulate retail financial services. We remain heavily engaged with the Brussels authorities on a range of issues.

Second charge mortgages

The FLA has successfully argued that second charge mortgages should remain outside the European Commission's survey of the equity release market.

Regulation of non deposit-taking credit companies

We are lobbying via Eurofinas (our European consumer credit federation) to ensure that non deposit-taking institutions are not subject to inappropriate prudential requirements.

Cross-border data-sharing

The FLA has been closely involved in the work of the European Commission's Expert Group on Credit Histories, which is seeking to remove barriers to cross-border data-sharing. Separately, the International Organisation for Standardisation (ISO) has proposed a worldwide credit-scoring standard. Neither the need for, nor the content of, this initiative are yet clear.

Credit intermediation

We also await the results of the Commission's study into the credit intermediation market. Along with Eurofinas, we have explained to the Commission the operation of the motor and retail point-of-sale markets, and they now recognise the key features of this market.

Consumer rights

The proposed Consumer Rights Directive could further complicate the regulatory landscape for credit products, notably in relation to unfair contract terms and for products exempt from the recent Consumer Credit Directive. We are working to ensure proper coordination with the UK Government's recently-announced further work in this area (see page 13).

Product-tying

The FLA gave evidence to a Commission inquiry into product-tying to help ensure that point-of-sale Payment Protection Insurance (a type of product-*bundling*) would not be covered.

Collective redress

We responded to parallel European consultations on collective redress and alternative dispute resolution mechanisms. We maintain that flexible industry codes alongside existing national redress mechanisms remain the best approach.

VAT on financial services

The FLA is campaigning at home and in Europe to ensure that the proposed EU Directive on the VAT treatment of financial services does not apply VAT to hire purchase.

Accounting standards

We are working with our international sister organisations and Leaseurope (our European asset finance federation) to ensure that the proposed new international Accounting Standards for leasing do not undermine the appeal of leasing for businesses of all sizes (see page 9).

New moves on responsible lending

The European Commission will publish proposals on responsible lending and borrowing in 2009. We will be monitoring developments closely to ensure domestic and international regulations do not conflict.

New Commission and Parliament

A new Parliament will be elected in June 2009 and a new Commission appointed in the autumn. We will ensure our network of contacts remains up-to-date.

research and other member services

The FLA's research team provides a unique source of data for members, the Government and the media.

Research services

The FLA's research team provides a unique source of data for members, the Government and the media. This data not only allows members to benchmark their performance and track trends in the industry, it is also the solid basis for all the FLA's lobbying work.

In addition to our regular member reports and subscription statistical services, the FLA commissioned a number of bespoke research projects over the last year:

- FLA members' contribution to the UK economy (Oxford Economics, published August 2008) (see page 4)
- Financing UK Small and Medium-sized Enterprises – The 2007 Survey (Cambridge University Centre for Business Research (CBR), published August 2008)
- Asset Finance and SMEs (Open University Business School, published March 2009) (see page 4)

We also conducted important surveys to support the FLA's lobbying work on second charge mortgages, PPI and charging orders.

2008 saw the introduction of the FLA's new industry trends report, which provides members with a detailed analysis of trends in the markets in which they operate.

The FLA research team has also been working with the Government and other trade bodies to meet the data collection needs of the new Consumer Finance Forum and Home Finance Forum (see page 12).

The FLA has been active in keeping the Bank of England informed of key FLA market developments. The research department is also making a significant contribution to the FLA's lobbying for Government funding support (see page 6).

Member communications www.fla.org.uk

Providing regular and up-to-the-minute communication with our members is a vital element of the FLA's work. We communicate daily with members on the outcomes of our discussions with the Government and on all the latest policy developments. Members are also regularly alerted by email to our events and training courses. And we provide regular overviews of all our activity every few weeks through Stephen Sklaroff's DG letters for senior management and through *Update*, the FLA's electronic members' magazine.

This year we will be launching our new-look website, designed to be a more comprehensive resource for members and others who need to know about our work, an easy way of accessing facts and statistics about the industry and, through its members' area, a registry of documents and publications for each of our workstreams.

Events

www.flaevents.org.uk

During 2008 the FLA held more than twenty major conferences, seminars, briefings and networking events. The Annual Dinner was attended by over 1300 guests in 2008 and in 2009 by over 1200, and continues to be a major event in the industry calendar. The conference season for 2009 began with a well-supported debt recovery conference.

