UK Asset Finance Brokers and Lessors

Review 2015

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NOSTRUM GROUP

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Introduction by Richard Carter, chief executive, Nostrum Group

Richard Carter

A warm welcome to this third Nostrum review of the UK asset finance brokers' and lessors' industry. As previously, it aims to provide a comprehensive and forward-looking assessment of the market, its current and future drivers and the key industry issues.

This year's Review also has been compiled with the assistance and support of the National Association of Commercial Finance Brokers (NACFB), the British Vehicle Rental and Leasing Association (BVRLA) and a large cross-section of individual brokers and funders.

The 2015 Review is notable in being able to report a significant upswing in demand in the UK asset finance market – with some 15 consecutive months of growth being recorded.

Growth has been particularly strong across most assets – but especially in the production plant, agricultural equipment and construction equipment sectors. However, no rise in consumer confidence has been demonstrated more than in the car market, for which Finance & Leasing Association (FLA) figures show 13% growth in the number of new cars bought on finance through dealerships in 2014, and the value of advances for new car purchases rising 17% over the 12 months to over £14 billion.

However, there does seem some paradox appearing between the supply of, and demand for, credit. The Review reveals that, while the general business environment is becoming more favourable in the view of many SMEs, with all the discussion about whether SMEs' access to funding has been limited, the majority have actually not sought finance – and don't plan to. Reluctance to approach any kind of lender seems to be strong and in fact increasing: the research stresses that a quarter of SMEs with 10–249 employees are classified as 'permanent non-borrowers'.

The views of a wide range of UK brokers have been obtained in this year's Review. Their concerns are thrashed out in detail and this year include: greater Financial Conduct Authority (FCA) regulation, threatened increase in interest rates, unpredictability in the UK economy, the impending General Election, falling revenues, falling revenues, and the increasing inability to attract new staff.

So with the supply of funding now more available the challenge is to work on stimulating demand. The NACFB and BVRLA have done sterling work over the past 12 months in clarifying to their members the increasing requirements of the FCA and, more broadly, to businesses about the availability of different types of credit available.

However, there does seem a need for the principal trade association for the industry, the FLA, which lobbies successfully for its members, to do more in promoting the use of asset finance to the wider business population. There should be much greater use by the FLA of social media and in particular LinkedIn and Twitter.

The FCA regulation has undoubtedly put much strain on brokers in the past 12 months, but those deciding to opt for the full regulation will be fully equipped to take advantage of what seems to be an increasingly booming marketplace. The Review also confirms the trend for brokers to write more business on their own book – and indeed the auguries are good for this at the present time, with low interest rates and a wider selection of assets seeking funding. However, it will, as ever, require a sufficient accumulation of funds available for drawing down.

So overall, this UK Asset Finance Brokers & Lessors Review for 2015 reflects the greater confidence and optimist amongst UK brokers – and their growing influence in the asset finance marketplace.

Richard Carter

Chief Executive - Nostrum Group

Preface: National Association of Commercial Finance Brokers


Adam Tyler

By Adam Tyler, CEO, NACFB

How we're speaking with the brokers' voice in 2015

When the FCA formally stepped in as the regulatory body for most forms of commercial finance, we at the NACFB had to step back a little and reconsider the NACFB's role. The Association was formed as a regulatory body, largely in response to the early 1990s surge in high up-front fees, but also as a badge of honour for brokers who stood by a transparent Code of Practice. The logo served the purpose of the silver hallmark – evidence of trustworthiness.

We had retained and built on that position for 22 years. But after April 2014, new brokers were coming up to us and asking, not "What constitutes a reasonable fee?" but "How do I make sure I'm in compliance with the regulations?"

So we built NACFB Compliance Services very quickly, and took some of the pressure off our members.

At the same time, we retained our high profile at Westminster because one thing we can do far better than the FCA is report the voices and views of the UK commercial finance broker. That's important, because in our partnership with the FSB information is flowing on a two-way street, and we know how small businesses are working with our brokers and what they are after.

The findSMEfinance website plays a big part in data-gathering, but much more importantly, it's a quick and painless way for small businesses to find funding in the first place, and is growing all the time.

Details like this have given us a role to play in meetings at the House of Commons and with the Business Innovation and Skills group. We hear the NACFB name referred to in Parliament and we are being invited to play a big part in decisions affecting commercial borrowing at the highest level. We are getting involved in major decisions on small and medium-sized enterprise (SME) lending. This isn't a step we plan to take in the future, it's happening right now. We're a not-for-profit organisation and our principal aim is to make it easier for small businesses to get funding from our members.

Putting the needs of brokers first

We're gradually getting to the stage of looking like an essential part of the decision-making process, which we believe we have a good claim to being, backed up as we are by 1,200 brokers and, in particular, over 115 lenders across the UK. We'll continue to put the needs of our brokers first, and it follows naturally from there that we need to ensure ours are the best brokers in the business, so we keep our entry criteria well above what the FCA insists on. Professional indemnity insurance, Data Protection Licence and comprehensive background checks, including bank and lender references, are all essential for anyone seeking to use the NACFB's logo.

Towards the end of this year we will be sharing our annual survey data for the 12 months ending June 30th. Last year's figures showed a doubling in vehicle finance and a 25% increase in new types of business finance such as peer-to-peer and crowdfunding. Buy-to-let was up 30%. At time of writing, I see no reason why those trends shouldn't continue through the coming 12 months, as there's a very clear appetite for lending and a number of innovative products coming onto the market…some only through NACFB members.

On top of that, of course, we've had a major part to play in the Genesis Initiative, an all-party political group representing SMEs and micro-businesses through their delegate organisations. We've launched an 'SME Manifesto' which over 60 pages sets out how we can create a pro-business environment in the UK.

While 2014 saw us concentrating on building our profile through the media (from television to Twitter and every avenue in between), we'll be focusing on the 'end user' this year – more events aimed at brokers, and trying to fully grasp the massive potential of the findSMEfinance site, by ensuring that small businesses are guided to it and that it gives them greater choice and greater hope than they currently have.

We've got members all around the UK, so every business ought to be able to find a range of highly qualified brokers nearby, and that's the first and best step to getting funding.

Preface: British Vehicle Rental and Leasing Association leasing brokers

Paul Huxford

By Paul Huxford, chairman of the BVRLA Leasing Broker Committee and managing director of independent vehicle management company PHVC

Leasing brokers continue to boost their profile

Leasing brokers and vehicle funders had an encouraging 2014, with the UK vehicle market seeing the highest number of vehicles registered for a decade.

The wider vehicle rental and leasing industry has started to recognise what an important route to market the broker channel is, and this has no doubt been helped by the British Vehicle Rental and Leasing Association (BVRLA).

In the last year, 45 leasing brokers have joined the BVRLA, and at the time of writing, there are now 180 members in this thriving category. There are plenty more companies looking to join, with new funders entering the marketplace and seeking the reassurance of the BVRLA logo when deciding which partners to work with.

Brokers have worked hard to raise their standards of professionalism, by adopting the BVRLA Code of Conduct, adhering to mandatory guidelines and sharing best practice within the industry. The BVRLA is a vital source of information and advice for brokers, ensuring that they are aware of any upcoming regulatory challenges and lending an extra level of credibility with manufacturers.

Recent highlights

Following on from 2013, in which the BVRLA successfully lobbied for the broking of vehicle leasing to be classed as a lower-risk activity by the Financial Conduct Authority (FCA), the BVRLA team has been extremely active in 2014.

In the past year, the BVRLA worked closely with HM Treasury to ensure that its definition of peer-to-peer lending did not include leasing brokers that use an electronic platform to transact with leasing companies.

In 2014, the BVRLA also secured clearer guidance about incentives, the assessment of credit worthiness and consumer credit licences. Leasing brokers have used the BVRLA's online self-assessment tool to help with the FCA authorisation process, and the BVRLA created a guide to FCA Compliance for its members as well.

Not only is the FCA aware that there is a professional body whose members adhere to a mandatory code of conduct, but the funders that we all work with are now recommending that brokers join the BVRLA. This strengthens the association's position, and highlights the advantages of membership to companies who are not members already.

Looking ahead

The broker sales channel is now responsible for much of the new leasing business coming from the SME sector, and with the support of the Leasing Broker Committee, the BVRLA is currently developing an annual independent audit to ensure all members work within FCA requirements.

To underpin the importance of the leasing broker channel, we are also launching a new survey to get a better understanding of the size and scope of business it generates.

We are hopeful that the leasing broker sector can build on the successes of the past 12 months and ensure that BVRLA brokers receive the recognition they deserve from the wider industry – not just those in the know.

Section 1: Market review

Introduction

This is the third annual review of the UK asset finance brokers' and independent lessors' industry, sponsored by Nostrum Group. Both previous Reviews were widely circulated throughout the industry and this 2015 Review aims to maintain the standard, providing another comprehensive and forward-looking assessment of the market, its current and future drivers and key industry issues.

As before, it has been compiled with the assistance and support of the National Association of Commercial Finance Brokers (NACFB) and the British Vehicle Rental and Leasing Association (BVRLA), as well as containing invaluable contributions from individual brokers and funders.

The following sections of the Review include a review of market performance, coverage of the latest developments, and an evaluation of the market from the viewpoint of both brokers and funders, as well as carrying listings of brokers and funders.

Overview of the asset finance sector

Over the last year, the UK asset finance market grew strongly, and a similar healthy rate of growth has been maintained so far in 2015. The market has to date notched up 15 consecutive months of growth.

According to the Finance & Leasing Association (FLA), new business volumes (NBV) totalled £25.4 billion in 2014, and the annual growth rate of 13% was the strongest for at least seven years. Not since 2009 has the landmark figure of £25 billion of new business been passed, the first time that figure had been exceeded since the 2009 recession. This figure is also set to be surpassed in 2015 by new business in the core market of deals of up to £20 million.

Growth has been particularly strong in the production plant, agricultural equipment and construction equipment sectors. Meanwhile, a rise in consumer confidence has been demonstrated in the car market, for which FLA figures show 13% growth in the number of new cars bought on finance through dealerships in 2014, and the value of advances for new car purchases rising 17% over the 12 months to over £14 billion.

However, the FLA's most recent industry confidence survey indicates that growth is likely to be at a slower rate in 2015 than in 2014. While recognition of the value of asset finance is growing among small and medium-sized enterprises (SMEs), there remain issues regarding access to funding.

The situation regarding access to finance is shown in a slightly different light in the latest survey produced by market research agency BDRC Continental. Its SME Finance Monitor for Q4 2014 found that, while the general business environment is becoming more favourable in the view of many SMEs, with all the discussion about whether SMEs' access to funding has been limited, the majority have not sought finance and don't plan to. Reluctance to approach any kind of lender is strong and in fact increasing: a quarter of SMEs with 10–249 employees are classified as permanent non-borrowers (PNBs).

SME Finance Monitor findings include:

- Over 70% of SMEs aim to pay down any existing debt and then remain debt-free, although 42% stated that they would be happy to use external finance to help the business grow and develop (and 43% of SMEs stated they expect to grow in the next 12 months);
- An increasing number (nearly 80% in Q4 2014) of SMEs state they have been 'happy non-seekers' of finance over the prior 12 months;

- Only 6% of all SMEs rated access to finance as a major obstacle in Q4 2014, down from 12% in Q1 2013;
- 6 in 10 SMEs neither used external finance nor planned to apply for any. Between 2011 and 2014, use of 'core' forms of finance (loans, overdrafts and/or credit cards) declined from 39% to 29% of all SMEs, mainly because of a decline in overdraft usage. The proportion of SMEs that only use core finance has also declined over this period from 29% to 20%, driving the decline in the use of finance overall;
- 17% of SMEs surveyed said they used one or more non-core forms of finance (leasing, invoice finance etc) in 2014 – this figure has remained fairly stable over time;
- 27% of SMEs (excluding PNBs) were aware of crowdfunding, and 8% said that they would consider using crowdfunding in the future. Consideration increased overall from 5% to 10% across 2014, and is higher among those planning to apply for finance (15% for 2014);
- Half of SMEs were aware of specific finance initiatives/bodies. Awareness of the Funding for Lending Scheme (FLS) was only 24%.

(Source: BDRC Continental, 'SME Finance Monitor Q4 2014', February 2015)

The key is raising awareness: with confidence growing and with it the possibility of expansion underpinned by some form of financing, the need is to ensure that more SMEs are not only aware of but understand all the available funding options, and where best to access them.

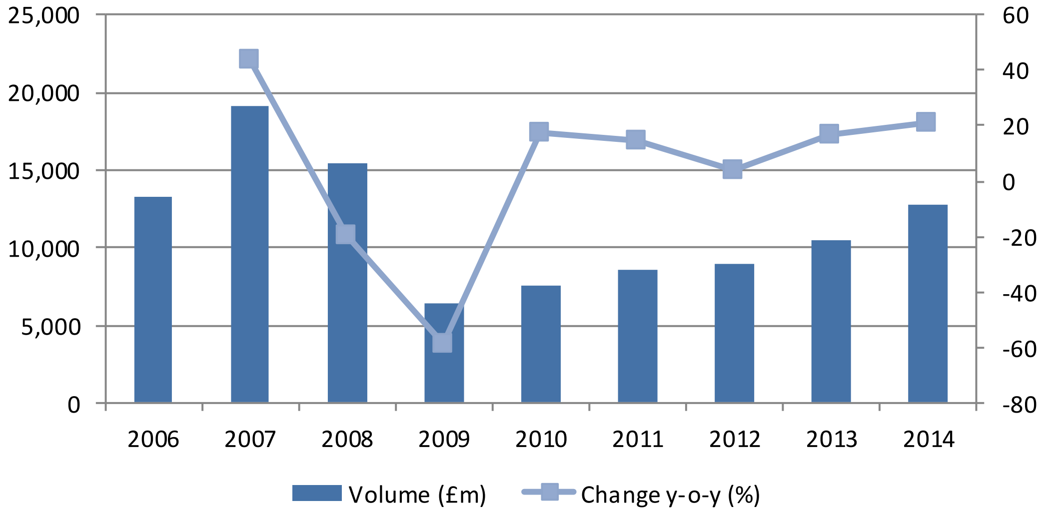
Broker-generated business

The broker environment for asset finance continues to grow. It should be noted that the latest NACFB member survey covers the 12 months from August 2013 to July 2014, so the figures will have changed since then, but recent conversations between Asset Finance International and leading brokers and funders show that the upward trend has not lost momentum.

The NACFB currently has more than 1,200 members and a record number of 115 patrons (affiliate commercial lenders), a number that has risen steadily from just 45 in 2009.

Total business for the period written by NACFB members rose for the fifth consecutive year to a total of £12.7 billion. This is an increase of over 21% on the previous survey year; however, it is still only two-thirds of the pre-recession heights.

