

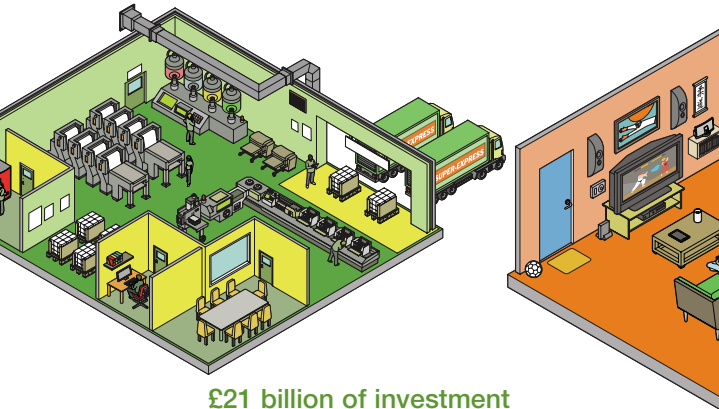


1992 - 2012
YEARS

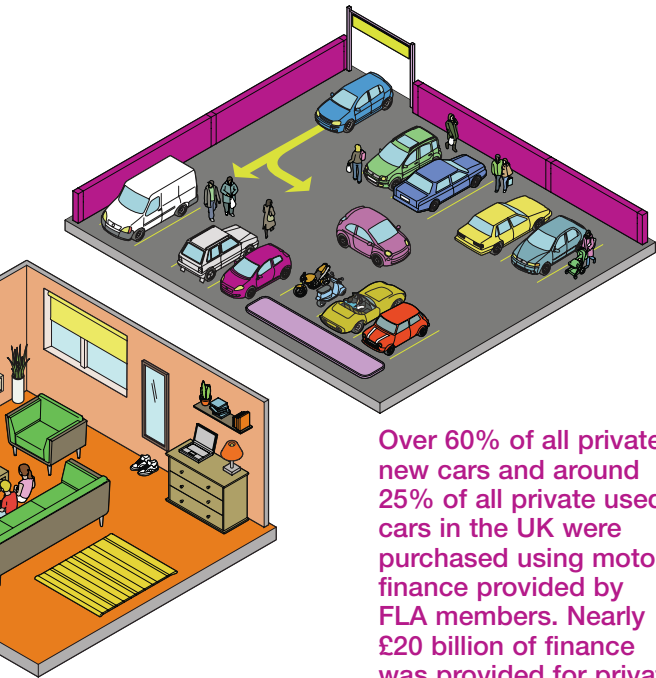
20 years at the heart
of business and
consumer lending



Last year FLA members provided **£73 billion** of finance to businesses and households.



£21 billion of investment finance was provided to businesses and the public sector, representing around 27% of all fixed capital investment in the UK in 2011.



Over 60% of all private new cars and around 25% of all private used cars in the UK were purchased using motor finance provided by FLA members. Nearly £20 billion of finance was provided for private and business vehicles.

More than £52 billion of consumer finance was provided to consumers, representing almost 30% of all UK consumer credit.

What is the FLA?

The **Finance & Leasing Association (FLA)** is the UK's leading trade association for the consumer credit, motor finance and asset finance sectors, and the largest organisation of its type in Europe.

Our members include banks, subsidiaries of banks and building societies, the finance arms of leading retailers and manufacturing companies and a range of independent firms.



Why are FLA members important?



Household expenditure

People use credit to fund home improvements, household equipment, furniture and high street purchases.



Public services

From road sweepers to hospital equipment, leasing helps public authorities to achieve cost efficiency and service improvements.



Business

Leasing supports UK competitiveness by helping over 750,000 firms to obtain the equipment they need.



Environment

Asset finance for wind turbines, electric vehicles and replacement plant can help achieve a low-carbon economy.



Transport

Over 1.6 million cars are bought with finance each year.



Crime

Motor finance companies have helped the police to reduce car fraud and tackle organised crime by funding a dedicated Vehicle Fraud Unit.

ASSET FINANCE

Asset finance
(leasing and hire purchase
of business equipment)

In 2011, FLA members
funded 27% (£21 billion)
of all fixed capital
investment.

They provided finance
to around 750,000 small
and medium-sized
businesses.

What is asset finance?

Asset finance is a loan that is used to obtain equipment through a hire-purchase or equipment leasing agreement.

Whenever organisations invest in tangible assets – anything from office equipment to manufacturing plant, from cars to aircraft – they usually need an affordable, secure means of finance.

Asset finance is the third most common source of finance for businesses, after bank overdrafts and loans. It is also of growing importance in the public sector.

Advantages to business

- A valuable alternative to conventional bank loans
- Secured wholly or largely on the asset being financed, reducing the need for additional collateral
- Secure for the user, as the finance cannot be recalled during the life of the agreement
- Sustainable because businesses have the option to replace or update equipment at the end of the lease period.
- Widely available through a network of around 5,000 equipment dealers and 400 brokers, as well as direct from finance companies.



