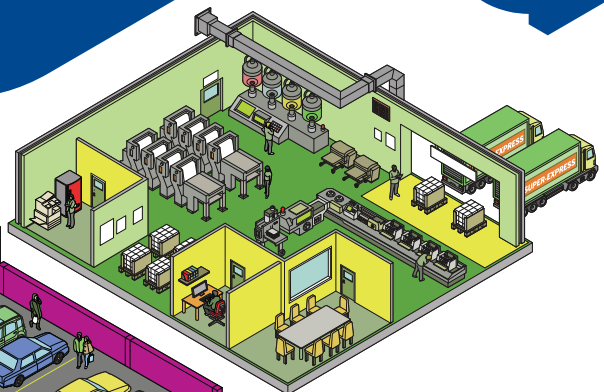
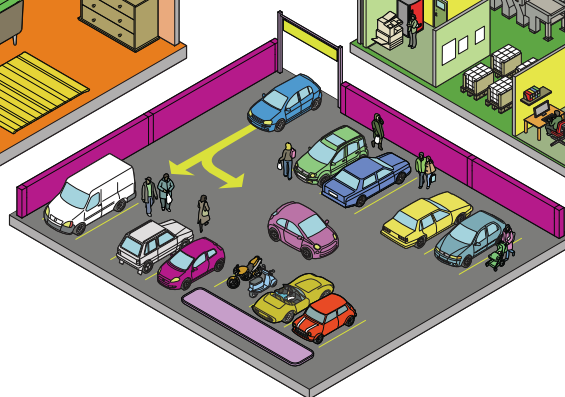


1992 - 2012
YEARS

20 years at the heart
of business and
consumer lending

FOR CAMPAIGNING YOU

FLA: WORKING
FOR YOU
IN 2012





A selection
of comments
from this year's
annual survey
of members

“The FLA is a truly world class organisation as evidenced by the professionalism portrayed by all its leadership and staff. We wish the FLA success in its future endeavours.”

Full member

“Your briefing notes are excellent, and stand out from most of what we have seen to demonstrate the strength of lobbying work you have been conducting. Many of the points you are making resonate with [our] thinking.”

Associate member

“The FLA has played and is playing an important role protecting the industry during this period of change. In addition, the FLA has been proactively seeking the opinion of members on forthcoming issues to ensure that suitable responses to Government and regulators are given.”

Full member

“The FLA provides a good standard of support to the industry and my company when called upon. It also provides a good forum to explore industry issues with peer businesses.”

Full member

We feel that the FLA very competently represents the interests of its full members, which allows it to retain a strong membership base. This provides us, as associate members, with excellent opportunities for developing and marketing services to the wider membership.”

Associate member

“Generally very relevant to my business and provides very comprehensive guidance on new regulations.”

Full member

“We are very pleased and proud to be an active part of the FLA and grateful to it for all the services it provides to us and our clients.”

Associate member

“Excellent lobbying efforts that we could not achieve on our own if not part of the FLA.”

Full member

“Provides relevant information to its members and updates are accessible. In addition, there is a vast range of training provided by the FLA.”

Associate member

“Very helpful staff, excellent communication on areas of concern and an invaluable lobbying force. The FLA approach is just right in terms of involving members in actions that matter and gathering then summarising often complex issues so that members have appropriate information very promptly.”

Full member



Stephen Sklaroff
Director General

WELCOME TO THE 2012 EDITION OF CAMPAIGNING FOR YOU

This is our annual summary of the FLA's work on behalf of its members. The following pages describe some of the highlights from a busy year, which also marked the FLA's 20th anniversary. You will see the wide range of ways in which we supported our members during the year. Our ability to speak on behalf of the industry at the highest levels of Government while providing members with a range of high-quality services and networking opportunities helped us to attract 11 new full members and 14 new associate members during 2012.

Government plans for a new system of consumer and small business credit regulation remained a major focus. Our intensive lobbying of Ministers, senior officials, regulators and others persuaded the Government to make a number of important changes to its original proposals. Our roundtable events at the Party Conferences allowed FLA members and their business partners to demonstrate the risks the Government would run if it did not change its plans. We reinforced our messages in Parliament, where our briefings were widely quoted during debates on the Financial Services Bill (which will create the new system). In response, the Government has amended the Bill to keep the Consumer Credit Act in existence after the transfer of responsibility to the new Financial Conduct Authority. It has also told us that it understands our concerns, and is now considering changes to the implementation timetable and the way in which the new regime will be phased in. Government speakers at recent FLA Conferences have paid tribute to our persistence in making the industry's case.

Meanwhile, we were active in responding to challenges arising from the existing regulatory regime for credit. We introduced new protections for the customers of short-term lenders as part of a complete updating of the FLA's Lending Code. These formed the basis for a new and wider *Good Practice Charter* for the short-term sector as a whole. We also worked with various stakeholders to help customers with mental health difficulties, and with the National Fraud Intelligence Bureau (NFIB) to combat fraud.

