



FINANCE & LEASING ASSOCIATION (FLA): BUDGET SUBMISSION

Introduction:

1. The Finance & Leasing Association (FLA) is the leading trade association for the UK consumer credit, motor finance and asset finance sectors. FLA member companies include banks, the finance subsidiaries of major manufacturers and independent finance firms. They offer credit services to customers from all social groups, via credit and store cards, personal loans, point of sale finance, motor finance and a number of other consumer credit products, as well as a wide range of leasing and hire purchase services to businesses of all sizes.
2. In the 12 months to November 2019, FLA members provided £138 billion of new finance to UK businesses and households, £47 billion of which helped consumers and businesses buy new and used cars, including over 91% of private new car registrations. £104 billion was in the form of consumer credit, accounting for over a third of all new consumer credit written in the UK. £35 billion of finance was provided to businesses and the public sector to support investment in new equipment, representing over a third of UK investment in machinery, equipment and purchased software in the UK.
3. This paper sets out the FLA's key priorities ahead of the Chancellor's Budget Statement on 11 March. We suggest more support for local authorities seeking to encourage the use of electric vehicles and greater investment in electric vehicle charging infrastructure. We also propose modest reforms to the tax system which would make leasing, especially of low-emission vehicles, more attractive for businesses and suggest changes to the way SMEs receive advice on funding and growing their businesses.

Support for SMEs

4. There is a huge variation in the resources and expertise available to small businesses seeking advice on finance from the Local Enterprise Partnerships (LEPs) and Growth Hubs. We believe that all the Growth Hubs should have a dedicated member of staff who can advise SMEs on how to apply for the finance they need to grow their businesses. We hope that the Government's recent commitment to continue to support the LEPs will allow this to happen.
5. We would also suggest a more radical reimagining of the way in which SMEs can find advice on running their business. A Government-backed, trusted advice service would provide a way for SMEs to seek advice on all aspects of running their business, from late payment issues to the most appropriate source of finance. This scheme could be funded by Government but operated as an arm's-length body, similar to the way the Money and Pensions Service (MaPS) is run.



Enabling the green economy

6. Asset finance can play a vital role in allowing businesses and the public sector to acquire green technology, including electric vehicles and battery storage technology. FLA members have worked with local authorities to fund the roll-out of electric vehicles and will be helping Transport for London to reach their target of a zero-emissions bus fleet.
7. However, to make the rollout of such vehicles commercially viable and attractive for drivers, there needs to be greater investment and standardisation of charging infrastructure. We would support this being achieved with greater support for local authorities, such as via greater use of the Energy Saving Trust's existing Local Government Support Programme, funded by the Department for Transport. Other approaches include investigating greater partnership with the British Business Bank to support green technologies.

A simpler lease taxation regime

8. Tax considerations should not drive the way a business chooses to finance its assets. We have for some time argued that the current complex lease taxation regime should be reformed, including by changing rules which render leasing less competitive than other forms of finance.
9. For example, businesses purchasing low-emission cars outright, or with a bank loan, are entitled to a 100% First Year Allowance, but lessors do not qualify. This means that leasing low-emission vehicles is more expensive than outright purchase, hampering the business use of such vehicles. Removing this bias in the system would, along with other sensible measures of reform, do much to boost SME funding and growth.
10. We would welcome the opportunity to discuss our proposals more fully with the Government.

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