Total business levels 2006–14



Source: Asset Finance International, NACFB

Business levels 2013/2014

Selected business sectors	2013 (£)	Year on year (%)	2014 (£)
Leasing & asset finance	2,310,535,297	17.8	2,721,020,575
Invoice finance	674,109,354	-2.3	658,166,500
Vehicle finance	405,227,092	106.0	834,771,401
Development	1,451,754,906	18.4	1,718,733,404
New types of business finance*	500,934,223	24.6	624,026,028
Total	10,484,280,111	21.3	12,712,292,203

* This now includes peer-to-peer lending and other new forms of small business finance

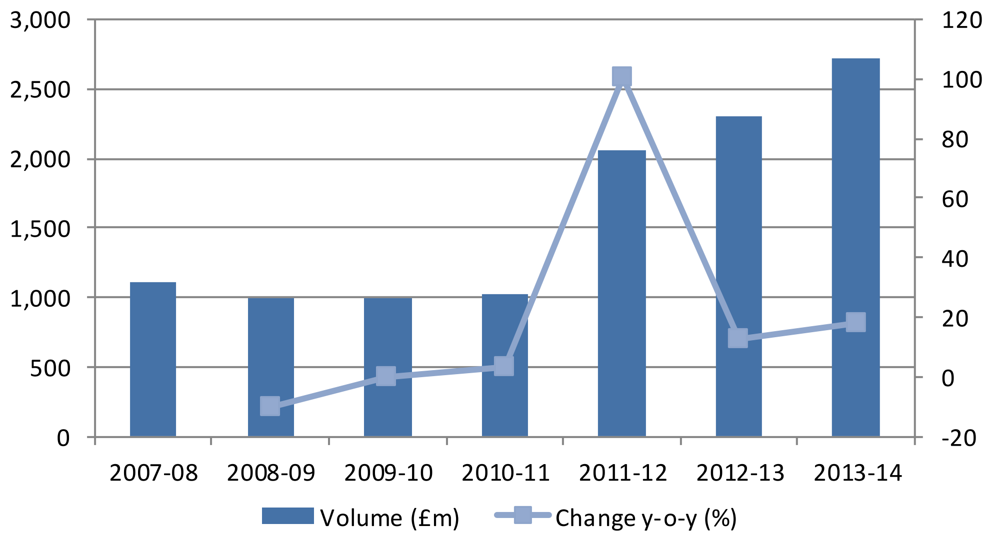
Source: NACFB

Business sectors that performed well include leasing & asset finance, which rose by 18% to nearly £2.75 billion. This rate of growth was higher than for the previous year, although not at the stratospheric rate of 2012. Nonetheless, the leasing total in this sector now stands some 175% above the level in 2010.

Business volumes also increased strongly in the peer-to-peer (P2P) and other 'new' types of business finance. This sector saw 25% growth on the back of an 80% rise the year before, and in terms of finance written looks set to overtake invoice finance, which actually slipped back slightly over the year.

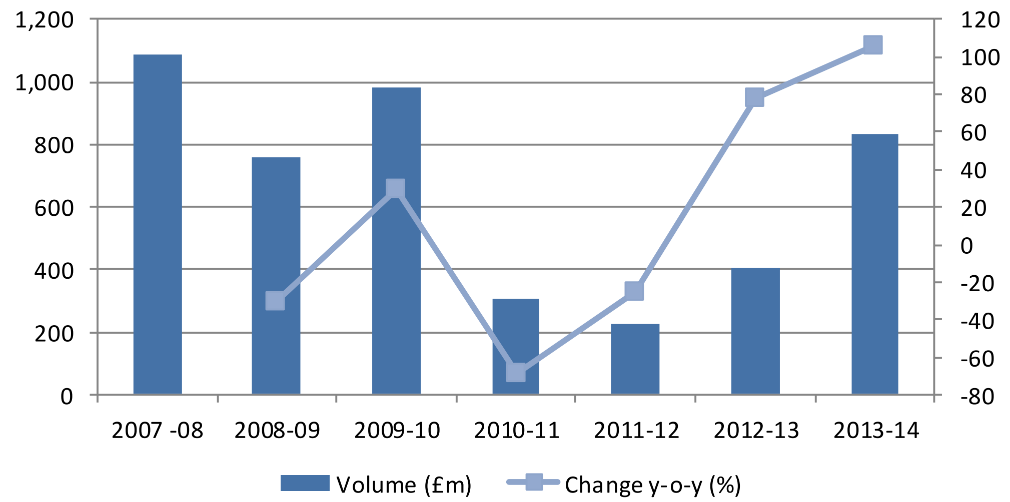
However, the standout sector was vehicle finance, which more than doubled the volume of loans to well over £800 million after a disastrous decline in the recession – a good indicator of the growing level of confidence among SMEs.

Leasing totals year-on-year, 2007–14



Source: Asset Finance International, NACFB

Vehicle finance year-on-year, 2007–14



Source: Asset Finance International, NACFB

Commenting on these figures, NACFB chief executive Adam Tyler said: "If you were a small business seeking finance to expand and grow back in 2009, it was incredibly difficult to find a lender that would say yes. Fast-forward to 2014 and it's a different picture. There are now more than 100 SME lenders operating in the UK, and the market is diversifying at an incredible rate.

"Availability of funds is no longer the issue, but there are still significant barriers facing SMEs that are looking for finance. Small businesses don't have to rely on their high street bank for credit, but few are aware of the full range of alternatives out there – or that an independent broker will be able to match them with the best lender for their needs."

Broker confidence tempered by challenges

The views of various brokers on the market and the near-term outlook can be found in Section 2 of this Review but the latest research by a funder, United Trust Bank, shows that confidence levels are high, whilst the brokers are aware of the challenges.

In the research, two-thirds (67%) of the finance brokers surveyed expect to grow their businesses in 2015. However, there are concerns over the burden of increased regulation and the direction of the economy. Costs of finance are also an issue: although 62% of brokers think lenders' fees and charges will stay broadly the same throughout 2015, 33% of brokers expect them to increase by the end of the year.

Importance	Issue affecting business
1	Greater FCA regulation
2	Possible increase in interest rates
3	Unpredictability of the UK economy
4	The General Election
5	Falling revenues
6	Rising fixed costs
7	Inability to attract good staff

Source: United Trust Bank

Separate research conducted by Hitachi Capital Business Finance of over 1,000 SMEs across the UK looked at what the banking industry could do better to support businesses and their growth aspirations. It found that, despite confidence among small businesses continuing to grow, there is still a distinct lack of cohesion between the financial services industry and SMEs.

The top five areas for improvement were:

1. Willingness to lend – 43%
2. A genuine feeling of partnership/ long term commitment – 42%
3. More competitive lending rates – 33%
4. More transparent fees and charges – 32%
5. Flexible finance terms – 30%
6. That the FS industry understands the sector in which they operate (24%).

New resources

New ways are being developed for matching SMEs with funders. One solution is the www.findSMEfinance.co.uk website, which aims to link borrowers to lenders via an NACFB member broker. The first website of its kind, it was developed by the NACFB with the support of the Department for Business Innovation & Skills and the Federation of Small Businesses.

The Asset Finance 500 (www.assetfinance500.uk) is another new online directory, developed by consultancy Asset Finance Policy, to promote the use of asset finance brokers by SMEs. It aims to list all brokers that have websites by postcode, so a business can easily find a local expert to talk to. Free listings are available to any brokers with asset finance expertise, regardless of whether they are part of any trade association. The listings are also free for potential lessees to access, with no registration required. The site includes detailed guidance for businesses on how to get the best deal when using asset finance.

Asset Finance Policy founder Julian Rose commented: "It seemed important to demonstrate that there are over 500 brokers in every part of the country ready to support businesses that need equipment finance."

Equally important is the need for brokers, and all organisations involved in asset finance, to be fully aware of the regulatory environment and the requirements of the Financial Conduct Authority (FCA). Julian Rose provides a list of key facts below. This topic is currently the centre of much debate and is covered further later in this Review, when discussed by both brokers in Section 2 and funders in Section 3.

FCA consumer credit regulation – asset finance brokers need guidance


Julian Rose

As we approach the end of the first year of the FCA's regulation of consumer credit, what are the key facts that those involved in the asset finance broking market need to be aware of? Julian Rose, founder of Asset Finance Policy, gives his top 10 facts

1. Consumer credit regulation isn't just about consumers and it isn't just about credit either

In a classic example of 'gold-plating', consumer credit regulation in the UK goes much further than its name suggests. Around two million UK businesses are caught, as are hire products for periods of over three months. This isn't new, but the implications are now greater with the shift of regulation from the OFT to the FCA.

2. The majority of small businesses, and most users of asset finance, aren't consumer credit regulated

There are around 3.5 million companies and large partnerships, not all of which are regulated for consumer credit. Over 500,000 new companies are started each year, compared to around 330,000 dissolutions, so the stock of companies is growing, largely because of the tax advantages of incorporation. Sole traders tend to be smaller and less likely to need equipment finance. However, a key exception is the agricultural sector, as many farms are run by sole traders or small partnerships.

3. Most brokers need FCA authorisation

A broker that never introduces any unincorporated businesses, small partnerships or unincorporated associations to lenders doesn't need authorisation. So it appears that most of the UK's 800 or so asset finance brokers (over 580 are listed at www.assetfinance500.uk, but these are only the ones with websites) will be completing their applications this year if they have not already done so. Even with the support options available in the market, most brokers are finding the application process takes at least two days.

4. Brokers can't rely on exemptions

Exemptions from the consumer credit rules for higher value business transactions don't work for brokers. The logic here is that when a broker first starts to discuss finance with a customer it's not certain whether an exemption will apply. However, activities are only regulated if they actually lead to agreements, so it's possible a funder that only ever writes non-regulated business might still be able to accept exempt introductions from non-authorised brokers.

5. Limited Permission is almost the same as Full Permission

Asset finance brokers need Full Permission from the FCA. Dealers generally need Limited Permission. According to the FCA, limited permission offers a "proportionally reduced regime". For proportionally, read "slightly". For example, only full permission applicants need to submit a Regulatory Business Plan with their applications, but limited permission applicants still have to sign to say they have completed their business plan and have it ready for inspection! The biggest difference is the first-year cost, at £100 for a limited permission firm to apply compared to £1,000 for most asset finance brokers.

6. There are other options for dealers

Any introduction of a regulated customer by a dealer to a broker or funder is a regulated activity and requires authorisation, even it's just passing on contact details. Awareness of this in the dealer community still seems quite limited, with possibly one in three dealers not having even interim permissions. Brokers or funders have the option of making dealers their Introducer Appointed Representatives (IAR) but only once they have their own authorisation sorted. As IARs, dealers can then pass on contact details without needing their own FCA authority. It's also possible to pay a specialist firm to appoint the dealer as its IAR and pass on the leads in return for a fee.

7. All change for insurance

Some brokers have been Appointed Representatives for insurance companies. Once they obtain their full FCA consumer credit authority they cannot continue as ARs. The FCA is also in the process of changing how equipment insurance can be sold. This is likely to increase the opportunities for brokers to introduce clients to insurers, as it is becoming difficult for finance companies to ensure customers have taken out insurance once the lease has started.

8. Regulation isn't just for regulated business

Once a firm is authorised for consumer credit, it has to apply the FCA's Treating Customers Fairly (TCF) rules across all of its business, not only the regulated agreements. Several claims management firms are targeting asset finance and are comparing even unregulated agreements to the FCA consumer credit rules. It's wrong to say that all the rules apply to unregulated agreements, but equally it's risky to argue that none apply.

9. Documentation is key

There are many detailed rules for regulated agreements covering areas such as explaining the role of the firm, providing product information, taking account of affordability, and considering the suitability of the products. Most of this is what brokers do by second nature, but it is important now to keep basic records of what has been discussed with the customer.

10. Industry codes need to change

The purpose of the NACFB and FLA Codes of Conduct is now unclear, as the FCA rulebook goes further in many areas. Some funders are offering practical and specific guidance on how to apply the FCA rules to asset finance agreements. Industry-wide versions of these documents would remove a lot of uncertainty and risk and might eventually replace the existing Codes.

Julian Rose, Asset Finance Policy

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Government initiatives

In July 2014, the Government's Competition and Markets Authority (CMA) conducted an SME banking market study in a joint project with the Financial Conduct Authority (FCA), which made a provisional recommendation for an in-depth investigation into the market for SME banking. Come November, and the CMA had progressed as far as announcing the decision "to launch an in-depth market investigation into the … SME retail banking sector, confirming its provisional decision of 18 July 2014."

With the best will in the world, this looks like it could take a long time to conclude, and in the meantime a lot of SMEs are likely to hit the buffers unless awareness of all the available options is raised.

Meanwhile, the Bank of England (BoE) has added a further extension to the Funding for Lending Scheme (FLS), keeping it running to January 2016. The BoE stated that the extension of the FLS, which is now for business funding only, would "provide lenders with continued certainty over the availability of cheap funding to support lending to SMEs during 2015, even in the event of stress in bank funding markets."

BoE Governor Mark Carney stated: "The extension … concentrates the FLS on the one area where support remains warranted: the supply of credit to SMEs."

One long-term initiative that the government expects will boost lending to small businesses is the British Business Bank (BBB), which is now in its second year of operation and is building its investment and partnership programmes.

The BBB is administering various schemes such as the Enterprise Capital Funds programme to encourage venture capital funds to invest in SMEs, and is guarantor to a Treasury pledge of £500m ($755m) of new bank lending to SMEs which was announced in the Chancellor's Autumn Statement. The BBB's viewpoint is provided in a special article below.

Meanwhile, the House of Commons Business, Innovation and Skills (BIS) Committee began an inquiry in September 2014 into government support for business, and found in its most recent report that businesses often face a complex and unclear support offer. It stated that "the myriad of schemes on offer are often poorly communicated and difficult for businesses to access," and that "there are over 600 different publically-funded support schemes currently advertised on the Government's website, many with different objectives, eligibility, funding and contact points."

Commenting on the findings, Chair of the Committee Adrian Bailey, MP, said: "Creating the best possible conditions for British business, particularly SMEs, to thrive is vital to our country's long-term economic prosperity. While the Government's current approach is largely positive, we found businesses are not always clear about the support on offer, finding it poorly communicated, confusing and not focused enough on business need."

He added: "If the UK is going to become one of the best places in Europe to start, finance, and grow a business, then Government needs to do better at getting the word out so businesses know what support exists."

The Committee reported that it had found that businesses continued to have problems in getting the financial support they need, recommending that, "By drawing on the British Business Bank's expertise, the Government should be able to develop a better understanding of the blockages in the system, why they occur, and whether changes in regulation or funding are needed to address them. The British Business Bank also has a clear role to play in enhancing SME access to finance through clearly signposting the services available from alternative finance providers. In particular, it should develop a menu of alternative finance providers for each different area of financial support." (Source: Business, Innovation and Skills Committee, *Government Support for Business*, February 2015)

The British Business Bank's role in securing small business asset finance

Keith Morgan

By Keith Morgan, CEO, British Business Bank

The British Business Bank's goal is to make finance markets work better for smaller businesses, allowing them to prosper, grow and support the UK economy. We are working to build confidence in the market by increasing smaller businesses' understanding of the range of funding opportunities available to them.

The British Business Bank is aiming to unlock up to £10 billion of finance for viable smaller businesses over the next five years. 38,000 smaller businesses (as of 30th September 2014) are currently being supported by over £1.7 billion of lending and investment enabled by British Business Bank's programmes. This has been achieved through partnering with over 80 private sector investors, including banks, leasing companies, venture capital funds and web-based platforms.

We work closely with asset finance partners to help smaller businesses access asset finance through both finance and operating leases – vital in enabling them to secure high standard equipment that would otherwise be unaffordable, in a way best suited to their needs. The British Business Bank's recent Small Business Finance Markets report revealed that nearly half of small businesses were making plans to grow in 2015, and that 43% of businesses seeking finance were doing so to purchase fixed assets, an increase of 10 percentage points since 2012. British Business Bank Investments Limited, the commercial arm of the British Business Bank, is working through partners to ensure there is an increased availability of asset finance to meet this demand.

In October 2014, British Business Bank Investments provided a £40 million boost to Staffordshire-based Shire Leasing, which was matched by private sector investment. Shire Leasing was already supporting around 11,000 smaller businesses and, thanks to the investment, will be able to double the level of finance it provides to firms.

In November, the British Business Bank launched ENABLE Funding, a programme to improve the ability of smaller lease companies to access more competitive funding via the capital markets. ENABLE Funding will 'warehouse' newly-originated asset finance receivables from different originators that finance growing demand from smaller businesses, but lack the scale to access capital markets as a cost-efficient alternative source of funding. Once the structure is big enough, it will refinance a portion of its funding through securitisation techniques, enabling smaller finance providers to tap institutional investors' funds. As the programme grows, it will diversify existing sources of funding and enable improved competition across the asset finance market at a time when business investment in the UK, particularly for smaller businesses, is gathering momentum.