We persuaded the Department for Work and Pensions to pay support for mortgage interest on second charge mortgages, providing more assistance to home owners in financial difficulties and helping to reduce repossession rates further.

The asset finance markets grew strongly during 2012. We persuaded the Government to include asset finance in its new schemes to boost the flow of credit to businesses, including the National Loan Guarantee Scheme (NLGS) and the Funding for Lending Scheme (FLS). FLA members supported more than 700 businesses with £140m of new asset finance under the Government's Regional Growth Fund. We launched a new small business finance directory in partnership with the National Association of Commercial Finance Brokers (NACFB). We also launched our new professional qualification for members of the asset finance industry. We were active throughout the year in responding to media coverage of leasing market issues.

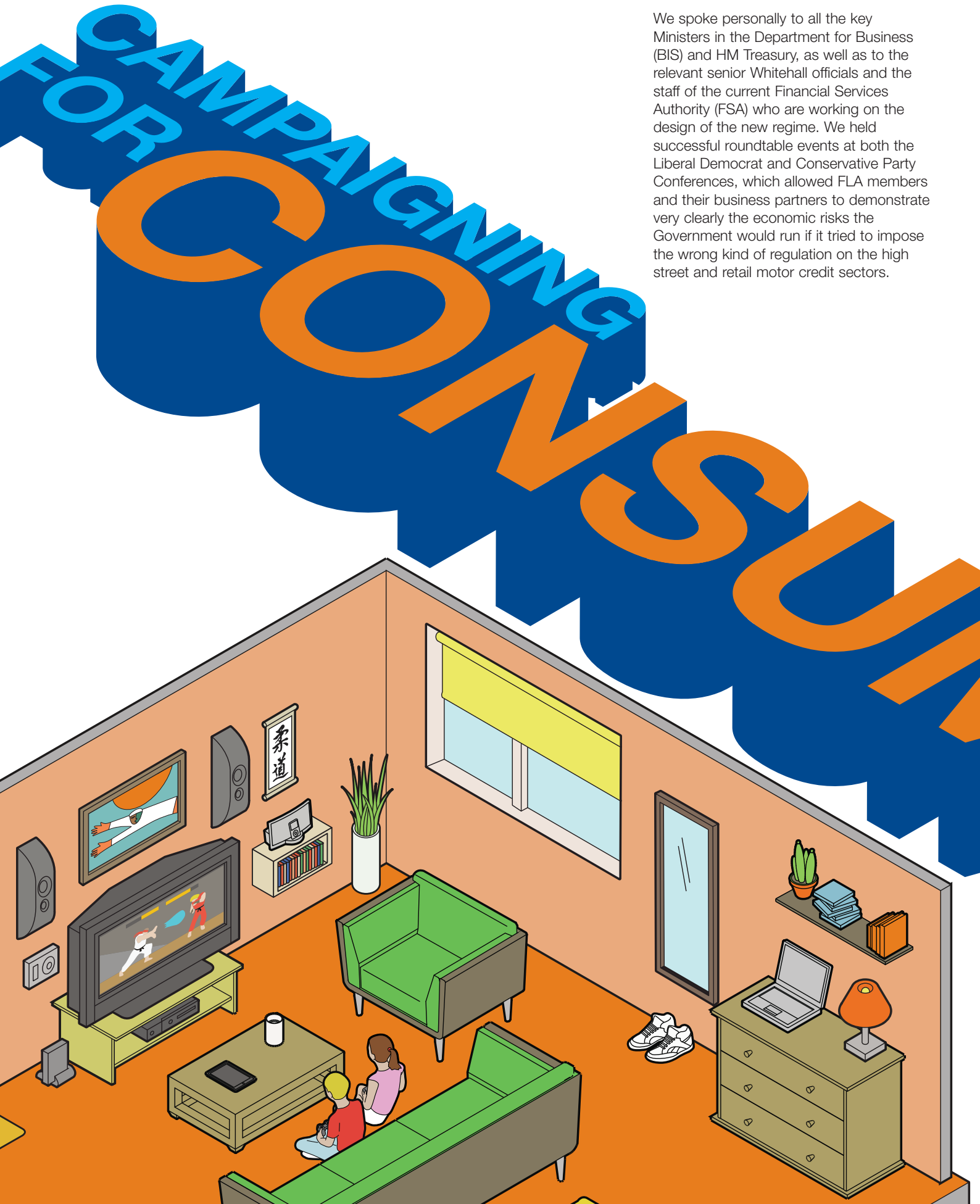
We saw record growth in the motor credit markets, which now finance over 70% of all new cars bought in the UK by consumers. Our anti-fraud work contributed to a continued fall in the incidence of fraud. We reached agreement with the Association of Chief Police Officers on a secure future for the AVCIS Vehicle Fraud Unit, and extended our successful vehicle recovery scheme to include the Driver Vehicle Licensing Agency (DVLA). The number of dealerships approved under our Specialist Automotive Finance (SAF) scheme rose to more than 2,000 across the UK.

