



## Why use Asset Finance?



## **What is asset finance?**

**Asset finance (leasing and hire purchase) gives firms access to equipment which might otherwise be out of reach due to lack of cash flow. It usually involves paying a regular charge for use of the asset over an agreed period of time, therefore avoiding the full cost of buying outright.**

**Leasing gives the customer access to new equipment by renting it for a contracted period, without owning the asset.**

*How it works* - The leasing company (lessor) buys and owns the equipment on behalf of the customer (lessee). The customer pays a rental for the use of the equipment over a pre-determined period.

**There are two main types of lease:**

- **A finance lease transfers all the rights and obligations of ownership (like maintenance and insurance) to the lessee, and over the lifetime of the agreement, the lessee will have paid at least 90% of the fair value, or market value of the asset;**
- **An operating lease is appropriate if the business does not need the equipment for the entirety of its working life. The leasing company will take it back at the end of the agreement and will be responsible for maintenance.**

**Hire Purchase (HP)** allows the customer to buy the equipment on credit.

*How it works* - The finance company purchases the asset on behalf of the customer. The finance company owns the asset until the final instalment is paid, at which point the customer is given the option to buy it for a nominal sum.

### **Why use asset finance?**

It is extremely flexible and can be used to fund any asset – ranging from telephones and photocopiers to forklift trucks and aircraft. It could be the perfect solution if your business needs new equipment that might otherwise be unaffordable. The various forms of asset finance provide a number of advantages for the customer:

- They give businesses access to the equipment they need without incurring the cash flow disadvantage of an outright purchase
- Finance agreements can often be tailored to the business' needs, with flexibility on both the term and repayment schedule
- Leasing and HP are excellent budgeting tools as payments are usually fixed, allowing improved cash flow management
- Asset finance providers often specialise in a particular type of asset about which they have expert knowledge

## **The importance of asset finance to business growth**

The FLA is the trade association for the asset, consumer and motor finance sectors in the UK. In 2015, our members provided £29 billion of asset finance to businesses and the public sector, representing almost 32% of total UK investment in machinery, equipment and purchased software.

Of the total new business written by FLA asset finance providers in 2015, over £16 billion was provided to support business investment by SMEs. The success rate for SMEs applying for asset finance was 94% – high compared with other forms of finance.

## **Where to find asset finance providers**

Around 90% of asset finance providers in the UK are members of the Finance & Leasing Association (FLA). You'll find them listed in the asset finance section of the FLA's website – just click on Looking for Finance.

## **The FLA's Business Code**

Doing business with an FLA member means you are dealing with a reputable firm, whose agreements are subject to the FLA's Business Code. The Code sets out the standards that FLA members will meet when providing asset finance to businesses and the public sector. If problems do arise and a customer feels that a member firm has not complied with the Code, they can contact the FLA and take advantage of our conciliation service.

Finance & Leasing Association



## Get In Touch

**Finance & Leasing Association**

2nd Floor, Imperial House

15-19 Kingsway

London WC2B 6UN

**Tel:** 020 7836 6511

**Fax:** 020 7420 9600

**Email:** [info@fla.org.uk](mailto:info@fla.org.uk)

**[www.fla.org.uk](http://www.fla.org.uk)**