Training

www.flatraining.org.uk

2008 was a busy year for training. More than thirty courses were offered. New courses have been created in response to member demand and further developments have been announced for 2009, including courses on Treating Customers Fairly, complaints-handling and dealing with complainants.

E-recruitment

www.flajobs.org.uk

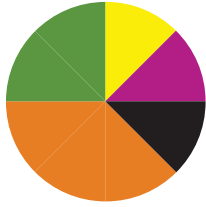
The FLA provides an online database of web-based recruitment services for members and associates. The FLA's E-recruitment service, provided in association with RecruitActive, gives our members access to a company-branded, low-cost and effective jobs marketplace.

working for you in 2008

Activities and events undertaken by the FLA this year.

35

training seminars



14

consultation responses
on asset finance

5

asset finance public
speaking engagements

4

asset finance
publications

2

conventions

10

conferences

3

dinners

2

receptions



30

broadcast news items

490

newspaper articles

45

press releases

15

membership magazines
or newsletters



29

consultation responses
on consumer finance

3

consumer finance
public speaking
engagements

4

consumer finance
publications



5

parliamentary events

3

evidence submissions
to select committees

19

parliamentary briefings



2

consultation responses
on motor finance

5

motor finance public
speaking engagements

2

motor finance
publications

8

EU consultation
responses






































12






































monthly statistical
bulletins
















members

As at 1 April 2009, the FLA had 200 members: 110 full and 90 associate. In the past year we were pleased to welcome Prestige Finance; D & D Leasing UK Ltd; Blemain Finance; Moneyway; Quiktrak Inc; SWT Finance Ltd; Nemo Personal Finance Ltd; Mapfre Assistance; Fraud Screen Ltd; Graydon UK Ltd; PACCAR Financial Limited; Ritchie Bros Auctioneers (UK) Ltd; and Dains LLP.













Full members

	Abbey plc	
	Advantage Finance Ltd	
	All In One Finance Ltd (UK Car Group Ltd)	
	Alliance & Leicester Commercial Finance plc	
	Alliance & Leicester Personal Finance Ltd	
	Amber Credit	
	Angel Trains Ltd	
	Asset Advantage Limited	
	BAL Global Finance (UK) Ltd	
	Bank of London and The Middle East	
	Bank of Scotland Dealer Finance	
	Bank of Scotland, Corporate	
	Banque PSA Finance	
	Barclays Asset & Sales Finance	
		Barclays Partner Finance
	Blemain Finance	
	Blue Motor Finance Limited	
	BMW Financial Services (GB) Limited	
	British Credit Trust Ltd	
	Carlyle Finance Ltd	
		Cattles plc
	CHG-MERIDIAN UK Limited	
	CIT Group (UK) Ltd	
	CitiFinancial Europe plc	
	City Leasing Ltd	
		Close Brothers Ltd
	Clydesdale Bank Asset Finance Ltd	
	Co-operative Financial Services	
	Cranmer Lawrence & Company Ltd	
	Creation Financial Services Limited	
	CSI Leasing UK Ltd	
	D & D Leasing UK Ltd	
	Davenham Group plc	
	Deutsche Leasing (UK) Limited	

	Dresdner Kleinwort Wasserstein Leasing Ltd	
	Dunton PLC	
	Electronic and Medical Instruments Leasing Ltd	
	FCE Bank plc	
	FGA Capital UK Ltd	
	First National Motor Finance	
	First Response Finance Ltd	
	FIRSTPLUS Financial Group PLC	
	Five Arrows Leasing Group Ltd	
		Fortis Lease
		GE Capital Bank Ltd
	GE Capital Solutions, Equipment Finance	
	GE Money Home Finance Limited	
	Genesis Capital Plc	
	GMAC (UK) plc	
	Handelsbanken Finans AB, London Branch	
	Harley-Davidson Financial Services Europe Limited	
	HBoS Consumer Retail	
	HFC Bank Limited	
		Hitachi Capital (UK) PLC
	Home Retail Group Financial Services	
		Honda Finance Europe PLC
		HSBC Equipment Finance
	IAF Group plc	
	IBJ Leasing (UK) Ltd	
	IBM United Kingdom Financial Services Limited	
	IGF Asset Finance Ltd	
	IKANO Financial Services	
	IKON Capital Plc	
	ING Lease (UK) Ltd	
	Investec Asset Finance plc	
	Iveco Capital Limited	




