Our 2012 member survey showed a continued high level of satisfaction with our services, as well as some really constructive suggestions for improvements, which we are actively pursuing. I hope that you find this report helpful and I look forward to working with you in 2013. As always, please let me know if you would like to discuss anything in more depth.

 **A new regulatory system for consumer and small business credit**

We continued to make the case to the Government for material changes to its proposals for a new regulatory system for consumer and small business credit.

We spoke personally to all the key Ministers in the Department for Business (BIS) and HM Treasury, as well as to the relevant senior Whitehall officials and the staff of the current Financial Services Authority (FSA) who are working on the design of the new regime. We held successful roundtable events at both the Liberal Democrat and Conservative Party Conferences, which allowed FLA members and their business partners to demonstrate very clearly the economic risks the Government would run if it tried to impose the wrong kind of regulation on the high street and retail motor credit sectors.



Our briefings for Parliamentarians about the Government's proposals were widely quoted in debates on the Financial Services Bill, which will transfer regulatory responsibility for credit from the Office of Fair Trading (OFT) to the new Financial Conduct Authority (FCA).

We also used our leading role in lobbying on the new credit regime to establish an informal interest group of all the main credit trade associations, including the British Bankers Association (BBA) and UKCards. This group made clear to the Government the industry's shared concerns about the Government's plans.

The Government listened. Speakers from the Treasury, OFT, FSA and Department of Business at our Consumer Credit and Motor Finance Conferences in October and November made clear they had got the message that the proposed timetable for implementing a new regime was too tight and that the regime itself needed to be properly adapted to the realities of the credit markets. The new Ministers at BIS and Treasury (who were appointed following the recent re-shuffle) also told us that our concerns had been registered.

The FLA Lending Code

We launched a new and updated version of the FLA's successful Lending Code, which has been providing additional protection for consumers for 20 years. New rights were added for customers with store cards and short-term loans. Additional assistance was also provided for customers in financial difficulties. We ran three successful Code training workshops to help members understand and implement the new Code provisions.

We made significant improvements to our complaint-handling scheme, so that we can provide a more focused and targeted service to consumers.

We also strengthened our independent Code monitoring procedures.

Claims Management Companies (CMCs)

We persuaded the Ministry of Justice to strengthen the regulation of CMCs in a new regime which will be introduced in 2013. Improvements include a ban on taking client money before a signed contract is in place, jurisdiction for the Legal Ombudsman Service over complaints against CMCs, and compulsory advice to the customer that they can go direct to the Financial Ombudsman Service. We pressed the Government to go further, and our views were quoted in a Parliamentary debate on CMCs.

Help with housing costs

We persuaded the Department for Work and Pensions to extend the *Support for Mortgage Interest* scheme to second charge mortgages, so as to provide more assistance to home-owners in financial difficulties and help prevent them losing their homes.

Short-term loans

We collaborated with other trade bodies to introduce a *Good Practice Charter* containing new protections for short-term borrowers. These include clearer up-front information about repayments, regular reminders to the customer of when payments will be requested, and more extensive help for customers in financial difficulties.

Misleading and aggressive practices

We convinced the Law Commissions in Scotland, England and Wales to change their proposals to make lenders responsible for any misleading or aggressive practices by a supplier acting on their behalf, including retailers and motor dealers. The original proposals would have placed significant and costly new burdens on lenders.

Edited Electoral Register

We persuaded the Government not to abolish the Edited Register (ER), which is used extensively by members for verification purposes, account management, tracing debtors and fraud prevention.

Financial crime

We worked with the National Fraud Intelligence Bureau (NFIB) to deliver more targeted fraud alerts to members.