These recent developments demonstrate how the British Business Bank is delivering on its promise to provide often regionally-based commercial business lenders with additional capital to lend to their local businesses. In 2015 we look forward to continuing to work closely with our partners across the asset finance sector to ensure that the nation's small businesses are supplied with the assets they require to flourish and drive economic growth.

Sectors to watch in 2015

As in the previous Annual Broker & Lessor Reviews, Asset Finance International approached a variety of brokers and funders for their views and opinions, the bulk of which are covered later in Section 2 for the brokers' insights and Section 3 for the funders'.

Separately, the broker panel was asked which sectors they felt were likely to provide opportunity for above-average returns in 2015, and why.

The automotive sector continued to be widely supported, with strong demand noted across the board. New and used prestige cars were reported by Nick Simpson of Asset Finance Solutions as a major source of business, and Graham Hill of GHA Finance noted: "The continued dumping of new cars and the greater understanding of the various business and personal lease products will continue to maintain strong growth."

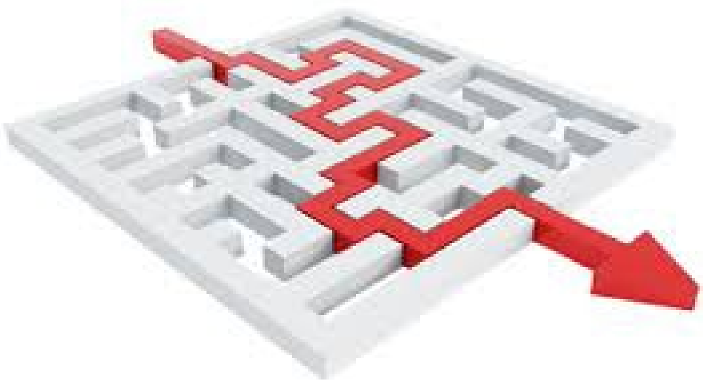
On the light commercial vehicles (LCVs) side, Graham Prince of Neva Consultants, Graham Hill and Nick Simpson were all bullish for the sector's prospects as the improving economy encourages investment in new LCV fleet to replace ageing vehicles. Nick Simpson forecast very strong demand, and saw the biggest problem as: "manufacturers not being able to supply enough vehicles and lead times getting longer." Graham Hill pointed out: "Keen discounting and competitive lease rates will continue to see growth. The challenge is the increasing use of car drivers by distribution companies to make local deliveries of items ordered online or the bulk delivery of packages to pick-up shops for collection."

The economic uptick also underlies confidence in the prospects for Plant & Machinery (P&M) sector, with most of the panel seeing stronger demand for investment in new equipment, as described by Ray Wells of First for Business, who said: "We are already seeing clients upgrading their existing P&M fleets & buying additional equipment to meet increased demand."

Much the same can be said for Yellow Goods where, as Graham Hill observed: "Increased investment in construction should follow through with an increase in capital expenditure in this sector." John Mulheron of Corporate & Marine Finance also noted: "The building industry is on a growth curve which will necessitate new and better yellow goods."

The developing Green Assets sector is also tipped, though with a degree more circumspection. John Mulheron is an advocate, saying: "Once funders fully understand this sector, the potential is enormous." Looking at it from the energy point of view, Nick Simpson observed: "This is an area we have experience of, and we still see a number of opportunities, despite the continued reduction in subsidies, particularly amongst high energy users." On the automotive side, Graham Hill is cautious: "No reason to expect greater growth than 2014, unless new battery design can overcome the current constraints of battery powered cars and vans, for example."

Section 2: Key issues – the brokers' perspective



Asset Finance International brought together a cross-section of brokers to provide their views on the current state of the market and the key trends and issues.

A key trend is the return of confidence in the market, leading to excellent business performance for the brokers over the last year, while a major issue is the effect of regulation. With regard to this latter point, there is a strong level of confidence in the trade associations and the support they provide for brokers.

Business continues to outperform

The panel of brokers was initially asked to assess how their business has performed over the past 12 months, and whether there have been any notable changes in the funding arena over the period. The overwhelming view was that expectations have been exceeded, especially in the vehicle sector, and generally aided by the increase in funder numbers. This was summed up by Mike Deacon of Asset Based Finance and Leasing (ABFL) as being: "Better in 2014. More funders coming to market, and more appetite, especially from new entrants (challenger banks and peer-to-peer lenders)."

Expectations have been exceeded, especially in the vehicle sector, and generally aided by the increase in funder numbers

John Mulheron of Corporate & Marine Finance (CMF) agreed, saying: "We have had our strongest year since we formed, with a 25% increase in income and a 20% increase in business placed. There is certainly a much greater appetite out there amongst an increasing number of funders. The impact that this choice in the market has had is a notable reduction in rates, which has impacted upon some of our own income levels in some of our sectors."

This point was taken up by Nick Simpson of Asset Finance Solutions (AFS), who commented: "I would say the main change over the year is the availability of funding lines, caused by the continued emergence of new funders coupled with the increasing new business demands of the established funders serving our industry."

Ray Wells

A similar point was made by Ray Wells of First for Business, who said: "We have seen a marked improvement in both proposals and acceptances over the past 12 months. There has also been an increase of funders joining this market, which has put pressure on lower interest rates, especially for the prime deals."

Meanwhile on performance, Simpson stated: "Our sales numbers are up by 21% in 2014 compared with 2013 and I would say in line with expectations. The start of the year was impacted upon by a particular strong end to 2013, caused in the main by the switch to Euro 6 engines in commercial vehicles from the start of 2014 and the increased vehicle prices associated with this development. This brought forward a lot of customers' buying plans within the transport sector to take advantage of lower-priced vehicles."

Vehicle specialist Graham Prince of Neva Consultants concurred, saying: "We have seen an increase in sales of 20% in the past 12 months with the biggest increase in personal contract hire products," adding: "There is a lot more media advertising regarding leasing, which is helping to raise the profile of vehicle leasing to businesses and individuals."

Brokers adding value

Growth in business volume of 20% and above is impressive and, judging from these comments, not uncommon. Richard Perry of First Capital Finance observed of 2014: "Business volume (brokered and own book) is up 20% on the previous year. We have seen a general increase in appetite across our panel of circa 30 lenders, with the majority of business continuing to be placed with the Tier 1 lenders such as Lloyds, Hitachi and Aldermore, as well as motor lenders such as Alphera."

Richard Perry

"… brokers really do add value to funders and end-customers alike"

He continued: "The desire to write more business has been reflected in lower margin requirements / funding costs or a loosening of underwriting criteria, for example on softer assets and, occasionally, both. There have been a few new entrants and the re-entry of familiar names from the past. This, understandably, is happening on a very selective and considered basis. Nonetheless, it does highlight the fact that brokers really do add value to funders and end-customers alike."

Just one point of caution was voiced by Mark Picken of Shire Leasing, who noted the potential downside of troubles in the eurozone, saying: "Our business has outperformed our volume expectations, even though we forecast significant growth on the back of an improving economy and confidence being expressed throughout the media. Sadly, plummeting oil prices are killing the markets and euro scepticism has returned, with the old question of Greece back on the table. There will be more doom-mongering no doubt, and it is crystal clear that the world economy is not out of the woods yet."

And he pointed out that a proliferation of funders could lead to a realignment, stating: "There has been plenty of noise about new funding opportunities, and for once some action too! Star Capital and Cabot have closed deals on broker purchases, but it remains to be seen how much further their acquisition strategy will go and also what effect on funding those businesses there will be. The argument that this market is so fragmented and ripe for consolidation still rings true. The real test is what benefits will flow from consolidation and when."

SME funding – confidence is key

Business from SMEs is the mainstay of asset finance brokers. Confidence needs to be firm for investment to grow and, after years of doubt, there were broad signs of optimism returning to the market last year, which contributed to the healthy performance figures. But now it is interesting to see SME confidence for the coming year viewed with a degree of uncertainty, at least by some.

David Mogg

The positive side was described by David Mogg of First Capital Finance: "An improving economy, the enhanced capital allowances, continued low interest rates, and government schemes such as Funding for Lending and the Regional Growth Fund have no doubt helped to boost confidence. Large-scale infrastructure projects and increased house-building will continue to drive civil engineering and construction plant purchases. Other factors, such as reducing energy bills will also help."

However, Mogg continued, there are potential negative factors, such as "ongoing eurozone issues and the strength of sterling against the euro will of course be problematic for UK exporters, which is where we would all like to see continued improvement in order that the economy can be 'rebalanced'."

"Confidence is starting to come back, but there is still some reticence to invest"

Graham Hill of GHA Finance commented: "Confidence is starting to come back, but there is still some reticence to invest, although if, as predicted, the banks start to lend again, offering more competitive rates and products, more SMEs will be tempted to move forward."

As John Mulheron observed, "SME confidence appears to be growing and with the increase in funding options open to them there is certainly every likelihood that this will continue to improve in the year ahead – unless an event occurs which has a damaging impact on confidence."

Near-term uncertainties

Perhaps the event most likely to have such an effect is the General Election in May, on which the outcome is far from clear, and such uncertainty is bound also to affect confidence and investment plans in the build-up period, which has been underway all year. As Ray Wells said, "There is a level of uncertainty in the lead-up to an election this year, but we expect to see confidence improving in the second half of this year."

Nick Simpson commented: "Confidence in SMEs has, if anything, seen a slight reverse over the second half of the year compared to early 2014 levels. I think this has been caused by the uncertainty around the global economy and the issues closer to home around property prices, which undoubtedly do have an effect on people. We have an election to contend with later this year, and as a clear result is unlikely, it will potentially impact on confidence and the wider economy. The threat of deflation also fills the news headlines at the start of 2015, which could have a detrimental effect on confidence."

The fact that many SMEs are content to be 'non-seekers' of finance is mentioned earlier in this Review, a point which Mark Picken alluded to: "I really don't see the SME sector brimming with confidence. Yes, there are some good news stories and we should be proud of the fact that asset finance is often the major contributor to those. However, in the small and micro sector, arguably the engine-room of recovery, there is still concern. It is true that many of those will not be attractive to tier 1 asset finance funders from a risk perspective. The conundrum for the SME is, can they afford the risk-based pricing of the funders in tiers below tier 1? Many cannot, and some are 'happy non-borrowers'. There is more complexity in the SME grouping than simply to lend more."

Growing funder competition

As has been already mentioned, the fact that there is an increasing number of funders in the market should lead to increased funding options and competition. Asset Finance International asked the interviewees whether funding provision has genuinely become easier over the last 12 months, and if there have been particular funders or sectors that have been noticeably proactive.

"This is definitely a good time to be a broker, with a wide range of funders available, all competing for your business. Although … some funders are far more beneficial to have access to than others"

In Nick Simpson's view, "This is definitely a good time to be a broker, with a wide range of funders available, all competing for your business. Although I would caveat that with the fact that some funders are far more beneficial to have access to than others, whether that be down to pricing or their flexibility. Those that are less competitive strive to be more flexible and commercial to compensate, which does give a broker a wide spectrum of solutions to meet most customers' finance requirements."

Ray Wells added: "We have found that the main funders that are broker-driven provide the best level of service and getting a decision quickly is paramount in our eyes. If there are queries raised by underwriters, then these should be communicated to the broker as soon as possible."

Mark Picken noted that there is no longer a problem with the availability of capital, saying: "Most of the post-crisis liquidity issues have gone and the securitisation markets are open again and trading. There is a desire in funders to lend more and the block discounters are doing their level best to improve circumstances to get money out. The established and bigger players such as Siemens, Investec and Aldermore have been joined by new entrants such as CIT, and they are working closely with brokers to offer innovative packages."


Mark Picken

He added: "As a partner of the British Business Bank, Shire is very impressed with how they have approached the opportunity of entering the block market on a match-funding basis and the blockers themselves have been very co-operative with that approach."

For Mike Deacon, the greater variety of funding and the entry of more alternative sources have definitely increased competition. He noted: "The peer-to-peer lenders especially are proactive, such as Platform Black, Fleximize and others."

Vehicle finance targeted

Competition from funders has benefited the vehicle sector, as Graham Hill said: "Funders have come back into the broker market, mainly in the vehicle finance sector and notably Alphabet, whilst other large players are looking at ways to increase their introduced business. The NACFB is working with Lex Autolease to try to help them achieve some ambitious targets and provide facilities to traditional asset finance brokers who see their sector a target for the banks."

With debt levels throughout the asset lending industry at historically low levels, a more competitive market may lead lenders to lower their acceptance levels somewhat to build turnover

In addition, with debt levels throughout the asset lending industry at historically low levels, a more competitive market may lead lenders to lower their acceptance levels somewhat to build turnover. Graham Prince reported: "Bad debt is extremely low within the SME/personal vehicle leasing sector. Therefore, I know that the score cards have been adjusted to give a higher percentage of acceptances during 2015."

Richard Perry welcomed the competition for brokers' business, "Whether that be new entrants, 're-entrants' or existing players reducing rates and / or looking to fund a wider range of assets. Aldermore in particular is certainly proactive in this respect." However, he acknowledged that an influx of funders and financing offers can pose problems, stating: "All of this is great news for customers and brokers alike, but may of course be to the detriment of some of the higher margin second-tier lenders – although in a strong economy a rising tide should lift all ships."

Other factors could also affect new entrants, as stressed by John Mulheron: "I believe that brokers are being looked after; however, concerns remain at the impact of the over-regulation entering the industry, which may also impact upon the unregulated market."

Alternative funding sources

If the headlines aren't about the supposed problems with the high street banks, then the hot topic is alternative funding – from the, by now, almost establishment peer-to-peer (P2P) and peer-to-business (P2B) sector to the latest crowdfunding option.

The question for the brokers was whether they have had any dealings with P2P funding or other alternative financing sources, and if they view this sector as a future funding opportunity for brokers? The opinion of the majority of the panel was that these sources are to be welcomed and exploited where viable, although regulation raises some concerns.

"P2P funding has a strong place in the SME market, especially where traditional leasing and HP options have not been available"

Suitability is vital, so this form of financing is more applicable to meet the requirements of smaller businesses. John Mulheron pointed out that his company's marketplace is mid-to-large ticket, so he hasn't any links with P2P funding, but he acknowledged: "I do believe that P2P funding has a strong place in the SME market, especially where traditional leasing and HP options have not been available."

Mike Deacon

For Mike Deacon, on the other hand, they have a definite place: "I am working with some of these organisations as suitable deals arise. The banks are more traditionally focused, and have their place, but niche lenders and financiers are more hungry, receptive and keen."

Most of the others have tried alternative funding and there were no negative sentiments. David Mogg said: "We have only made use of P2P funding for a few customers. It may be that this form of funding has perhaps been more useful to other brokers and the numbers being published certainly show that the sector is performing well and filling a gap in the market left by some of the high street banks. We see it as more of a complimentary product offering to asset finance rather than a replacement and it is certainly a useful tool to have in your box."

Mark Picken agreed, stating: "A couple of our Group companies have relationships with P2P funders on a broking basis and that works well for both parties. It is inevitable and to be encouraged that the asset finance broker market is attractive to other sources of funds and the innovative nature of brokers will support these sources where it is possible and profitable to do so."

A growing option

Alternative sources of funding would not have made an impact if there hadn't been a need

It's really a question of 'If the coat fits…'. Alternative sources of funding would not have made an impact if there hadn't been a need. Ray Wells described the situation thus: "P2P funding is growing both in size and recognition, and we see it as a suitable alternative for appropriate deals. There has been a distinct funding gap with the traditional type of asset finance, trade finance and high street bank lending, such as overdrafts and business loans etc. This gap is now being filled by the likes of P2P, unsecured business loans and business cash advances."