	JCB Finance Ltd		
	John Deere Bank S.A.		
	Kaupthing Singer & Friedlander Commercial Finance Ltd		
	Key Equipment Finance Ltd		
	Kingston Asset Finance		
	Liverpool Victoria Banking Services Limited		
			Lloyds TSB Asset Finance Division Limited
	Lloyds TSB Corporate Asset Finance		
		Lombard North Central PLC	
	London Scottish Bank plc		
	MAN Financial Services Plc		
	MBNA Europe Bank Ltd		
	Mercedes-Benz Financial Services UK Ltd		
	Moneyway		
	Nationwide Trust Ltd		
	Nemo Personal Finance Ltd		
	Neopost Finance Ltd		
	NIIB Group Limited		
	PACCAR Financial Limited		
	Pitney Bowes Finance PLC		
	Porsche Financial Services Great Britain Ltd		
	Premium Credit Limited		
	Prestige Finance		
	Quickbridge (UK) Ltd		
	RCI Financial Services Limited		
	Robveron Limited		
	Ruffler Bank Plc		
	Santander Consumer (UK) plc		
	SG Equipment Finance Ltd		
	Shire Leasing plc		
	Siemens Financial Services Ltd		
	Southern Finance Company Ltd		



-  Swift Advances plc
-  SWT Finance Ltd
-  Syscap Limited
-  The Funding Corporation Limited
-  The Paragon Group of Companies
-  Toyota Financial Services (UK) PLC
-  TradePro Card Services Limited
-  Universal Leasing Ltd
-  Volkswagen Financial Services (UK) Ltd
-  Weatherbys Finance Limited
-  WestLB AG
-  Xerox Finance Ltd

Associate members

-  Addleshaw Goddard LLP
-  Aktiv Kapital (UK) Ltd
-  Allen & Overy LLP
-  APAK Group Limited
-  Assurant Solutions
-  Babcock & Brown Ltd
-  BenchMark Consulting International
-  Berwin Leighton Paisner LLP
-  Blake Laphorn
-  British Car Auctions
-  Callcredit Limited
-  CAP
-  Cardiff Pinnacle Insurance Management Services plc
-  Chafes Solicitors
-  Challenge Consulting
-  CHP Consulting Ltd
-  Close Credit Management Ltd
-  Clyde & Co LLP
-  Copernicus Limited
-  CUNA Mutual Group Limited

-  D&B (Dun & Bradstreet)
-  Dains LLP
-  Datamonitor
-  Deloitte & Touche LLP
-  Denton Wilde Sapte LLP
-  Direct Legal & Collections
-  DLA Piper UK LLP
-  DWF LLP
-  Equifax Plc
-  Ernst & Young
-  Eversheds LLP
-  Experian Ltd
-  Fair Isaac Services Ltd
-  Field Solutions Limited
-  Fraud Screen Ltd
-  Freshfields Bruckhaus Deringer
-  GB Group plc
-  Genworth Financial
-  GoIndustry (UK) Ltd
-  Grant Thornton UK LLP
-  Graydon UK Ltd
-  HBJ Gateley Wareing LLP
-  Hitachi Consulting UK
-  HPI Ltd
-  ICC Credit Ltd
-  icenet Limited
-  Independent Leasing
-  International Decision Systems Ltd
-  Invigors LLP
-  Irwin Mitchell
-  KPMG LLP
-  Lease & Loan Insurance Services
-  Lester Aldridge LLP
-  Link Financial Ltd
-  Linklaters LLP
-  Lloyds TSB General Insurance Ltd
-  Lovells LLP

-  Mapfre Assistance
-  Marlin Capital Europe
-  Matthew Arnold & Baldwin
-  McClure Naismith
-  McManus Kearney
-  MetLife Insurance Limited
-  Morton Fraser Solicitors
-  NetSol Technologies Europe Ltd
-  Northern Arch Ltd
-  Norton Rose LLP
-  Norwich Union
-  pancredit Systems Limited
-  PricewaterhouseCoopers
-  Quiktrak Inc
-  RecruitActive Ltd
-  Ritchie Bros Auctioneers (UK) Ltd
-  RVI Guaranty Co. Ltd
-  Salans
-  Scorex (UK) Ltd
-  Sector Treasury Services Ltd
-  Shoosmiths
-  St Andrew's Group plc
-  Stephenson Harwood, Solicitors
-  Sterling Insurance Group Ltd
-  Synectics Solutions Ltd
-  Target Group Limited
-  The Alta Group Limited
-  TWG Services Limited
-  Watson, Farley & Williams LLP
-  Wescot Credit Services Limited
-  White Clarke Group
-  Woburn Consulting Group
-  Wragge & Co LLP