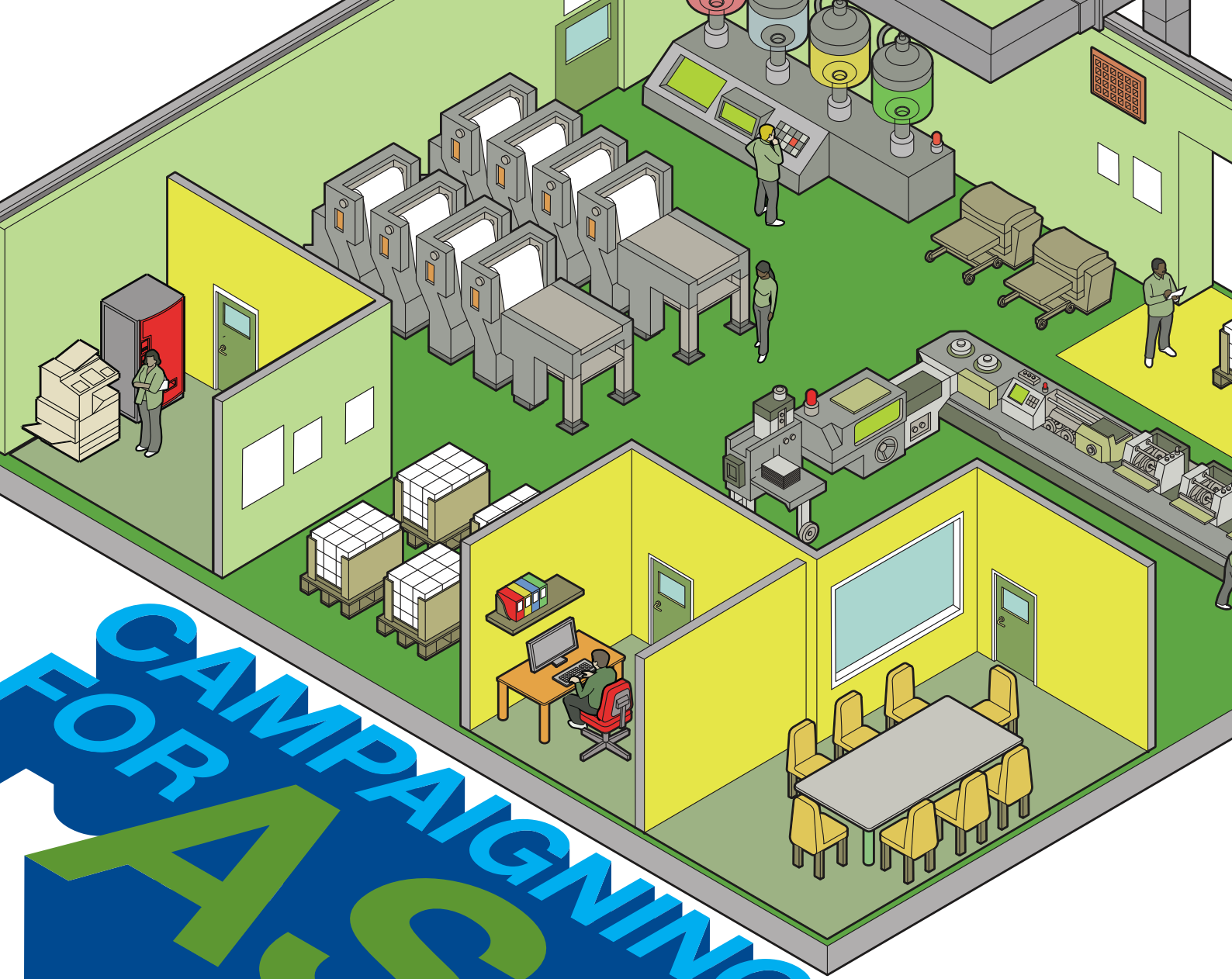
Debt and mental health

We worked with the Money Advice Liaison Group and the Royal College of Psychiatrists to produce a new form to help lenders gather information about customers with payment problems who may have mental health difficulties. The new form helps ensure that customers with mental health issues are treated sympathetically and positively.

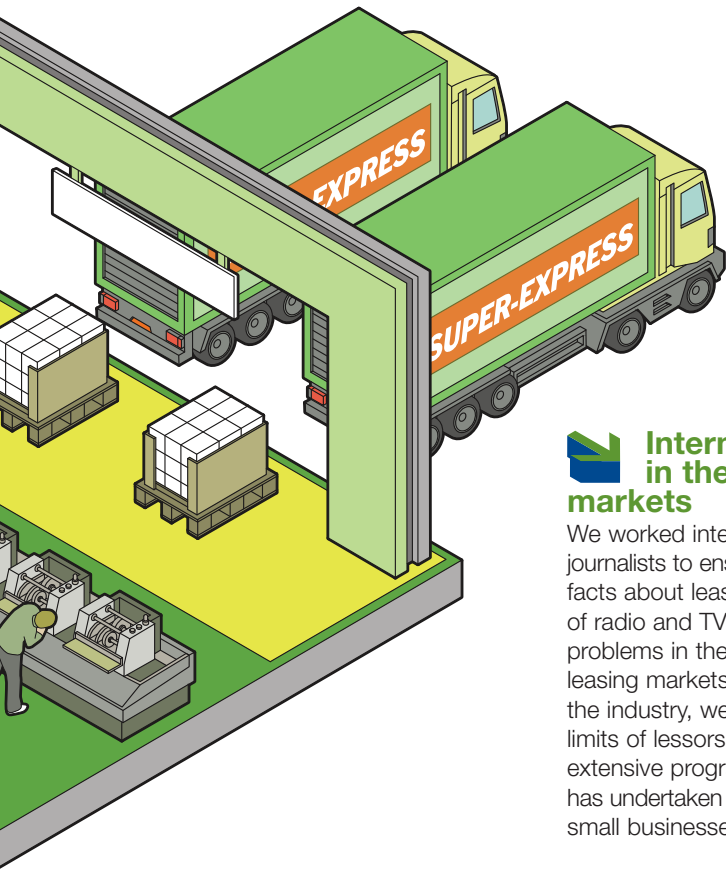
Reform of the process for bankruptcy and compulsory winding-up

We persuaded the Government to re-examine their proposals to remove the courts from the process which lenders use when applying for bankruptcy orders against debtors. We argued successfully that the change was unnecessary, as lenders rarely make such applications because they prefer to work with customers to resolve any issues in other ways.