This angle was taken up by Nick Simpson, who said: "We only do a very little P2P lending, with the majority of our finance products falling in the asset finance market and well served by the asset finance funders. That said, we have provided some peer-to-peer commercial loans during the year, which definitely have a place in meeting customer's needs."

So the brokers view such new sources of funding as a good to have as another option, but mainly view them as filling specific, niche needs. Graham Hill commented: "P2P funding is definitely a growing force in the lending sector, constantly widening its net with additional products and a more flexible and generous broker commission structure now being offered by many of these lenders."

However, he cautioned: "The only fear is the level of scrutiny being imposed upon the lenders by the FCA, second only to payday lenders. The fear is that the same level of scrutiny will be applied to brokers who could face large fines through naivety rather than deception. Having said that, the UK Supreme Court finding in Plevin v Paragon could throw a further and more worrying spanner in the works, as it ruled that brokers are not the responsibility of the lender – which could leave brokers even more exposed."

Plevin v Paragon – the ramifications for asset finance brokers

The *Plevin v Paragon* case referred to above relates to a November 2014 judgment in an appeal case specifically regarding PPI mis-selling, and more generally on the 'unfair relationships' provisions that were enacted by the Consumer Credit Act 2006. The element of particular interest to those involved in the provision of asset finance is whether an independent broker acts on behalf of a lender or not – and if so, what the consequences will be.

Part of the ruling stated that it is not enough that a broker was "closely involved in the transaction on the creditor's side" to be the agent of the creditor, and that a broker is remunerated by commission paid by a lender and that this has often been criticized. However, it is an almost universal feature of the business and it is of the utmost legal and commercial importance to maintain the principle that the source of the commission has no bearing on the identity of the person for whom the broker is acting, or indeed the nature of the broker's functions.

In this case, the Supreme Court found that the broker did not act on behalf of the lender when it assessed the customer's suitability for the insurance recommended by the broker.

It can be concluded from this that brokers need to take care when taking on new business that there is proper regulatory compliance. This is even more the case now that the FCA CONC rulebook is fully in force. Lenders are not responsible for any failings by a broker where that responsibility is clearly laid at the door of a broker. Industry codes are voluntary, but courts will still look at them. The importance of a broker maintaining good records cannot be over-emphasised in order to be able to defeat claims which may appear many years after the business was written.

For more detail on this case, see Asset Finance International Plevin v. Paragon Personal Finance Ltd – the implications for UK asset finance brokers

Government initiatives

Of the 'myriad' government initiatives mentioned earlier in this Review, the two that have been most talked about with regard to SME funding have been the Funding for Lending Scheme (FLS), which is now restricted solely to small business finance, and the more recent British Business Bank (BBB).

Before being targeted towards business funding, the FLS had been criticised for directing finance away from SMEs as it was used mainly for funding the consumer mortgage market. The panel's views on whether its impact had improved for SMEs varied, but were not on the whole too positive.

John Mulheron

CMF's John Mulheron was unequivocal, stating: "I think that the funding for lending scheme for SMEs is a total farce. We see many high street banks take advantage of this and lend to their large corporate clients which were already benefiting from exceptionally low rates. This is not what it was meant to be used for and I am surprised that this has not been picked up and highlighted."

Others were also unimpressed. Nick Simpson of AFS commented: "I'm not sure that the FLS has benefited SMEs other than making the funds they would've always had access to potentially slightly cheaper, whilst making it a very uneven playing field for those funders (and brokers) that don't have access to the FLS."

"The FLS was unlikely to ever offer far-reaching benefits for asset finance, not least because in the early days it was specifically excluded from it"

And Mark Picken added: "The FLS was unlikely to ever offer far-reaching benefits for asset finance, not least because in the early days it was specifically excluded from it. This government initiative had some merit and was attractive to some of the clearing banks lending to large corporates as it gave them an edge, possibly on pricing if they were looking for new, similar-risk borrowers. What was more likely was the benefit was taken straight to profit. What FLS didn't do was address the banks' credit appetite, so they kept lending to the same clients and making more margin."

From Richard Perry's perspective there have been some benefits: "We have a few funders that are participants in the FLS and we, along with our customers, are certainly grateful for it. From our perspective, there hasn't been any noticeable improvement or otherwise."

Prospects for the British Business Bank

The BBB's own assessment of its role is given earlier in this Review. For the brokers, this particular initiative has potential. Nick Simpson said: "The BBB needs to focus on highlighting the asset finance products and all of the wide range of providers as funding is widely available for those SME owners that look further than their own clearing bank."

Ray Wells of First for Business added: "My answer to this is 'watch this space', I understand that the BBB is about to announce some new initiatives soon, hopefully before Parliament breaks. Also I feel these initiatives will evolve over the course of time."

Shire Leasing is one of the asset finance companies that has partnered with the BBB, so Mark Picken was understandably upbeat: "We are a committed partner to the BBB, so I am likely to praise their entry into the asset finance market, aren't I! In all seriousness, they have approached a difficult proposition in a refreshing way. Difficult because of state aid issues and the complexity of getting taxpayers' money into the asset finance system, but they did it with an amazing can-do approach. Every difficulty was seen as an opportunity, and whilst that sounds corny, it was that approach that won the day and their investment will make a difference in the SME sector. Every penny they provide will go to benefit an SME that would otherwise not have had that money available to it."

A final, longer-term view came from First Capital Finance's Richard Perry: "Presumably, assuming the economy continues to improve and maintain momentum, the need for these schemes will diminish and be replaced by a normal level playing field." To which he added: "Perhaps the cost of funding these schemes could be better utilised in infrastructure projects or further R&D incentives which would have a wider beneficial impact?"

Regulation – the FCA's impact

The next topic for discussion, which provoked the most expansive and often impassioned response, revolved around the FCA, compliance issues and what may be required by the industry to cope with increasing levels of regulation.

ABFL's Mike Deacon started by saying: "I understand the reasons for an umbrella regulatory body. However, 50,000 consumer credit firms are now in interim permission until April 2016, and in effect, all of these organisations are paying the FCA to teach it how their organisations work, and are then told how to run their organisations by the FCA after they have been taught."

"The biggest issue around the FCA is their lack of knowledge of our market and the inconsistency of their approach"

Nick Simpson added: "The biggest issue around the FCA is their lack of knowledge of our market and the inconsistency of their approach. I think in theory no one has objections around what the FCA are doing in the consumer credit market, but the issue is how that is then applied to the business finance world that we work in. The problem lies in the short time frames people have had to work to, but via the NACFB and proactive approach by certain funders, more practical help and guidance are now available."

Mark Picken put the view that the FCA has, in effect, presented the regulatory framework to the industry and told it, within guidelines, to go and make it work. "They do not, and could not have understood the ramifications of forcing consumer regulation into a business environment and they learn almost daily how these affect our industry," he said, adding: "My experience is they are willing learners and I believe the industry must now consolidate to ensure we are presenting a united front on complying with regulation. It would be catastrophic if there were dozens of different customer regulatory experiences dealing with asset finance providers. Regulation should never become a competitive issue."

Prime issues are the time and cost of applying for permission, aside from the issue of deciding on which type of permission and the implications involved in that decision.

David Mogg commented that it's early days to judge the impact of FCA requirements, and that First Capital Finance submitted its application using the services of the NACFB's scheme with compliancy firm, Simplybiz. He commented: "Aside from the hassle, cost and time needed to put the application together, the process so far has been relatively smooth. Hopefully, we will be saying the same thing as the process moves forward, accepting of course that there will obligatory ongoing training and reporting requirements – all of which will be at a cost," adding: "Our initial thoughts are that we will be relatively unaffected by these changes for those deals that will now be regulated, as we have always offered keen rates and stand very firmly in the prime sector of the market."

Doubts over consumer benefits

Graham Prince

There are distinct concerns in the vehicle sector. Graham Prince of Neva Consultants raised the following: "I am very concerned that the FCA does not understand our sector and could ruin the service levels and options that are offered to the consumer by regulating us incorrectly. We are not a sector that can get away with having extreme APRs and in fact have to offer extremely competitive rentals due to the amount of competition."

He continued: "Brokers exist because they can give a true snapshot of the market at a particular time and give the client stability in their pricing over a period of time by using multiple funders. I fear that a number of small brokers will exit the market place and therefore competition will disappear and rates will naturally increase – bad for the consumer."

"The actions taken so far have been ill-advised, contradictory and confusing, with very little benefit to the consumers"

And GHA Finance's Graham Hill stressed his view that "the actions taken so far have been ill-advised, contradictory and confusing, with very little benefit to the consumers, who were supposed to benefit from the changes, or to brokers or lenders. The industry is in turmoil and brokers seem to be receiving full permission with little or no serious knowledge of consumer finance. We are in the ridiculous situation where it is suggested that brokers need better training on how to complete the returns, rather than where the training is really needed, i.e. product training to provide best advice to the consumers."

A further area of concern lies in the unregulated sector, which includes more than sub-prime and payday lending, and John Mulheron was forthright, stating: "We operate solely in the unregulated market and the FCA has confirmed that the new licence is only applicable for businesses which operate in the regulated market. I believe that the FCA has over-reacted and harshly treated the HP and leasing industry by applying the same rules to us as it does to the less desirable end of the market, i.e. payday lenders. We are more than capable of regulating ourselves, but we are suffering by not having a voice shouting our cause."

Implications for brokers

There is the possibility that some smaller brokers will decide not to take the route of full permission and may leave the market or perhaps become authorised representatives of larger or other fully authorised broker firms. Mike Deacon commented: "The banks' default position seems to be that they will only deal with fully authorised brokerage firms. Therefore, I am adopting the safety-first position of getting full authorisation. That way, even if I don't need it in future, the banks will deal with me as and when I introduce deals. The banks are using this as a tool to streamline the brokerage businesses that they deal with."

Nick Simpson observed: "It will be interesting to see if there is more regulation coming down the road as the FCA changes its views on what an unsophisticated business customer looks like. For example, why should a small £100K turnover limited company with, say, one director not be afforded the same protection as a two-partner partnership with a turnover of £3 million?" He concluded: "There is definitely a place for ongoing guidance around the FCA on how brokers should continue to operate compliant businesses within the guidelines, which are undoubtedly going to be tweaked from time to time."

"Regulation and compliance should become part of an ongoing training programme"

There is of course much work that needs to be done, aided by liaison between the FCA and all industry associations. Ray Wells sees no reason to panic, saying: "We have known for some time that regulation was coming and now that it is here we are embracing it. There is still uncertainty on some fronts, but as time moves on clarity will come. Regulation and compliance should become part of an ongoing training programme."

A final word came from Mark Picken: "The comparison I would use is the insurance market 10 or so years ago. Regulation hit that market hard and many insurance brokers took the opportunity of leaving or selling out to bigger players that could afford the cost of implementing new regulations, managing, monitoring and reporting their compliance. It feels very much like that, so we have to look forward to ongoing training of our colleagues for the foreseeable future."

Industry representation to government

With all the discussion regarding regulation, how well is the asset finance industry putting its case to the policymakers and regulators?


Graham Hill

The views expressed were mostly that representation is good. With particular regard to the FCA, Graham Hill stated: "The NACFB has held many meetings with the FCA in order to assist them and better understand their stance on various issues. I also know of other associations and active players in the credit industry providing extensive and robust feedback, so I don't believe that the FCA is short of advice and direction but I'm not sure that this has actively reached government ministers – as you say, the policymakers."

It is the job of industry associations to lobby government, and there seems to be no lack of that, as Ray Wells emphasised: "My understanding is that all the trade bodies that represent our sector, such as the NACFB, FLA and the BBA are in regular dialogue with the relevant government departments, both on a consultative and advisory capacity." But the problem for Wells, as for Graham Hill, is what real impact that supply of industry feedback is having on policymakers. Wells added: "I do have concerns, however, on the lack of knowledge and understanding of our industry at various levels within these government departments."

"There is still much to do in terms of influencing future policy and how that might affect the SME finance market going forwards"

Nick Simpson agreed: "The FLA, BVRLA and NACFB have been in regular contact with the FCA, the Treasury and government in general. The introduction of the new regulatory regime was driven by a political agenda and this is borne out by the tight timescales and the initial targeting of the payday lenders and debt management firms. That said, there is still much to do in terms of influencing future policy and how that might affect the SME finance market going forwards."

In Mike Deacon's opinion, the situation has improved under the current government, although there is the uncertainty of the General Election and what might happen under a new regime. "It's better than in 2010," he said. "The NACFB is doing a good job being the industry voice for brokers and is at the table of 'influencers' in terms of government policy. I hope the next government does not stifle the progress made in the past five years."

A similar view was expressed from the vehicle sector by Graham Prince, who simply stated: "My experience is with the BVRLA only and I believe we are very well served by them."

However, John Mulheron did not think the message was getting through very well at all. "The Government does not understand our industry and does not appear to have any interest in trying to do so."

Training – raising industry standards

It is well known that the NACFB and BVRLA are committed to providing industry training and qualifications, but how widespread is the take-up of these services by brokers? The panel members were asked if they or their business had benefited from this, and if they feel that there is still a job of education and raising awareness to be done by the industry overall.

Nick Simpson

There was general agreement that there is a basic need to maintain, and hopefully raise, standards in the broker community, both for the current generation and for new recruits. The need for the involvement of all sides – brokers, lenders and associations – was also recognised, a point made by Nick Simpson among others: "There is a job to be done around training and education and I would also include many of the lenders as well as the NACFB and BVRLA who recognise this and have started to turn their attention to this vital area."

"… we should all make sure we continue to learn and 'stay relevant', both in terms of knowledge, legal requirements and new practices"

In Mike Deacon's view, this is overshadowed for most firms by FCA regulation obligations, but he acknowledged: "Training is useful, to a point. It is more geared towards 'consumers', whether business or individual consumers. Training is good for Continuous Professional Development (CPD) and we should all make sure we continue to learn and 'stay relevant', both in terms of knowledge, legal requirements and new practices."

David Mogg spoke of his firm's own experience, stating: "We will seek to participate in training that is relevant to our requirements. It is worth noting that we have had two members of staff attend a two-day course run by Aldermore as part of their Next Generation Training Academy. This is a very welcome and proactive move from Aldermore and has to be commended."

He continued: "Hopefully, this will create impetus from others, be that the NACFB, the FLA, funders or a combination of all three, to take a serious look at the training needs of the asset finance broker market and, in particular, new recruits and the younger generation coming through."

Two interviewees were concerned that more should be done. Graham Prince said: "Talking about the BVRLA only, there needs to be far more broker-specific training. At the moment the qualifications have no meaning or standing in the broker community, so this will need to change in order for brokers to send their staff on them."

And Graham Hill commented on the need to encourage participation: "I certainly agree that more needs to be done, but first we need to overcome the apathy of brokers who feel they already know enough to professionally advise customers – they don't."

He elaborated, describing a wider issue: "But the real problem is the understanding of finance by the general public and it should start in schools. We need a subject called 'Life Skills' which would educate youngsters about finance and the importance of using finance responsibly," he said, concluding: "I believe it would lead to much more responsible borrowing and much more responsible human beings."

Succession planning – or consolidation?

Following on from the comments above, attention turned to the key issue of succession planning. Will the broker sector find it easy to recruit new blood, and where from, or is it more likely that there will simply be consolidation in the long term?

The industry is not attracting sufficient new blood, which makes consolidation virtually inevitable

The consensus view was that, natural wastage aside, the industry is not attracting sufficient new blood, which makes consolidation virtually inevitable. One route will be for more 'super-broker' organisations to evolve, as suggested by Ray Wells: "This is an interesting point and a very important one. What does a broker do when he wants to retire? I see the 'super' broker network entities expanding and going from strength to strength, which provides one solution to this question. There is also a focus this year by the NACFB, together with certain funders, on bringing new blood into the broker community."