CONSUMER FINANCE

In 2011, FLA members provided almost 30% of all UK consumer credit – some £52 billion. This included:

22% of all new UK credit card business

51% of all other consumer credit

Finance for 6% of all consumer spending in the UK

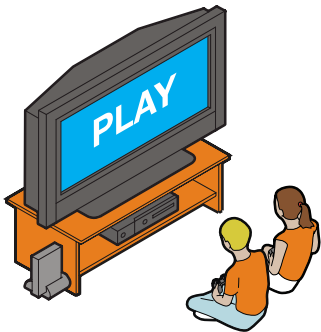
What types of consumer credit do FLA members offer?

Unsecured loans are personal loans where the lender does not have any rights over their customers' assets. Such loans are often used to purchase cars or invest in home improvements.

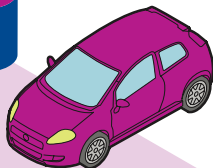
Secured loans are personal loans where the lender has some rights over their customers' assets if the loan is not repaid. An example is a second-charge mortgage. Some customers use such loans to consolidate existing debts at a lower and more affordable rate of interest. This is particularly important for some people struggling with their finances.

Credit cards and store cards offer consumers a very flexible and convenient way of accessing credit, with the option to pay the lender back immediately or over time.

Store instalment credit is typically used to purchase electrical goods, furniture and furnishings. Payments are usually monthly, and may be interest-free or part of a buy now, pay later offer.



MOTOR FINANCE



Motor finance is the provision of finance to consumers and businesses to help them buy or rent vehicles.

In 2011 over 1.6 million new and used cars were financed by FLA members.

FLA members funded almost two thirds of all private new cars sold in the UK.

Motor finance provides many benefits:

- It is a competitive, affordable and tailor-made way to pay for a car.
- It gives customers the option to own or rent/lease a car through motor dealerships.
- Agreements are arranged to suit a customer's circumstances and their budget.
- It is usually secured against the car, so lenders can be flexible in the terms and conditions they offer to customers.
- It gives customers a quick face-to-face decision about an application.

What finance options are available when buying from motor dealerships?

Hire purchase (HP) is a common method of funding a car purchase. After all the payments have been made, the ownership of the car transfers from the finance company to the customer, usually on payment of a fee.

Personal Contract Purchase (PCP) is the most popular way to buy a new car. At the end of a fixed term during which rental payments are made, customers have the option to purchase the car at a pre-agreed price, or to return it once all outstanding charges have been settled. A maintenance plan may also be included under the agreement.

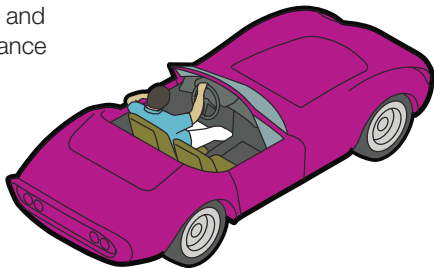




Lease agreements fund the use but not the ownership of the car over a fixed period of time. Repayments cover the cost of the car plus interest. Customers are usually responsible for insuring, maintaining and taxing the car.

Contract Hire is often used to fund car fleets. It is a cost-effective method for businesses to fund the use – but not the ownership – of a vehicle, because payments are fixed over an agreed term. Payments may include maintenance and service charges and an anticipated annual mileage is usually agreed. At the end of an agreement the car is handed back to the leasing company.

Insurance is often offered alongside finance. One of the most popular types of insurance is GAP (Guaranteed Asset Protection). In the event of an accident, GAP insurance covers any shortfall between the value of the car (i.e. what the insurance company pays out) and any outstanding finance repayments owed by the customer.



Other industry initiatives



Codes of Practice:

The FLA has two Codes, the Business Finance Code for asset finance and the Lending Code for consumer and motor finance. The Codes require FLA members to deal fairly and responsibly with their customers. A revised Lending Code was launched in February 2012 with new protections for consumers www.lendingcode.org.uk



The FLA's Vehicle Recovery Scheme is

a partnership between finance companies and 39 police forces in England, Scotland and Wales. It alerts finance company owners when their vehicles have been impounded, and has helped member companies recover around 430 vehicles, worth in excess of £3.4 million, making roads safer by taking illegal vehicles off the road.



The Specialist Automotive Finance (SAF) and SAF

Approved initiatives aim to increase consumer confidence in motor finance sold in car dealerships by improving the financial knowledge of dealership staff. Over 14,500 staff and 1,100 dealerships are *SAF Approved*, including 26 of the top 30 dealer groups. The scheme has the support of the Retail Motor Industry Federation, the Financial Services Authority and the Office of Fair Trading.



The Association of Chief Police Officers' Vehicle Crime

Intelligence Service (AVCIS) is a partnership between the police and FLA members to recover illegally obtained vehicles. So far the scheme has recovered over 1,400 cars worth £23 million.

NEW
NEW
SAVINGS

New protections for store card customers

These include a delay in discounts or other benefits for seven days after taking out a card; a ban on direct commission payments to retail staff; and new training for staff selling store cards.



New guide to lending for military personnel

The guide helps members of the armed services applying for credit to avoid difficulties they might otherwise encounter, such as those resulting from frequent changes of address.



Online Small Business Finance Directory launched

In March, together with the National Association of Commercial Finance Brokers (NACFB), we launched www.smallbusinessfinance.com, a new comprehensive directory of commercial finance brokers and providers for small businesses.





1992 - **2012**
YEARS

20 years at the heart
of business and
consumer lending

**To find out more,
please contact us:**

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