FOR ASSET FINANCE



The Government's Credit Easing Schemes

We persuaded the Government to include leasing in the National Loan Guarantee (NLGS) and Funding for Lending (FLS) schemes. This is the first time in recent years that any such Government scheme has included leasing. We continued to work with the Government to expand the range and scope of its credit-easing schemes to cover more of the asset finance market, including through the proposed Government Business Bank to be launched in 2013.

Business Finance Partnership

In response to our lobbying, the Government launched a new £100 million tranche of its Business Finance Partnership (BFP) specifically to provide finance to small businesses through non-bank channels. FLA members participated in a number of proposals aimed at using the BFP from 2013.

Regional Growth Fund

We successfully persuaded the Government to include asset finance in its Regional Growth Fund, and banks currently in the Fund have already used it to support £140 million of new asset finance for 700 businesses employing 8,700 people. Several additional FLA members have been selected to use the Fund from 2013.

Intermediary issues in the asset finance markets

We worked intensively with various BBC journalists to ensure that they understood the facts about leasing in advance of a number of radio and TV programmes dealing with problems in the small business and school leasing markets. In interviews on behalf of the industry, we explained the nature and limits of lessors' responsibility and the extensive programme of work the industry has undertaken to improve the way in which small businesses and schools lease.

We also developed new good practice operations guidance for members active in these markets, and arranged a conference to discuss the issues. We supported the development of a new system to help members check equipment prices and carried out research into the useful economic life of different types of equipment.

We worked with the Department for Education (DfE) on our jointly-published guidance to help schools to make successful use of leasing.

Lease accounting

In response to our continued lobbying campaign, the International Accounting Standards Board (IASB) further simplified its proposed new lease accounting rules, reducing the risk of disruption to the UK leasing market.

We also got the UK's accountancy regulator, the Accounting Council, to agree that any new rules would in any case not be applied to most UK businesses before 2018.

Fraud Intelligence System

Our fraud intelligence system, operated by Dun & Bradstreet, continued to attract new users. In its first three years of use, the system distributed over 450 alerts of suspected fraudulent applications, as well as helping members lend to several hundred businesses that might otherwise have been considered too risky.

Asset Finance qualification

In partnership with the *ifs* School of Finance, we launched a new professional qualification to meet the specific needs of the asset finance industry. The qualification is based on *ifs* School of Finance study modules, allowing students to obtain the *ifs* Professional Certificate in Banking and then progress to the *ifs* Professional Diploma in Banking Practice and Management. The first group of students from FLA companies will start in Spring 2013.

Tax review

Following several years of FLA lobbying, HM Treasury and HM Revenue and Customs (HMRC) agreed to launch a review of ways to simplify leasing taxation rules for small businesses.

Energy efficiency

We published research showing the important role of asset finance in supporting energy efficient investment by UK businesses, and used this to open discussions with the Government on a co-investment scheme with the Green Investment Bank (GIB).