This is an issue that will certainly be in the minds of those lenders reliant on a broker-driven model, and perhaps more support needs to come from banks and lenders to encourage young recruits into the broker sector – perhaps not an obvious move for those considering a career in finance.

John Mulheron commented: "I do not see any real succession planning in our industry. There is very little new blood coming in, which may be in part to the banks and large finance houses no longer encouraging trainees to come on board. Ultimately, this may well result in a consolidation within the broker sector, which will be accelerated with long-time industry professionals becoming discontented by over-regulation."

Graham Prince predicts consolidation, and sees problems for broker teams when the company owner decides to retire or leave the industry: "This is a huge problem in our sector. Every year I attend leasing company conferences and they are attended by the same people, just a year older! Funding is difficult to raise against 'goodwill', and as most brokers have no assets or guaranteed regular income it is extremely unlikely that any potential management buyouts (MBOs) can take place. I can only see consolidation in the short term, unless the actual funders offer the funding facilities to potential buyers/ MBOs as they at least understand the industry."

Broker recruitment and training initiatives

However, as has been mentioned, there are lenders that are proactive and have a common goal with brokers and trade associations to introduce new blood, and the advent of larger broker groups may well be more attractive to potential recruits.

There are also moves that the brokers themselves can make, and some now have developed their own programmes. Mark Picken observed: "The consolidation of such a fragmented market is almost inevitable. However, there is much that can be done and at Shire we have been addressing this for the last few years. We have an annual intake of graduates that spend an extended period in our leasing business and all our Group companies so they are exposed to asset finance, marketing, recoveries, professions, invoice discounting, cash flow finance, etc. Our success rate in integrating them into our business thereafter is excellent."

"In the 'old days' the industry relied on banks like NatWest, Lloyds and Barclays to develop the talent. Now it is up to us"

He continued: "At the sales end we run an annual Sales Academy programme where we bring in several candidates who go through a similar process of exposure to come out the other end as rounded asset finance specialists. It is pleasing to see some of the larger funders are now following us in these initiatives," he said, concluding: "In the 'old days' the industry relied on banks like NatWest, Lloyds and Barclays to develop the talent. Now it is up to us."

David Mogg pointed to the fact that there are plenty of sources to explore for potential new recruits: "As is widely acknowledged, new blood (with talent and experience) is in short supply. Therefore, it will be incumbent on those firms looking to continue in to the future to attract the next generation from other sectors, such as other B2B providers of equipment or services as well as university or college leavers."

His outlook is positive: "Perhaps apprenticeships will become more familiar in our sector. There will also be consolidation and acquisition opportunities for those looking to grow, which in turn provides an exit for those looking to hang up their boots. All of this must be seen as a very positive sign of a successful thriving sector of commercial finance that has a great future ahead of it."

Profile: Fleet Alliance – a role model for UK brokers

Fleet Alliance could safely be described as a model upon which the UK broker sector could successfully image itself.

Irrespective of its financial success, at the 2014 Small Fleet Leasing Awards it won three significant accolades:

- Overall winner of *Best Small Fleet Leasing Company*;
- Winner of the *Best Small Fleet Leasing Company of more than 250 vehicles*; and
- Winner of the *Best Small Fleet Leasing Customer Service Excellence* award.

This followed hard upon the company winning the 2014 BusinessCar Techies Best App award and finalist in the Customer Focus category in the 2014 National Business Awards.

Originally established in 2002 as a leasing brokerage based in Glasgow, the company has grown into a vehicle funding and fleet management organisation with national coverage, a sales office in Preston, and a total staff complement of 53.


Martin Brown

Martin Brown, managing director, joined in 2002 as one of the founders and since then Fleet Alliance has grown to encompass 18,209 vehicles under management in 2014 – the year it reported a fourth successive record operating profit performance with a growth of 58% over 2013.

Operating predominantly with a direct sales force the company offers a complete fleet solution via its Fleet 360 model which provides the highest quality advice, products, competitive pricing and service levels.

On top of all this, during the year Fleet Alliance moved to new state-of-the-art offices in Glasgow Skypark, near the city centre.

Brown told Asset Finance International: “Having invested in the corporate sector last year, including the creation of a new corporate sales director’s role, we intend to further develop our presence this year in the mid-corporate sector for fleets operating 150-plus vehicles with a host of new products and solutions.”

An important part of Fleet Alliance’s success is undoubtedly down to its dedication to staff development. Last year, it was voted 11th in the *Great Place to Work in the UK* small business category and a finalist in the National Business Awards’ *Employer of the Year* category.

Brown explained: “We have continued to invest in our people to ensure they have the skills to provide the highest quality of customer service and are provided with as much relevant company information as possible.”

Highly motivated

In terms of maintaining a highly motivated workforce, this policy was again very successful. In the 2014 *Great Place to Work* survey, some 96% of staff said Fleet Alliance was a great place to work, 100% of staff felt a sense of pride in the company’s achievements and 96% of staff felt they made a real difference to the business.

“Our model,” he stressed, “is focusing on people first, then investing significantly in technology. We have a 50% investment in our IT development company which ensures that we have ongoing interest in maintaining technology as part of our growth strategy.”

During 2014 Fleet Alliance took the highly unusual step of actively embarking on a new programme of green initiatives for its customers. This included an electric vehicle (EV) awareness campaign and electric test vehicles, aimed at cutting the carbon emissions on its clients' fleets.

Brown said: "So far, more than 20% of all new cars supplied to fleet customers on the Fleet Alliance managed fleet have CO2 emissions of less than 100g/km, while the average carbon output of all new vehicle orders now stands at just 122g/km. This compares to the UK new car average of 128.2g/km as reported by the Society of Motor Manufacturers and Traders."

For some time Fleet Alliance has been persuading clients of the importance of setting fleet policies that encourage the take-up of low carbon-emitting cars to capitalise on savings in tax, National Insurance and fuel costs.

However, the company has now introduced a number of new initiatives aimed at carrying on the green impetus and taking the campaign still further.

As part of an EV awareness programme, two new examples of the world's best-selling electric vehicle, the Nissan Leaf, have now been added to the Fleet Alliance fleet. One is for use by staff to familiarise themselves with the characteristics of an EV, while the other is for use by clients for testing and review purposes.

At the same time, Fleet Alliance is providing two free-to-use electric car charging points in the visitors' car park at its new offices.

The company is also working with the Energy Saving Trust to offer its clients energy-saving advice on best practice for hybrid, electric and grey fleet vehicles, reviewing fleet costs and eco-driver training.

And Fleet Alliance has just added the Lexus CT Hybrid, with carbon emissions of just 82g/km, to its own company car policy to encourage its employees to consider greener alternative vehicles.

Martin Brown commented: "We are hugely encouraged that the advice that we have been offering to our clients for the last two years or more has been heeded, as carbon emissions are falling markedly across our whole fleet.

"This has the effect of not only cutting our clients' carbon footprints but reducing their and their drivers' tax and fuel bills at the same time."

Fleet Alliance strongly supports the BVRLA (Brown is a past chairman of the association's leasing broker committee) and especially praises its proactive, and highly successful, series of national seminars designed to familiarise brokers with the impending changes due from the FCA.

It also endorses the aims of the recently-formed Small Fleet Leasing Federation, which sets out to bring brokers, lenders and auto manufacturers together in a business club environment.

While many fleet brokers view the impending FCA regulations with some trepidation, Fleet Alliance is facing the future positively. "We have employed a compliance manager and also engaged an external specialist compliance company to ensure that all our regulatory advice and implementations are correctly applied."

He concluded: "We are forecasting another strong year again this year, based on a variety of positive economic indicators. These include record low interest rates and inflation and a very strong air of business confidence."

Section 3: Key issues – the funders' perspective

As with the brokers, Asset Finance International approached a wide variety of asset finance providers for their views on the current state of the market and the key trends and issues.

It is interesting to note that the number of participating funders grows with each Annual Review, and the range increases, with new entrants coming in alongside challenger banks, established leasing companies and mainstream banks – a good indication of the continuing degree of importance that is placed on the broker market.

Business performance

Given the overall growth in the asset finance market and the reports from the brokers in the previous section of this Review of targets and expectations being exceeded, the initial question for the funder panel was an assessment of last year's progress in terms of broker-derived business and looking at any significant changes that have occurred in the funding arena.

The consensus was that performance had been ahead of expectations, although for some lessors this was due to sights being lowered slightly as competition has risen.

The majority were very satisfied. For example, Martin Nixon of United Trust Bank (UTB), whose operation is wholly broker-oriented, stated: "With the help of our supportive broker partners we had a very successful 2014, increasing our new business volumes by over 30% and we are aiming for a similar increase in 2015," although he added: "The market has seen more new entrants into the funding arena and some funders have squeezed margins in order to grow or maintain their market share."

A similar observation was made by Maria Lewis of 1pm: "Sales were up by over 38% compared to the same period last year, so we were very pleased with the performance. We have noticed there is more competition funding-wise but that suits us too, as we have to borrow the majority of our money."

"It has matched our expectations, but we had reduced our overall targets from SME brokers as the sector is becoming overheated, given its status as a political football"

Extra players led to a realistic outlook from Arkle Finance, as Stephen Bassett reported: "Due to increasing competition amongst funders in the broker channel, we set ourselves slightly lower growth expectations for 2014 and by year-end this sector came in exactly in line with our expectations."

And in the opinion of Conister Bank's Juan Kelly: "It has matched our expectations, but we had reduced our overall targets from SME brokers as the sector is becoming overheated, given its status as a political football."

An honest appraisal came from Bill Dost of D&D Leasing: "Our broker-derived business did underperform in 2014. We had a solid start and a solid end but found the middle soft. I think there were a few reasons for this, number one being the change in the funding marketplace; a number of new funders entered the market, which diluted many players' ability to stay at status quo."

However, Dost stressed the need for flexibility and adaptability, and that having a good offering and the ability to increase value while remaining competitive meant the company could rebound. "Without the ability to pivot as such, I think any funder would be in trouble," he commented.

New entrants to the market

Hugh Sigrist

The new players have fared well. Hugh Sigrist of Renaissance Asset Finance said: "Our broker business has exceeded all expectations over the last seven months (when we began trading). Brokers previously known to us were very keen to continue trading together and in addition, lots of new brokers wanted to have lines with Renaissance. So much so that we have limited the number of relationships we have set up to 50, while we increase our staffing levels and infrastructure."

Confidence in the broker market was expressed by Fleximize's Max Chmyshuk, who stated: "Fleximize is a fairly new business launched in January 2014. Having started with direct marketing only for the proof-of-concept stage, we added a broker channel in late summer." Having then become a patron of the NACFB and taken on a dedicated broker manager, "We have since added over 40 introducers to our roster and are receiving a good stream of leads. Even though it is hard for us to compare 2014 historically or versus expectations, we have definitely seen a better-quality lead flow through brokers than direct channels. We are committed to developing our partnerships with brokers in 2015."

And for an established finance provider that has recently moved into the broker sector, Callum Stevenson of LDF commented: "We are very pleased with our first year of broker-derived business. As a new funder we are expanding our asset finance book significantly and are keen to continue developing broker relationships."

Changes in the market

Richard Briscoe

The increase in competition was widely commented on by the established players, including Richard Briscoe of Close Brothers Business Finance, who noted the arrival in the market of venture capital companies and a number of start-up finance companies. As a result, he said, "We are hearing from our broker network that they have more than sufficient funding lines; however, there is more choice in the SME market, including an increase in lending direct from the banks."

"New entrants like Alphabet and Hitachi underline both the expectation and the future potential of the vehicle sector"

Greater choice is welcomed, a point made by Steve Cocks of Lex Autolease: "2014 has been another record year for our broker channel which has exceeded plan by a considerable margin. New entrants like Alphabet and Hitachi underline both the expectation and the future potential of the vehicle sector."

These new entrants were also highlighted by vehicle lessor Network, which stressed that this "signifies a strengthening marketplace and reinforces the broker arena to be a growth sector within the vehicle leasing industry."

For Hitachi Capital Business Finance's Gavin Wraith-Carter, these endorsements "reflect that our brokers are happy with the job we are doing." He elaborated, saying: "The industry as a whole has been on a journey of uncertainty since the change in regulatory environment, and Hitachi Capital has invested a lot of time and money into supporting our brokers through this change."

The change in the regulatory landscape is, of course, the other major change to have happened in the last 12 months, and which is the subject of much concern for the brokers, as has been noted in the previous section of this Review.

For the funders, this is not necessarily a problem, and a change that the whole industry can work together on to make a success. Carl D'Ammassa of Aldermore Asset Finance observed: "Last year we saw a shift in responsibility for oversight of consumer credit from the OFT to the FCA, which has revolutionised the asset finance market. This has been by far the most significant industry event in 2014, for both funders and brokers, who are now working diligently to ensure full compliance with the new regulations."

"The new FCA regulatory regime has been the notable change in 2014 and I see this having a positive impact on the level of professionalism and quality of service our brokers provide to our mutual customers"

Ty Smith of vehicle lessor Arval stated: "The new FCA regulatory regime has been the notable change in 2014 and I see this having a positive impact on the level of professionalism and quality of service our brokers provide to our mutual customers."

And ABN AMRO Lease's George Ashworth summed up by saying: "The biggest changes impacting the broker market have been on the regulatory and compliance fronts. Although not directly impacting the unregulated space, the new regime of permissions is now in situ," to which he added: "There was also the notification of the imposition (without consultation) of the new commission rules at the tail-end of the year. Driven by the fact that over 60% of all customer complaints by the FCA were related to brokers and broker activity, it would indicate that the FCA is clearly looking for transparency in order to better promote more positive customer outcomes. Perhaps we should not be too surprised to see this spill over into the unregulated space in due course."

The relationship with brokers

It is evident that, in an increasingly competitive market, the relationship between funders and brokers needs to be nurtured. Asset Finance International asked the panel of lessors if they saw the scope for funders to work in a closer relationship with brokers to be more effective, and if so, in what areas might this relationship be improved.

"Most funders endeavour to work closely with brokers because both parties benefit from the relationship working well"

Not surprisingly, the funders stressed their attention to maintaining strong links with brokers. Mike Francis of Investec Asset Finance stated: "Most funders endeavour to work closely with brokers because both parties benefit from the relationship working well. We will continue with our strong intermediary relationships, supporting them in their growth and ensuring the long-term sustainability of the market."

Alan MacRae of Lloyds Bank Commercial Finance added: "The relationship approach is the way we want to deal with our brokers. They have a huge amount of experience and are a great source of market intelligence. By building close relationships you build trust and that is crucial for us."


Chris Cornwell

The point was made by Chris Cornwell of Shawbrook Asset Finance of the importance for the funder to have a genuine ability to be lean and agile enough to offer the flexibility that brokers need to compete in a marketplace where intense price competition has really squeezed their margins. He said: "One of the main reasons for our success has been the strong broker relationships we have. Our brokers have been able to leverage those relationships to get the service level and flexibility they need to compete against some of the pricing strategies out there at the moment."

He continued: "Ultimately it's down to trust, and generally that takes time to build up. We are lucky enough to have broker relationships that go back many years, so we can confidently extend the necessary support to those brokers safe in the knowledge that we are working with people who have a proven track record."

Strengthening partnerships

"… brokers and funders need to be working together in a true partnership with each other"

One key term used was 'partnership', as stated by Gavin Wraith-Carter, who said there is a real need to build and maintain a close relationship with brokers to make the industry work: "I think that brokers and funders need to be working together in a true partnership with each other," he said, stressing that "Particularly in this new regulatory environment, it is now more important than ever to support our broker community."


Gavin Wraith-Carter

He elaborated: "At Hitachi Capital we ran a series of FCA Induction days in conjunction with Compliancy Services, and funded broker membership with them to help brokers gain Full Permission Status.

"We appreciate that some of the newer generation brokers don't have easy access to relevant training, so we also recently ran a series of 'Introduction to Asset Finance' sessions to provide an understanding into how a funder works, and some workshops on 'Fraud Awareness' to help combat this threat to our industry."

Other funders have developed broker-support training, one such being Aldermore's Next Generation Training Academy, described by Carl D'Ammassa as "a bespoke two-day training course designed to support the next generation of brokers by providing insight into the basic principles of asset finance," to which he added: "This training is provided free of charge, as we recognise the importance of a strong broker community. In addition, we are one of three funders to sponsor the NACFB's new compliance service to ensure introducers get the support they need to be fully compliant with FCA regulations."

Bill Dost observed that contact is vital: "I think relations improve by having quarterly meetings and setting realistic introduction, approval and funding targets as well as service level targets – and more importantly, measuring against them."

Hugh Sigrist agreed, describing his company approach as: "Happy to discuss deals with the broker, pleased to attend joint visits with their end-user clients. Always looking to work closely with the brokers' major multi-hirers, to set large credit lines, etc." He continued: "Too many new funders in the broker market want to run their businesses from a centralised office, with a sausage machine approach and minimal coverage in the field."


Callum Stevenson

However, Callum Stevenson emphasised the need for efficiency in dealing with brokers' business: "While it's good to keep in contact on a very regular basis, we understand that what brokers really need from a funder are commercial policies and quick turnarounds.

"We've put both of those in place through our three-tiered credit policy, which means brokers can get quotes for LDF funding for a variety of different credits all under one roof. We use the same industry-leading systems for every single funding agreement, meaning brokers can expect a quick answer no matter what credit their customer has."

Finally, George Ashworth observed that, in a successful partnership, both parties must perceive value and keep it in balance. Retaining that balance is down to long-term business partnerships based on mutual understanding of the respective parties' business models.

He expanded on this: "Brokers now account for around £5 billion of new B2B production per annum. Controlling in excess of 20% of the UK market means that, as a distribution channel, brokers cannot be ignored. However, the rise of broker distribution has occurred at a time when funders have to look with a very critical eye at how to deploy their capital more effectively," adding: "Broker distribution has long been regarded as a relatively cheap route to market. However, the signs are there on both the demand and supply side to suggest that broker distribution may be at a historic pinnacle and may be set to decrease in terms of relative economic attractiveness."

Broker consolidation

There is a potential issue with the broker market contracting in terms of numbers, and the next topic for discussion was whether this is having an effect on funders and creating problems in sourcing new business. Is there anything funders can do to encourage growth in broker numbers?

There was acknowledgement from funders that FCA regulation has driven many smaller brokers out of the market, and others have been forced to take franchises or amalgamate with larger brokers, leading to a growth in larger brokers which are becoming more influential.

Alan MacRae

As an experienced hand, returning to the broker market with fresh eyes after a five-year gap, Alan MacRae said: "Since coming back in January the thing I have noticed is the huge regulatory requirements. I understand the need for some of it but a lot of it seems to be a 'mallet to crack a nut'. This puts a huge administrative and cost strain on the brokers and will undoubtedly lead to some smaller/older brokers leaving the industry, or to more consolidation."

However, the funders interviewed for this Review say they are not experiencing any difficulties with sourcing new business, but simply that the market is changing. As Richard Briscoe said, "We are seeing an increase in funders in the market, including venture capital companies that are buying brokers. We are also seeing a number of smaller brokerages merge together. This is encouraging all funders to raise their game, which is benefiting the customer as they will be seeing a better service and added value."

"Barriers to entry are higher than ever for brokers and only those who operate to the highest standards are able to appoint funders. However, size and scale is not an obstacle to forging these relationships"

Steve Cocks noted: "Barriers to entry are higher than ever for brokers and only those who operate to the highest standards are able to appoint funders. However, size and scale is not an obstacle to forging these relationships; it is more about the professionalism and the quality of prospective introducers than it is about the volume of business they can deliver."

Other vehicle lessors are finding no drop in approaches for finance, with Ty Smith stating: "We receive many requests from new brokers to join the Arval network, so from my point of view it does not feel like the market is contracting and that growth from new brokers would be obtainable should we wish to expand."

The position is the same for Network, although it commented: "The recent changes in governing body from the FSA to FCA and focus on Treating Customers Fairly is creating more of a void between the top franchisees in the marketplace and those still trying to operate from a 'bedroom', making it harder for the bedroom broker, and creating a more professional environment for those who continue to trade in an ethical and responsible way."

A changing demographic

It's partly a question of the redistribution of individual brokers. The number of brokerage businesses may be declining, but that does not necessarily mean that the absolute number of brokers is declining.

As George Ashworth commented, "There are several different types of asset finance brokerage models in the UK today. Indeed some of the models involve brokers evolving into own-book principals. It is early days, and for me it remains unclear whether these trends will impact funders positively or negatively. I suspect that business volumes will be positively impacted but that generally business quality will suffer."

Gavin Wraith-Carter added: "Although this is a topic that is talked about a lot, and individual brokers may be reducing, we are seeing a lot of brokers joining forces. These larger brokerages are giving more confidence to SMEs to go to a broker for funding, and are actually giving some scale to the broker market that hasn't existed in the past."

"If the market remains attractive, the number of brokers will grow all by itself, provided there are still plenty of funders wanting to originate business that way"

The most commonly advocated way to increase broker numbers, should that be required, is for funders to give greater support to smaller brokers in advising and helping them comply with FCA regulation. However, Stephen Bassett simply observed: "If the market remains attractive, the number of brokers will grow all by itself, provided there are still plenty of funders wanting to originate business that way."

Max Chmyshuk noted that Fleximize "would be happy to increase broker lead flow, as good applicants are not easy to come by and the best brokers do pre-screening for you," but he admitted: "Contraction in broker numbers is probably an evolutionary process heavily influenced by external factors, such as the growth of lead aggregation platforms, (e.g. alternativebusinessfunding), brand building / advertising by funders, and SME service providers moving into lead generation."


Maria Lewis

And Maria Lewis pointed to possible consolidation across the board: "I can see it happening in the funder market too, which should bring more of a balance. There has been so much change over the last five years or so, with brokers and funders coming in and out of the market; it's a daunting prospect to set up on your own at the moment."

Government initiatives

Attention turned next to the widely debated topic of the success, or otherwise, of the Funding for Lending Scheme (FLS) and whether there had been any improvement in its previously muted impact on finance for SMEs. Following on from this, the panel was asked its views of the more recent initiative, the British Business Bank.

"Anything that unlocks and makes funding available and affordable to businesses has to be a good thing"

The majority opinion was that the success of the FLS has been limited, even after being focused on small business rather than consumer finance. However, the view from the high street banks was always going to be more positive, with Alan MacRae of Lloyds Bank Commercial Finance saying: "Anything that unlocks and makes funding available and affordable to businesses has to be a good thing. I'm only in the door a month but it would appear that our experience of FLS has been good and enabled us to reduce the cost of funding for our SME customer base."


Mike Francis

Support also came from Mike Francis of Investec, who stated: "The growth in asset finance in the UK has been aided by some funders' ability to draw on government support through the FLS. While the scheme has been criticised for inflating house prices in London and the South East, we believe it has been an important part in the recovery of the wider economy. By providing cheaper funding to commercial banks, the FLS is designed to help to improve the availability and pricing of funding to SMEs who previously may not have had access to finance."

UTB's Martin Nixon was lukewarm: "From our own experience, the FLS has benefited some SMEs, but the general feeling is that it has not really achieved its original objectives. Many of the businesses which have received funding through the scheme were not necessarily those for which it was intended."

Others agreed that any government initiative is welcome, and the FLS will have had a positive impact. However, as Hugh Sigrist of Renaissance Asset Finance observed: "Often it is not about the availability of funds, but about the 'flexibility' of the lender and how controlled they are by their own internal procedures, that stop them lending to very viable businesses. They often cannot, for example, handle the supply / title route, or understand the deal."

Richard Briscoe of Close Brothers added that, apart from the FLS having increased the availability of finance, "We also have access to the government's Regional Growth Fund, which is helping SMEs with asset purchases to ultimately reach their growth aspirations. Our broker network is benefiting, as they are able to facilitate this for their customers."

Outlook for the British Business Bank

Views were more optimistic for the British Business Bank (BBB), although some concerns were raised over the likely obstacles it will have to overcome. As D&D Leasing's Bill Dost said: "The BBB, while an interesting idea, may also be fraught with the same level of bureaucracy that the FLS has had to date. I suspect that may just turn a number of funders away from going through the process."

George Ashworth of ABN AMRO Lease commented: "The British Business Bank has a good team of people with all the relevant experience to fulfil its mandate. My personal experience of the BBB is that it is doing all it can to assist, despite having several obstacles to overcome, State Aid being merely one example."

And Hitachi Capital Business Finance's Gavin Wraith-Carter was positive: "The BBB has been very supportive and has made huge attempts to increase its knowledge of our industry. It is great to see that the bank clearly wants to see the asset finance industry succeed and be another source of funding for SMEs."

Max Chmyshuk

Speaking as a relatively new arrival in the market, Max Chmyshuk of Fleximize commented: "We spoke to the BBB last year and have an overall very positive impression so far. We were a very young business when we approached them; however, they were genuinely interested to speak to us and spent their time helping us better understand their policies and criteria."

"I don't believe the BBB is helping SMEs to the extent envisaged. The reason for this is that the BBB doesn't solve the key issue – origination constraints"

However, doubts as to the efficiency of the BBB were expressed by Conister Bank's Juan Kelly, who said: "I don't believe the BBB is helping SMEs to the extent envisaged. The reason for this is that the BBB doesn't solve the key issue – origination constraints."

He explained: "The Big Four clearing banks dominate distribution because they control the payments system and therefore current accounts. The BBB doesn't have its own direct origination channels. If anything, the BBB is competing with the challenger banks, which is counterproductive. Government should not compete with the private sector."

Ty Smith

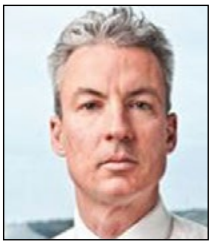
Finally, Ty Smith of Arval spoke from the vehicle lessor's standpoint, noting first that "a consequence of the lack of success of the FLS has been an increase in small firms looking to access alternative funding such as peer-to-peer; from this perspective, the BBB may offer smaller companies a more business-friendly alternative."

To which he added: "It is always worth remembering that vehicle finance can provide an important additional credit line for smaller firms looking to focus investment into their core business activity."

Developments in technology

Investing in technological improvements and IT infrastructure is vital to ensure that dealings with intermediaries are as cost-efficient and profitable as possible – and constant investment is required in maintaining relationships and future benefits.

That this belief is firmly held by all concerned was evident from the discussion on systems developments and potential benefits. The main emphasis is on greater system integration, speeding up the underwriting process and providing quicker turnaround time on decisions, and most of the players involved in the Asset Finance International panel have an ongoing pipeline of enhancements.


Juan Kelly

For Juan Kelly, this is the most important area for funders, as he said: "The whole industry will need to re-engineer its digital capability including core systems, customer relationship platforms, customer experience platforms and risk management. This will affect origination, execution and funding. It's the most profound change the industry will have seen in the last 100 years, a complete game changer."

Maria Lewis of 1pm noted: "Technology, when used for the correct purpose, can have a huge, positive impact on the running of a business," not least in terms of staff cost-effectiveness, as she added: "We are currently in the process of upgrading our accounting and CRM system, which will actually free up an employee for two-and-a-half days a week."

"Technology within the asset finance market does seem to be behind that of the consumer market"

LDF's Callum Stevenson commented: "Technology within the asset finance market does seem to be behind that of the consumer market. We believe that 2015 will be a year where FinTech online solutions will be strongly considered; however, the lack of access to real-time financial information will always make this a challenge."


Martin Nixon

It was also noted that many smaller brokers place different demands on a funder's operation, as pointed out by Martin Nixon: "We always bear in mind that brokers operate in different ways, and it is important that we can continue to accommodate various requirements and provide the right service support that individual brokers need."

This point was backed up by Mike Francis, who stated: "Most funders now have technologically advanced systems to capture process and manage proposals, but the benefits from the funders' investment in technology is only matched when the brokers are able to integrate properly with the funders through investment in their own systems."

And Hugh Sigrist stressed that speed of decision does not necessarily bring the greatest benefit for all sides, saying: "IT developments can help in speeding up the basic underwriting process. That said, as our average deal size is nearer £100K, we do not have a real necessity to turn deals around in minutes, so there is more of a 'thinking' and 'commercial' stance to our underwriting procedure. It is better for us to take a few hours, yet come back with some highly viable proposition to make a deal work, than get back quicker, with the wrong, and not thought through, decision."

Stephen Bassett of Arkle Finance added: "We are always looking for ways in which technology can add real value but delays around the proper analysis of affordability are difficult to overcome just with systems."

"An SME pricing tool that facilitated effective risk-based pricing would be a positive technological development"


George Ashworth

Finally, on George Ashworth's wish-list is: "An SME pricing tool that facilitated effective risk-based pricing would be a positive technological development," to which he added: "On a more simplistic level, any development that allowed my team to 'work smarter, not harder' would be welcome."

And he concluded: "Brokers and funders share a common set of problems. Neither party wants to be a busy fool. If one touches a deal (defined as investing time into it), then one looks for a return. Within the context of the current ABN AMRO Lease proposition, the best way in which brokers can assist us to help them is by improving their credit and risk skills."

The value of trade associations

The importance to brokers of membership of the relevant association, and the help provided to them by the associations, was made clear by comments in the previous section of this Review.

Asset Finance International asked the funders what they viewed as the most important areas in which the trade associations bring value to the funder/broker relationship, in what areas might this be improved, and can they foresee a time when broker membership of a trade association will be mandatory in order to gain a funder's support.

There was universal welcome for the work being done by the associations, as stated by Shawbrook's Chris Cornwell: "We value the contribution such organisations make to the broker sector. In these times of increasing regulation, their role will become even more important and we hope that they continue to make the very best possible effort to support and assist their members in this changing environment."

The overriding view was that funders would prefer to work with brokers that are association members, although opinions varied with regard to the possibility of compulsory membership. Chris Cornwell was doubtful: "We doubt membership of such an association could ever be mandatory, but certainly view it as a positive step for a broker to be a member."

On the other hand, Alan MacRae could see this happening: "Trade associations have a very important role to play, especially given the increasing regulatory environment in which we now operate. They are able to promote best practice, work on projects for the benefit of members and are in an excellent position to act as the representative 'voice' of our industry. I can see the time when membership will be required – it brings professionalism to what we do."


Bill Dost

Bill Dost went as far as suggesting: "As we move to a more regulated environment, it may not be unheard of for the government to insist on enrolment in an association as part of the requirement to be a trading entity."

As for areas in which the trade associations could improve their effectiveness, the consensus view was for increasing their visibility and their efforts to raise awareness of asset finance, and thereby helping to grow the market.

"Trade associations need to do everything possible to actively promote asset finance to the wider market. We need to get the message out there – to business owners and entrepreneurs – that funding is available"

Aldermore's Carl D'Ammassa stated: "Trade associations need to do everything possible to actively promote asset finance to the wider market. We need to get the message out there – to business owners and entrepreneurs – that funding is available.

"It is vital that trade associations are working for the industry to make more and more SMEs aware of the many finance options available to them. That is why we are keen supporters of initiatives like the NACFB's Love Lending Week, which seeks to promote lending to small businesses." But, he added, "More can always be done."

For Callum Stevenson, "The next major test for the trade associations is ensuring the best possible outcome for their members when the systems for banks passing on business to alternative funders are implemented."

Speaking as a relative newcomer to the market, Max Chmyshuk said of his company's recent patronage of the NACFB: "I think they are doing a very good job of setting best standards for clarity, transparency, and compliance in broker-funder relationships. As their role evolves into that of a self-regulating body, there will be even more value to funders. For example, at the moment we need to go through quite rigorous due diligence on every new introducer; however, if NACFB membership could guarantee a broker's compliance with all FCA requirements, our life would become much easier. Brokers would also save a lot of time by not having to submit their KYC [know your customer] packs to 20 different lenders."