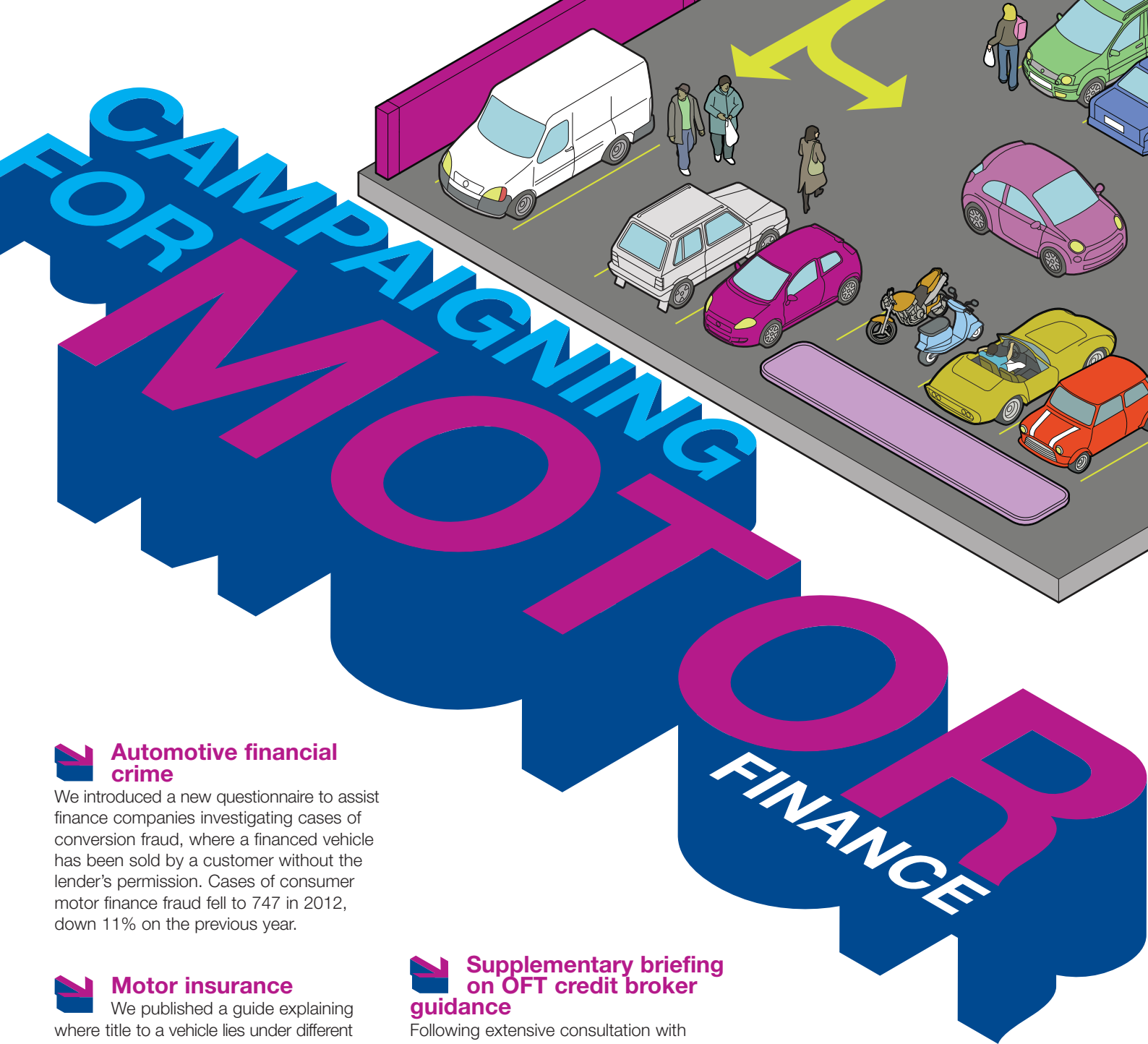
Small business finance directory

In conjunction with the National Association of Commercial Finance Brokers (NACFB), we created a new online directory to help small businesses find sources of asset finance and other alternative forms of finance. The Commercial Secretary to the Treasury, Lord Sassoon, launched the Directory in March 2012.

Future regulation affecting asset finance

We responded to a series of proposals for new regulation that might impact the asset finance market, including Government plans to ring-fence deposit-taking banks and European Commission proposals for the regulation of 'shadow-banking' and new capital requirements.

Our argument on shadow banking – that any new regulation should be focused only on systemically-important institutions, thus avoiding unnecessary red tape for the majority of asset finance businesses – was broadly accepted, and led to several improvements to the proposed new regulations.



Automotive financial crime

We introduced a new questionnaire to assist finance companies investigating cases of conversion fraud, where a financed vehicle has been sold by a customer without the lender's permission. Cases of consumer motor finance fraud fell to 747 in 2012, down 11% on the previous year.

Motor insurance

We published a guide explaining where title to a vehicle lies under different types of motor finance agreement. This was circulated to motor insurance members of the Association of British Insurers and will help lenders secure quicker pay-outs from insurers in future.

We worked with the Insurance Fraud Bureau on a new intelligence-sharing arrangement with the AVCIS Vehicle Fraud Unit which will assist the police in their investigations of finance company vehicles.

Driver and Vehicle Licensing Agency (DVLA) services

We persuaded the DVLA to introduce more online services from 2013, so as to reduce the administrative burden on motor lenders. These include online amendments to vehicle keeper details, changes to personal details, and replacement V5 log-books.

Supplementary briefing on OFT credit broker guidance

Following extensive consultation with members, we published supplementary briefing on the implementation of the OFT's recent Guidance for Credit Brokers and Intermediaries, and encouraged the motor dealers' association to do the same.

Vehicle fraud unit re-launched

We successfully persuaded the Association of Chief Police Officers (ACPO) to keep in existence the successful AVCIS Vehicle Fraud Unit (which is funded by FLA members in the motor market). Administrative support transferred from Wiltshire to Hampshire Police Authority. Existing AVCIS police resources were maintained, including those based in the sea ports.

We worked with the ACPO Criminal Records Office on plans to expand AVCIS intelligence-gathering overseas.

Specialist Automotive Finance (SAF)

Over 2,000 motor dealerships – accounting for more than 20% of the industry – were recognised as 'SAF Approved' as part of our campaign to improve standards in the sale of credit in car showrooms. The number of the top 50 dealer groups registered for SAF increased to 37 during 2012.

The online SAF training material and test were revised to include new material on the latest OFT Guidance for credit brokers and intermediaries, and on mental capacity issues.

The online SAF test was accredited by The National Skills Academy for Financial Services (NSAFS). We started to explore the introduction of a more advanced form of SAF assessment similar to the new asset finance qualification.