Steve Cocks

Giving the perspective from the vehicle sector, Steve Cocks of Lex Autolease commented: "The BVRLA continue to support the broker channel through activities such as government lobbying, arbitrary conciliation, guidance and advice. What they also provide us with is an opportunity to meet as a representative committee (funders and brokers), to discuss topical issues that affect our market as well as raising standards of service and professionalism. As such, we are encouraging all of our introducers to be BVRLA members."

Broker training schemes

Following on from this, the funders were asked to comment on the degree of support they consider should be given to brokers in training their new recruits and providing guidelines on the regulatory changes affecting the industry.

"Our aim is to build long-term, mutually beneficial relationships with broker partners, and if we can assist them in training their new recruits or guiding them through the FCA's new requirements, then of course we will"

Some comments on this topic have already been given earlier in this section and the majority of funders were keen to reiterate their view of the importance in helping brokers wherever possible. This was summed up by Martin Nixon, who said: "Our aim is to build long-term, mutually beneficial relationships with broker partners, and if we can assist them in training their new recruits or guiding them through the FCA's new requirements, then of course we will."


Carl D'Ammassa

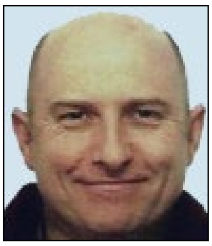
Carl D'Ammassa added: "I completely agree that funders have a responsibility to support the broker market. The change in regulation has meant that many introducers have had to respond by operating in completely different ways, and there are some that have been forced to totally revamp their business models, bringing on extra resources to manage the new regulatory requirements."

Several funders have organised programmes and events to help brokers understand compliance requirements and individual products and procedures. Chris Cornwell stated: "Through our sponsorship of the NACFB we have helped fund roadshows and training events. We also put on our own in-house sessions for brokers to meet with our key legal advisors to help them build their understanding of what FCA regulation means to them and responsibilities it brings."

However, he added: "With regard to the training of new recruits, this is more difficult as different brokers work in different ways and in different markets. It's something to think about for the future and perhaps is a service the broker associations could look to provide if there was sufficient demand."

Others commented on the fact that, whilst willing to provide assistance where feasible, it is the primary responsibility of individual brokers to ensure levels of competence and compliance. As Mike Francis said, "Funders can only do so much, and the brokers themselves have to understand the FCA requirements and invest in their systems, governance and infrastructure so that they are fully compliant."

One area where brokers have suffered from a lack of clear advice over the best route for them to take was highlighted by Callum Stevenson, who observed: "There has been a lack of attention given to Appointed Representative status, which represents a real opportunity for brokers to continue their operations without dealing with a major ongoing burden of reporting and costs. We advise brokers not to panic, and to explore all the options they have before making a decision that will have far-reaching and irreversible effects on their businesses."


Stephen Bassett

Finally, Stephen Bassett noted: "We consistently support our own brokers in their understanding of both general issues and those surrounding specific transactions. However, we do often encounter confusion caused by misinformation or wilful blindness towards bad practice from other places, so higher and more consistent market standards would be very much to the good."

Advice for the future

To conclude, Asset Finance International sought comments on the challenges the market is facing, and what lessons can be learnt from the past. A common thread amongst responses was that the economy, and therefore asset finance, has experienced a remarkable period during and subsequent to the credit crunch, and that, despite the recent recovery, we still live in times of considerable economic uncertainty.

Carl D'Ammassa described the situation: "The UK asset finance industry must acknowledge this is a unique period and we must prepare ourselves for a return to normal levels of credit losses at some point in the future – we are, after all, in the 'risk' business.

"We find ourselves at this point as a result of the worst financial crisis most of us have ever, and will ever, witness. Our economy experienced a long and harsh recession which ensured that those which survived are typically strong businesses with robust balance sheets. There is no doubt that most funders implemented tighter, more conservative credit policies in the aftermath of 2008. As I speak to our introducers, there is a definite feeling that funders are liberating themselves from those ultra-conservative controls and taking a more relaxed perspective in many areas. In addition, we are often benchmarked against newer entrants or even re-entrants to the market that are only seeing the positive times we are living through right now."

He concluded by emphasising that, "As responsible industry participants, we should not focus on the here and now, but have a medium- and longer-range view of the cycles. We all know that losses rarely happen within the first 12 months post funding; it's as transactions season that losses kick in. Any relaxation of credit policies needs to be carefully considered in this context."

To this, Mike Francis added: "It is important for brokers not to forget the lessons of the past; it is easy for funders to lend in an environment where the economy is in growth mode, bad debts are low and liquidity is high."

He elaborated: "The concern amongst many established funders is that pricing is unsustainable relative to risk and a downturn in the economic environment will shock certain funders that have not built up sufficient reserves. A major shock in the economy could see the newer funders withdraw from the market as quickly as they came in and / or their overseas parent return their capital to their home markets."

"In the long run, both brokers and funders need to maintain sustainable rates and portfolio quality in order to survive"

In Stephen Bassett's opinion, "The broker sector now seems oversubscribed by funders, and whilst this is a good thing from the end-users' point of view on rate and the availability of credit, hyper-competitiveness is also likely to lead to lower market standards. In the long run, both brokers and funders need to maintain sustainable rates and portfolio quality in order to survive."

Finally, Callum Stevenson summed up: "We think that liquidity in the market is currently good, with a number of significant funders, including ourselves, joining the market in recent times," adding that, "We understand that in times of high liquidity, there can be a temptation for funders to loosen their credit policies and seek to write as much business as possible. We think it is important to remember the lessons of 2007, and to avoid levels of lending becoming unsustainable."

He concluded: "In addition, we also think it is important for everyone involved with the leasing market to try to communicate the benefits of asset finance as much as possible. As an industry, we have provided vital funding to UK businesses through one of the most challenging periods in British economic history. We have become the biggest alternative to traditional term lending, and we should make sure that as many people as possible know about how asset finance is fuelling the economic recovery. We all need to play a part in educating more and more businesses about how leasing can drive their growth."

The wholesale funder's view: Developing the partnership

Stuart Mogg outlines recent efforts by the RBS Speciality and Consumer Finance team to expand its links with brokers and the wider SME market

Stuart Mogg

RBS has been a long-standing lender to the UK speciality finance market, with a team of 26 people focusing on the sector. Such a large team provides diverse experience, not only in banking and financial services but also from the wider business world. One of the advantages of being from differing backgrounds is that the team can look at the same sector or transaction from different angles to deliver the best possible outcomes for our customers.

RBS has always had a mandate in the leasing sector but last year we identified that the opportunity for lenders had grown significantly with the disintermediation of the high-street banks and the return of SMEs looking to grow rather than consolidate their businesses, and we began to look at how the leasing world had developed since 2008. Whilst lenders could give us some in-depth insight, we also wanted the view of the broker community, which would be able to provide a different perspective on the opportunities and threats that existed and also how we could help them.

This was not the first time that the team had reached out to the broker community. During 2013, whilst expanding into the secured loan sector it was decided to place a member of the team within a secured loan brokerage on a placement, to not only understand the high-level sector issues but also how brokers and lenders interact on a day-by-day basis and how what we do as a wholesale lender impacts them.

We found both in the secured loan sector and the leasing sector that strong relationships between broker and lender are more important in today's world than ever. Whilst the feedback we received was positive, it was clear that that the broker sector wanted to continue to grow closer to the lenders in certain areas. More specifically, a couple of key themes emerged.

First, with regulation there was a clear appetite for lenders and brokers to work through the changes together. Whilst brokers appreciated that they had some work to do themselves, a collaborative approach with the lender community was certainly the preferred option, as getting it wrong would have a negative impact for all involved.

Second was the important role performed by trade bodies in bringing the brokers and lenders closer together. What the team had not appreciated was the role of, for example, the NACFB within the sector. It was clear that, aside from their core objective of regulating the commercial finance industry, it also assisted the wider SME market by bringing lender and broker together.

What does this mean for the wholesale lender?

First, we understood the sector in more depth than we did before. The importance of brokers to lenders and vice versa is an obvious connection, but what was more apparent was how these relationships have become just as important away from deal flow and that the sector as a whole has benefited.

Second, we decided to approach the NACFB to give them an overview of what we could do to help the market with the hope that this would then filter down to both lenders and brokers and the wider SME market.

And third, the team has built an introductory network of brokers and lenders who we can introduce to each other when we see an opportunity.

Our more developed understanding, coupled with our existing relationships, has enabled us to support both Haydock Asset Finance and Billing Finance in recent months.

However, we need to do more if we are to be seen to be a positive and valuable contributor to the market, and so we continue to seek out brokers who are willing to engage and work with us – not only for their own good but the wider good of the market.

Stuart Mogg is a director in the RBS Lenders team

Section 4: Contacts

NACFB members

To locate NACFB member firms, go to the NACFB website, nacfb.org

NACFB patrons

Patron company	Web Site	Main Business Activity
Affirmative Finance Ltd	www.affirmativefinance.co.uk	Bridging/ Development Finance
Aldermore	www.aldermore.co.uk	Commercial Mortgages/ Bridging/ Leasing & Asset Finance
Alpha Bridging Solutions Ltd	www.alphaplc.com	Bridging Finance
Alternative Bridging Corporation	www.aternativebridging.co.uk	Commercial Mortgages/ Bridging/ Development Finance
Amicus	www.amicusplc.co.uk	Bridging Finance
ArchOver	www.archover.com	Peer to Peer
Arkle Finance	www.arklefinance.co.uk	Leasing/Asset Finance
Ashley Commercial Finance Ltd	www.ashleyfinance.co.uk	Factoring/Invoicing
Asset Advantage Ltd	www.AssetAdvantage.co.uk	Leasing and Asset
Assetz Capital Limited	www.assetzcapital.co.uk	Development Finance
Bank Of Cyprus UK Ltd	www.bankofcyprus.co.uk	Business Services
Barclays Bank	www.barclays.com	Commercial Mortgages/Factoring & Invoice/ Business Services
Bibby Financial Services Ltd	www.bibbyfinancialservices.com	Factoring/Invoice Finance
Bishopsgate Funding Ltd	www.bishopsgatefunding.com	Bridging/ Development Finance
Boost Capital	www.boostcapital.co.uk	unsecured loans/ cash advance/Alternative Finance
Bridgebank Capital Ltd	www.bridgebankcapital.co.uk	Bridging Finance
Bridging Finance Solutions	www.bridgingfinance-solutions.co.uk	Bridging Finance
CAF Bank	www.cafonline.org	Charity Finance
Catalyst Business Finance Ltd	www.catalyst-finance.com	Cashflow
CIT Vendor Finance (UK) Limited	www.cit.com	Leasing and Asset Finance
Clifton Asset Management Plc	www.cliftonasset.co.uk	Commercial Mortgages/ Business Asset Management/ Pension Schemes
Cliveden Finance Limited	www.clivedenbridgingfinance.co.uk	Bridging Finance
Close Brothers Property Finance	www.closepropertyfinance.com	Commercial Mortgages
Close Business Finance	www.closebusinessfinance.co.uk	Leasing/Asset Finance
Commercial Acceptances Limited	www.acceptances.co.uk	Bridging Loans
Conister Bank Ltd	www.conisterbank.co.im	Leasing/Asset
County Asset Finance Ltd	www.countyfinancegroup.co.uk	Leasing & Asset Finance
Creative Capital Ltd	www.creativecapitaluk.com	Factoring/ Invoice Discounting
D&D Leasing UK Ltd.	www.danddleasing.co.uk	Leasing&Asset/ Professional Loans
Davenham Asset Finance Limited	www.davaf.co.uk/	Leasing & Asset Finance
Devon & Cornwall Securities Ltd	www.devonandcornwallsecurities.co.uk	Commercial Mortgages/ Non Status Mortgages
Dragonfly Property Finance	www.dragonflyfinance.com	Bridging Finance/ commercial mortgages/ Buy to let
Ebury	www.ebury.com	Trade Finance
ezbob	www.ezbob.com	Bridging Finance & up to Â£50k unsecured for 12mths
Fair Business Loans	www.fairfinance.org.uk/business-loans	Short Term / Bridging Finance - Unsecured
FBSE Finance ltd	www.fbsefinance.com	Bridging loans

NOSTRUM GROUP

Patron company	Web Site	Main Business Activity
Fincorp Ltd	www.fincorp.co.uk	Bridging Finance
Five Arrows Business Finance Plc	www.statesecurities.plc.uk	Leasing & Asset/ Invoice Finance
Finance & Leasing Association	www.fla.org.uk	
Fleet Mortgages	www.fleetmortgages.co.uk	Buy to Let
Fleximize Limited	www.fleximize.com	Short Term Funding
Flourish Capital Limited	www.flourishcapital.co.uk	Development Finance
Funding Circle Ltd	www.fundingcircle.com	Multi Purpose Business Finance
Funding Knight	www.fundingknight.com	Peer to Business Crowdlendingr/ Business Loans
FundingSecure	www.fundingsecure.com	Peer to Peer
Gener8 Finance Ltd	www.gener8finance.com	Factoring and Invoice Discounting
Genesis Asset Finance Ltd	www.genesisassetfinance.co.uk	Leasing & Asset Finance
Glenside Finance Ltd.	www.glensidefinance.co.uk	
GLI Finance Limited	www.glifund.com	Secured Loans
Goldcrest Finance Limited	www.goldcrestfinance.com	Bridging Finance/ Development/ Trade Finance
Goldentree Financial Services Ltd	www.goldentreefs.co.uk	Bridging Finance/ Development/ Join Venture/ Mezzanine
Hampshire Trust Bank	www.htb.co.uk	Resi Development/ Asset Finance/ Commercial Finance
Haydock Finance Limited	www.haydockfinance.co.uk	Vehicle Finance/ Asset Finance
Helmsley Acceptances Ltd	www.helmsley.co.uk	Bridging Finance
Heritage Commercial Finance Limited	www.heritagecommercialfinance.co.uk	Leasing/Asset; bridging & invoice discount
Hitachi Capital Business Finance	www.hitachicapital.co.uk	Invoice & Asset Finance/ Block Discounting
Hope Capital Bridging Finance	www.hope-capital.co.uk	Property Bridging Finance
Ingenious Real Estate	www.ingeniousrealestate.co.uk	Commercial Mortgages & Development Finance
Interbay Commercial UK Limited	www.interbay.co.uk	Commercial Mortgages
Investec Asset Finance Plc	www.investec.com	Leasing/Asset
IWOCA	www.iwoca.co.uk	Short Term Funding
Just CashFlow Limited	www.just-cashflow.com	Business Services/Cashflow Finance
Kingsway Finance & Leasing Plc	www.kingswayfinance.com	Leasing/Asset
Lancashire Mortgage Corporation	www.lancashiremortgage.co.uk	Bridging Finance/ Commercial 2nd Charge/ Buy to Let Portfolios
LDF Operations Limited	www.ldf.co.uk	Leasing and Asset Financing
Legion Trade Finance	www.legiontradefinance.com	Trade Finance,
LendInvest	www.lendinvest.com/	Commercial Mortgages/ Bridging Finance
Lex Autolease	www.lexautolease.co.uk	Vehicle Finance
Liberis	www.liberis.co.uk	Business Cashflow Advance
Liberty Leasing Plc	www.libertyleasing.co.uk	Leasing/Asset Finance
Liquid Finance Partners Limited	www.liquidfinance.co.uk	Business Cashflow Advance
Lloyds Bank Commercial Banking	www.lloydstsb.com	Commercial Mortgages/ Invoice Finance
Loans Warehouse	www.loanswarehouse.co.uk/broker	Short Term / Bridging Finance
Lombard North Central plc	www.lombard.co.uk	
LSC Finance Limited	www.lscfinance.co.uk	Development/ Bridging Finance/ Business Loans Secured
MarketInvoice	www.marketinvoice.com	Invoice/ Alternative Finance
Masthaven Bridging Finance Ltd	www.masthaven.co.uk	Bridging Finance
Merchant Money Ltd	www.merchantmoney.co.uk	Bridging/ Cashflow,Unsecured Loans 500000 over 24mths
Metro Bank	www.metrobankonline.co.uk	Commercial Mortgages/ Asset Finance