STAKEHOLDERS

- Accounting Standards Board
- ACPO Vehicle Crime Intelligence Service
- Association of Chief Police Officers
- Association of Chief Police Officers in Scotland
- Audit Commission
- Bank of England
- Cabinet Office
- Carbon Trust
- Citizens Advice
- Civil Justice Council
- Consumer Focus
- Companies House
- Competition Commission
- Confederation of NHS Trusts
- Credit Action
- Department for Business, Innovation and Skills
- Department for Communities and Local Government
- Department for Education
- Department for Energy and Climate Change
- Department for Transport
- Department for Work & Pensions
- Department of Health
- DG Competition
- DG Consumer Protection (SANCO)
- DG Employment, Social Affairs and Equal Opportunities
- DG Internal Market
- Driver and Vehicle Licensing Agency
- Energy Saving Trust
- Eurofinas
- European Court of Justice
- European Financial Reporting Advisory Group
- European Parliament
- Financial Ombudsman Service
- Financial Reporting Council
- Financial Services Authority
- National Fraud Intelligence Bureau
- NHS Supply Chain
- HM Revenue & Customs
- HM Treasury
- Home Office
- House of Commons
- House of Lords
- *ifs* School of Finance
- Information Commissioner's Office
- Insolvency Service
- International Accounting Standards Board
- International Accounting Standards Committee Foundation
- Joint Money Laundering Steering Group
- Land Registry
- Law Commission
- Leaseurope
- Local Authorities Coordinators of Regulatory Services
- Ministry of Justice
- Money Advice Service
- Money Advice Trust
- Monitor
- Motor Insurers' Bureau
- Office of Fair Trading
- Select Committees
- Shelter
- Society of Motor Manufacturers
- Standing Committee on Reciprocity
- StepChange
- Trading Standards Institute
- Registry Trust
- Retail Motor Industry Federation
- Which?

CAMPAIGNING FOR YOU IN EUROPE

Insurance Mediation Directive

Our lobbying helped ensure that the European Commission's published proposal for a second Insurance Mediation Directive (IMD II) included a simplified registration procedure for those offering insurance in an ancillary capacity. This means they will not have to apply the elements of the Directive relating to remuneration, advice or cross-selling. We also worked to ensure this important change was not reversed by MEPs or national governments.

Consumer Credit Directive (CCD)

The FLA lobbied MEPs and officials at the European Parliament against any new consumer credit rules before the European Commission reviews the existing CCD in 2013. The subsequent European Parliament report on the implementation of the CCD concluded there was no case for new rules ahead of the 2013 review.

Data Protection

We argued that the proposed new European data protection framework would adversely affect the use of credit data for responsible lending and fraud prevention. Our arguments made considerable headway with MEPs and EU officials.

Mortgage Directive

We helped MEPs and member states begin to reach a sensible agreement on a new Mortgage Directive for 2013.

IN THE NEWS

Coverage of FLA stories increased significantly in both the specialist and national media.

The launch of our new FLA Lending Code was covered in the *Mail on Sunday*, *The Independent*, the *i*, *Daily Telegraph*, *guardian.co.uk* and *Mail Online*. Our contribution to the effective self-regulation of short-term lending was reported by the *BBC*, *The Daily Mail*, *The Independent* and numerous online news services as well as the online versions of the *Daily Telegraph*, *Daily Mail* and *The Guardian* and in the regional and trade press. Our views on the Financial Services Bill were reported in the *Financial Times* and our consumer finance statistics in various parts of the national press.

Our motor market statistics were reported in the *Financial Times*, the *Sunday Times*, the *Sunday Express*, *The Sun* and *The Scottish Sun*. The launch of our new Business Finance Directory was covered by the *Mail on Sunday* and *Financial Times* and extensively in the trade media. Our work on motor fraud, including ACPO's Vehicle Crime Intelligence Service, was covered in *The Sun*, in numerous local papers and in the trade and online media. The SAF scheme was extensively covered in the trade, regional and local press, as were our vehicle recovery partnerships with the DVLA and AVCIS.

Our asset finance market statistics appeared in a range of national publications, including the *Financial Times*, and were widely covered in regional and trade media throughout the year. We gave interviews on behalf of the industry to *BBC* television and radio about leasing problems in some businesses and schools. We collaborated with *City AM* on a well-received and widely circulated supplement on asset finance.



RESEARCH & STATISTICS



Our research team continued to provide members with a unique range of industry data, while supporting our lobbying across all three Divisions.

We published regular monthly market statistics on new business, outstandings, and arrears rates. We also made regular presentations to the membership of our three Divisions on the latest economic and industry trends. We produced quarterly reports on motor fraud, second-charge mortgage repossessions, and confidence in the asset finance markets. We started work on the introduction of a new confidence survey for the motor market in 2013. In addition, we provided a range of bespoke benchmarking services for members.

We conducted research to support our lobbying on the Government's proposed new system of credit regulation, including an analysis of the use of credit by households and businesses. The results formed a key part of our briefing paper for the Government '*Intermediated Credit: A Proportionate Approach*'. Our research also formed the basis of regular discussions with the Bank of England about credit market conditions.

We sponsored research by the Open University about SMEs' views on how to promote business investment and expansion. The results showed strong SME support for the Government's proposed Business Bank and we used this to support our lobbying on Government business investment schemes. We also commissioned research on the useful life of business assets to help develop guidance on maximum periods for the leasing of office and business equipment.

TRAINING



We ran a busy and successful training programme for FLA members during 2012, including over 50 open and in-house courses. These responded to member feedback and to market and policy trends, and included courses on:

- Debt and mental health
- The prevention of money-laundering
- Essential underwriting skills
- Consumer law for motor finance providers
- Operational risk management
- Effective complaints handling
- Lease accounting and tax
- Data-sharing, including the Principles of Reciprocity
- Consumer credit litigation
- Data protection
- Codes of practice, protocols and guidance for collection services
- Preventing asset finance fraud

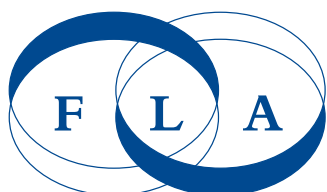
EVENTS



Our 2012 events programme for members provided a series of networking opportunities including our popular seasonal drinks receptions and our Annual Dinner in February, which attracted nearly 1,500 guests.

Our Consumer Finance and Motor Finance Conferences both enjoyed record attendances. Other events held in 2012 included:

- A vehicle finance collections seminar
- An automotive financial crime conference
- A debt recovery conference
- The annual FLA Golf Day
- A seminar on the used car market
- A conference on operational issues in the asset finance market



1992 - 2012
YEARS

20 years at the heart
of business and
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Finance & Leasing Association

Imperial House
15-19 Kingsway
London WC2B 6UN

T: 020 7836 6511
F: 020 7420 9600
E: info@fla.org.uk

www.fla.org.uk

CONTACTING THE FLA

Stephen Sklaroff

Director General
T: 020 7420 9660
E: stephen.sklaroff@fla.org.uk

Haidee Wyatt

Executive Assistant
T: 020 7420 9606
E: haidee.wyatt@fla.org.uk

CONSUMER FINANCE

Fiona Hoyle

Head of Consumer Finance
T: 020 7420 9635
E: fiona.hoyle@fla.org.uk

Richard Bostock

Senior Policy Advisor
T: 020 7420 9605
E: richard.bostock@fla.org.uk

Megan Charles

Senior Policy Advisor
T: 020 7420 9661
E: megan.charles@fla.org.uk

Patsy Calnan

Code Complaints Administrator
T: 020 7420 9612
E: patsy.calnan@fla.org.uk

Hanifa Teladia

Senior Administrator
T: 020 7420 9634
E: hanifa.teladia@fla.org.uk

BUSINESS FINANCE

Julian Rose

Head of Asset Finance
T: 020 7420 9610
E: julian.rose@fla.org.uk

Cheryl Ward

Policy Advisor
T: 020 7420 9657
E: cheryl.ward@fla.org.uk

MOTOR FINANCE

Paul Harrison

Head of Motor Finance
T: 020 7420 9658
E: paul.harrison@fla.org.uk

Daniel Tyler

Policy and Communications Advisor
T: 020 7420 9613
E: daniel.tyler@fla.org.uk

GOVERNMENT AFFAIRS

Edward Simpson

Head of Government Affairs
T: 020 7420 9654
E: edward.simpson@fla.org.uk

COMMUNICATIONS

A new Head of Communications is being recruited. For all media issues please call
T: 020 7420 9656

RESEARCH AND STATISTICS

Geraldine Kilkelly

Head of Research and Chief Economist
T: 020 7420 9630
E: geraldine.kilkelly@fla.org.uk

Christopher McFaul

Statistician
T: 020 7420 9629
E: christopher.mcfaul@fla.org.uk

Eiko Sievert

Economist
T: 020 7420 9632
E: eiko.sievert@fla.org.uk

FINANCE, RESOURCES AND MEMBER SERVICES

Janet Edwards

Head of Finance and Resources
T: 020 7420 9615
E: janet.edwards@fla.org.uk

Beverley Gordon

Accountant
T: 020 7420 9604
E: beverley.gordon@fla.org.uk

Jon Dear

Commercial Services Manager
T: 020 7420 9623
E: jon.dear@fla.org.uk

Linda Charles

Events Manager
T: 020 7420 9626
E: linda.charles@fla.org.uk

Ryan White

Training Services Manager
T: 020 7420 9643
E: ryan.white@fla.org.uk

Cherie Nicholls

IT and Facilities Manager
T: 020 7420 9611
E: cherie.nicholls@fla.org.uk

Elaine Bushnell

Administrator
T: 020 7836 6511
E: elaine.bushnell@fla.org.uk