Patron company	Web Site	Main Business Activity
Mint Bridging Ltd	www.mintbridging.co.uk	Bridging Finance/ Development Finance
MT Finance	www.mt-finance.com	Bridging Finance
Natwest Bank Plc	www.natwest.com	Commercial Mortgages/ Business Services
Norwich & Peterborough Building Society	www.nandp.co.uk	Commercial Mortgages
Oblix Capital	www.oblixcapital.com	Development Finance
Omni Capital	www.omnicapital.co.uk	Bridging Finance/ Term Finance/ Development Finance
Ortus Secured Finance	www.ortussecuredfinance.co.uk	Property (secured lending)
Paragon Mortgages Limited	www.paragon-group.co.uk	Buy to Let
PDF Match Ltd	www.pdfmatch.co.uk	Commercial Mortgages& Peer to peer
Peninsula Finance Plc	www.peninsulafinance.com	Commercial Mortgages
Platform Black Ltd	www.platformblack.com	Invoice Finance& Supply chain Finance
Portman Finance Limited	www.portmanfinance.co.uk	Bridging Finance/ Development Finance
Praetura Asset Finance Limited	www.praeturaaf.co.uk	Leasing & Asset Finance/ refinancing
Precise Mortgages	www.precisemortgages.co.uk	Bridging Finance/ Loans/ Residential
Premier Guarantee	www.premierguarantee.co.uk	Professional
Puma Investments	www.pumainvestments.co.uk	Commercial Mortgages
RBS Invoice Finance	www.rbsif.co.uk	Invoice Finance/ Lease & Asset finance
RBS Plc	www.rbs.com	Multiple/ Business Services
rebuildingsociety.com	www.rebuildingsociety.com	Commercial Mortgages/ Peer to Peer
Regentsmead	www.regentsmead.com	Development Finance
Renaissance Asset Finance Limited	www.renaissanceaf.com	Motor Vehicle Finance
Rockpool Investments LLP	www.rockpool.uk.com	Equity Release
Santander UK Plc	www.santander.com	Commercial Mortgage/Leasing/Asset Finance/ Invoice Finance
Secure Trust Bank Plc	www.securetrustbank.com/business-and-commercial	Asset & Invoice Finance & Real Estates
Shawbrook Bank Limited	www.shawbrook.co.uk	Commercial Mortgages/ Leasing & Asset Finance
Shawbrook Business Credit	www.centriccf.com	Invoice Discounting
Signature Private Finance Limited	www.signatureprivatefinance.co.uk	Bridging Finance
Tandem Invoice Finance Ltd	www.tandemuk.com	Invoice Finance
The Nottingham Building Society	www.thenottingham.com/intermediaries.commercial-mortgages	Commercial Mortgages
Titlestone Property Finance Limited	www.titlestone.com	Development Finance
Ultimate Capital Ltd	www.ultimatecapital.co.uk	Development Finance, bridging & mezzanine finance
Ultimate Finance Group	www.ultimatefinance.co.uk	Invoice finance/Asset Finance/ Trade Finance
Unbolted	www.unbolted.com	Leasing & Asset Finance
United Kapital Ltd	www.unitedkapital.co.uk	Cash Advance
United Trust Bank Ltd	www.utbank.co.uk	Bridging/ Development Finance/ Asset Finance
Wellesley Finance Limited	www.sterfin.com	Bridging Loans/ Development Finance/ Factoring
West One Loans	www.westoneloans.co.uk	Bridging Finance
Windsor Estates Finance Ltd T/A Funding Gap	www.thefundinggap.com	Leasing & Asset Finance & Development Finance
Yes Growth Ltd	www.yesgrowth.com	Bridging Finance/ Development Finance

BVRLA leasing brokers

Trading Name	Web Address
1st Choice Vehicle Finance Ltd	www.1stchoicevehiclefinance.co.uk
Academy Leasing Ltd	www.academyleasing.com
Active Vehicles	www.activevehicles.co.uk
Adept Vehicle Management Ltd	www.adeptvehicle.com
Advanced Vehicle Contracts	www.avc.gb.com
Advanced Vehicle Leasing (Stockton) Ltd	www.avluk.co.uk
AFL (Fleet Management) Ltd	www.carleasingmadesimple.com
Albion Vehicle Contracts Ltd	www.albionvehicles.com
Alexanders Leasing	
Alliance Asset Management Ltd	www.fleetcentre.com
Allied Ventura Ltd	www.avc-contracthire.co.uk
Alpha Contracts Leasing Ltd	www.alphacontracts.co.uk
Alternative Route Finance Ltd	www.alternativeroutefinance.com
Amber Vehicle Solutions Ltd	www.ambervehiclesolutions.co.uk
AMVS	www.amvs.co.uk
Anthony K Associates Ltd	www.anthonyk.co.uk
Applewood Vehicle Finance Ltd	www.applewoodfinance.co.uk
Applied Vehicle Leasing	www.appliedleasing.co.uk
Auric Car Leasing	www.auriccarleasing.co.uk
AutoEase Vehicle Management Ltd	www.autoease.co.uk
Autograph Contracts Ltd	www.autographcontracts.co.uk
Automotive Funding Solutions Ltd	www.autofunding.co.uk
Autoplan Vehicle Contracts	www.autoplan.co.uk
Autoprocurement Ltd	www.autoprocurement.co.uk
Autorama UK Ltd	www.autorama.co.uk
Autosave Affinity Partners Ltd	www.autosave.co.uk
B & B Vehicle Contracts Ltd	www.bandbvehiclecontracts.com
Balgores Leasing Ltd	www.balgores.co.uk
Benchmark Leasing Ltd	www.benchmarkleasing.co.uk
Bentley Walker Vehicle Solutions	www.bentleywalker.co.uk www.bwminibusleasing.co.
Blue Chilli Car Contracts Ltd	www.bluechillicars.com
Bowater Price Plc	www.bowaterprice.com
C J Tafft Ltd	www.tafft.com
Caledonian Independent Leasing Ltd	www.caleleasing.com
Camargue	www.carmarguegroup.com
Cameron Clarke Leasing Ltd	www.cameron-clarke.co.uk
CanDo Contracts Ltd	www.candocontracts.co.uk
Capital Vehicle Management Ltd	www.capitalvehicle.co.uk
Car Leasing Ltd	www.carleasing.co.uk
Car4Leasing	www.car4leasing.co.uk
Carisma Vehicle Solutions Ltd	www.car-isma.co.uk
Carleaseuk	www.carlease.uk.com
Carmyke Leasing Ltd	www.carmyke.co.uk
Carsave UK Ltd	www.carsave.co.uk
Castle Vehicle Leasing Ltd	www.castleleasing.co.uk
CBVC Vehicle Management Ltd	www.cbvc.co.uk
CCLeasing	www.ccleasing.co.uk
Central (UK) Vehicle Leasing Ltd	www.centralukvehicleleasing.co.uk
Central Contracts (Sot) Ltd	www.centralcontracts.com
Claris Vehicle Solutions Ltd	www.claris-vs.com
Compass Contract Hire Ltd	www.compassleasing.co.uk
Complete Vehicle Management Ltd	www.cvmgroup.co.uk
Concept Automotive Ltd	www.conceptvehicleleasing.co.uk
Countrywide Vehicle Contracts Ltd	www.cvclease.co.uk
Crusader Vans	www.crusadervans.co.uk
CVSL Ltd	www.cvsl.co.uk

Trading Name	Web Address
Daley Associates Ltd	www.daleyassociates.co.uk
Demo Ltd	www.demoltd.com
Driven Leasing LLP	www.drivenleasing.com
Drivespeed (UK) Ltd	
DSG Auto Contracts Ltd	www.dsgauto.com
Dynamic Vehicle Solutions Ltd	www.dynamicvehiclesolutions.co.uk
Eiger Vehicle Leasing	www.eigervehicleleasing.co.uk
Eurofunding Ltd	
First European Finance (Scotland) Ltd	www.first-european.co.uk
First Step Leasing	www.firststepleasing.co.uk
First Vehicle Finance Ltd	www.firstvehiclefinance.co.uk
First Vehicle Leasing	www.firstvehicleleasing.co.uk
Fishergate Leasing	www.fishgateleasing.co.uk
Fleet Alliance Ltd	www.fleetalliance.co.uk
Fleet Street Ltd	www.fleetstreetltd.co.uk
Fleet UK	www.fleetuk.com
Fleetdrive Management Ltd	www.fleetdrive-electric.com
Fleetprices.co.uk Ltd	www.fleetprices.co.uk
Four Counties Leasing Contract Hire Ltd	www.fourcountiesleasing.co.uk
Freedom Vehicle Contracts Ltd	www.freedomcontracts.com
Frontier Vehicle Leasing Ltd	www.frontierleasing.co.uk
Fulton Leasing	www.fultonleasing.co.uk
G F Vehicle Solutions Ltd	
Gateway2Lease	www.gateway2lease.com
GB Vehicle Contracts	www.gbvehiclecontracts.co.uk
GB Vehicle Leasing	www.gbvehicleleasing.com
Genus Vehicle Solutions	www.genusleasing.com
Glynns Vehicle Contracts	www.glynnsvc.com
Go For Finance Limited	www.goforfinance.com
Greenfleets Ltd	www.greenfleets.co.uk
GWA (UK) Ltd	www.gwacars.com
Hawkriver Leasing	www.hawkrivercarleasing.co.uk
Highland Vehicles Ltd	www.apexvehicles.co.uk
Holmwood Leasing Ltd	www.holmwoodleasing.com
Horizon Vehicle Leasing Ltd	www.horizonvehicleleasing.co.uk
Howlett Leasing	www.howlett-leasing.co.uk
Industrial & Vehicle Leasing Ltd	www.ivlleasing.com
Insight Vehicle Management Ltd	www.insightvm.co.uk
Intelligent Car Leasing	www.car-leasing.co.uk
Jelf Commercial Finance Ltd	www.jelfgroup.com
Jet Vehicle Finance Ltd	www.jetvehiclefinance.co.uk
Jigsaw Finance Limited	www.jigsawfinance.com
Jorvik Motor Leasing Ltd	www.jorvikmotorleasing.co.uk
KeyFleet	www.keyfleet.co.uk
KV Leasing	www.kvleasing.co.uk
LDF Operations Ltd	www.leasedirectfinance.co.uk
Lease Comparison	www.leasecomparison.co.uk
Lease Options Ltd	www.lease-options.co.uk
Leasedirect Finance Ltd	www.ldf.co.uk
Leaseline Ltd	www.leaseline.co.uk
Leaseline Vehicle Management Ltd	www.bestcarleasingdeals.co.uk
Leasepoint Vehicle Management Ltd	www.leasepoint.co.uk
Leasewell (UK) Ltd	www.leasewell.co.uk
Leasing & Vehicle Contracts	www.lvcltd.com
Leasing 4 U	www.carleasing4u.co.uk
Leasing Options Ltd	www.leasingoptions.co.uk
LMC of Farnham Ltd	www.lmccitroen.co.uk
Logical Vehicle Management	www.logicalvm.co.uk

Trading Name	Web Address
Lookers Leasing Direct	www.lookerscontracthire.co.uk
Low Cost Vans	www.lowcostvans.co.uk
M W Vehicle Contracts Ltd	www.mwvc.co.uk
Mann Island Finance	www.mannisland.co.uk
Mark Tongue	www.selectcontracts.co.uk
Millhouse Leasing	www.millhouseleasing.co.uk
Morgan Highfield and Land Ltd	www.prestige-car-leasing.co.uk
Motoplan Ltd	www.motoplan.co.uk
Motor Vehicle Solutions Ltd	www.totallyvans.co.uk
Multileasing Ltd	www.multileasing.co.uk
MVM Vehicle Contracts	www.m-v-m.com
My Big Green Fleet	
Nationwide Vehicle Contracts Ltd	www.nationwidevehiclecontracts.co.uk
Neva Consultants LLP	www.neva-consultants.com
Newgate Finance Ltd	www.newgatefinance.com
North Staffs Leasing Ltd	www.nsleasing.co.uk
Oak Leasing (UK) Ltd	
OSV Ltd	www.osv.ltd.uk
Oxford Vehicle Leasing Ltd	www.ovl.co.uk
P J Leasing	www.pjleasing.co.uk
Pedigree Automotive Solutions	www.pedigreeas.co.uk
Pendle Vehicle Contracts Ltd	www.pendlelease.co.uk
PHVC Vehicle Management	www.phvc.co.uk
Plan	www.planyourcar.com
Planet Leasing Ltd	www.planetleasing.co.uk
Platinum Funding	www.platinumfunding.co.uk
Professional Vehicle Solutions Ltd	www.professional-vehicle-solutions.co.uk
Promas Enterprise Ltd T/A Lease4Less	www.lease4less.org.uk
Prospectus Vehicle Solutions	www.prospectusvehiclesolutions.co.uk
Pure Vans Ltd	www.purevans.co.uk
Reliance Vehicle Management Ltd	www.reliancevm.co.uk
Rivervale Cars Ltd	www.eagleoak.co.uk
Russell John Bowker T/A Kudos Vehicle Management	www.kudosvm.com
Scorpion Vehicle Management Ltd	www.scorpion-vehicles.co.uk
Silverstone Fleet Management	www.silverstonefleetmanagement.com
Silverstone Vehicle Management Ltd	www.s-vm.co.uk
Skyfleet Ltd	www.skyfleetcarleasing.co.uk
Sprint Contracts Ltd	www.sprintcontracts.com
Sure Vehicle Solutions	www.surevehiclesolutions.co.uk
Swiss Vans Limited	www.vansales.com
Synergy Automotive Ltd	www.synergyautomotive.co.uk
Tamar UK Finance Ltd	www.tamarukfinance.co.uk
Target Car Leasing Ltd	www.targetcarleasing.co.uk
Thames Valley Leasing Ltd	www.thamesvalleyleasing.com
The Leden Group Ltd	www.leden.co.uk
Tilsun Vehicle Contracts Ltd	www.tilsungroup.com
Total Fleet Services Ltd	www.lease-hire.co.uk
Total Motion Vehicle Management	www.totalmotion.co.uk
Tyson Cooper Ltd	www.tysoncopper.com
UKCarline Ltd	www.ukcarline.com
V4B Ltd	www.v4b.co.uk
Vansdirect Ltd	www.vansdirect.co.uk
Vantage Leasing Solutions Ltd	www.vantage-leasing.com
Vehicle Consulting Plc	www.vehicleconsulting.com
Vehicle Contracts Ltd	www.vehiclecontracts.co.uk
Vehicles 2 Lease	www.vehicles2lease.co.uk
Vehiclesavers.com	www.vehiclesavers.com

Trading Name	Web Address
Vesource Ltd	www.vesource.co.uk
Weblaine Ltd	www.lvslytham.co.uk
Wessex Fleet Solutions Ltd	www.wessexfleetsolutions.co.uk
West Midland Vehicles Ltd	www.westmid.co.uk
XLCR Vehicle Management Ltd	www.thebestcardeals.co.uk
Yes Lease Ltd	www.yes-lease.co.uk
Yorkshire Fleet Management Ltd	www.yorkshirefleet.co.uk
Yorkshire Vehicle Finance	www.yvf.co.uk
Zalda Ltd	www.zalda.co.uk