



FLA Manifesto 2015

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FLA Manifesto 2015

Foreword by Stephen Sklaroff, Director General of the Finance & Leasing Association (FLA)

The Finance & Leasing Association (FLA) is the UK trade body for the asset, consumer and motor finance sectors, and the largest organisation of its type in Europe. Our members include banks of all sizes, the finance arms of leading retailers and manufacturers, and many independent lenders.

In 2014, our members provided new finance of almost £100 billion supporting UK economic growth and jobs.

£74 billion was in the form of consumer credit, making an important contribution to the economy by allowing consumers to make essential household purchases including furniture, kitchen appliances, and more than three-quarters of all private new car registrations.

Over £25 billion was in the form of asset finance, mainly leasing and hire purchase, accounting for almost 27% of all UK investment in machinery, equipment and purchased software. This kind of finance is particularly popular with small businesses, because the chances of a successful application are higher than for any of the other main sources of finance.

Consequently, the FLA's members occupy a unique position in the UK's economic landscape. They are at the heart of economic recovery and expansion.

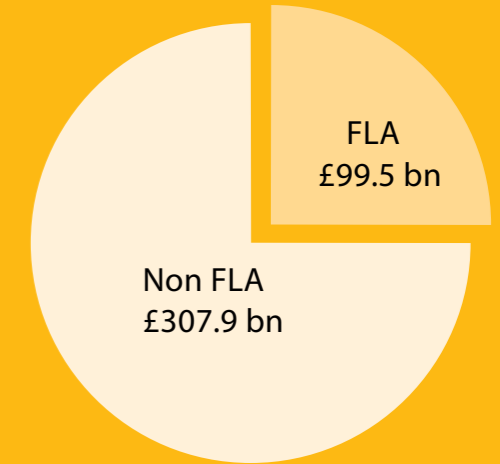
This document sets out the steps we hope any new Government will take, so that our members can continue to play that role. These simple measures will help UK businesses grow, promote competition and choice for consumers and businesses, ensure personal data is handled responsibly, maintain and improve essential public services, and keep pace with the rapidly-evolving digital world.

As the political parties formulate their policies for the General Election, we offer our 2015 Manifesto as a contribution to their deliberations and hope that politicians of all parties will support our proposals to boost UK growth, productivity and jobs.

Stephen Sklaroff

About the FLA

In 2014, our members provided £99.5 billion of new finance. £74.1 billion of this was in the form of consumer credit (34% of the UK total) to support purchases ranging from cars to household goods, and £25.4 billion was provided to businesses and the public sector, representing almost 27% of UK investment in machinery, equipment and purchased software.



FLA members provided almost £100 billion (25%) of total UK consumer credit and gross lending to private-non financial corporations in 2014.

Source: FLA, Bank of England.

Help UK businesses to grow

Micro, small and medium-sized businesses are the lifeblood of the UK economy, but they need help to grow. The British Business Bank recognises asset finance (leasing and hire purchase) as a solution to the problem of how to increase lending to small businesses. Asset finance also features in several government schemes designed to boost such lending.

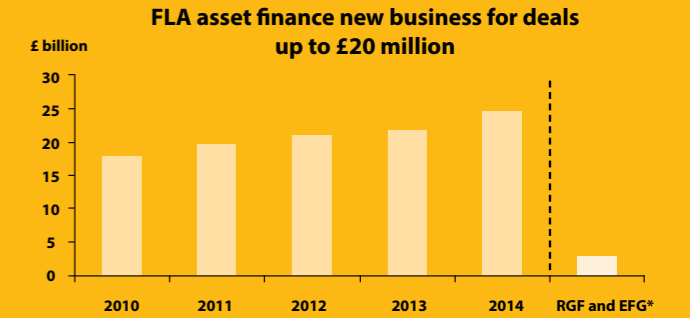
But we believe the next Government can do more to support the use of asset finance by businesses of all sizes, and by public services. Asset finance allows organisations to access the latest technology while avoiding the need to deal with obsolete equipment. This is particularly important in sectors such as manufacturing, health, and education, where specialised equipment can quickly become out-of-date.

Leases can be tailored to shorter or longer periods of time, and to different repayment schedules, to help meet immediate or longer-term business needs. Similarly, hire purchase agreements allow the customer to buy the equipment they need on competitive terms. When offering either product, the lender reduces its risk because it retains security in the asset.

What we would like the next Government to do

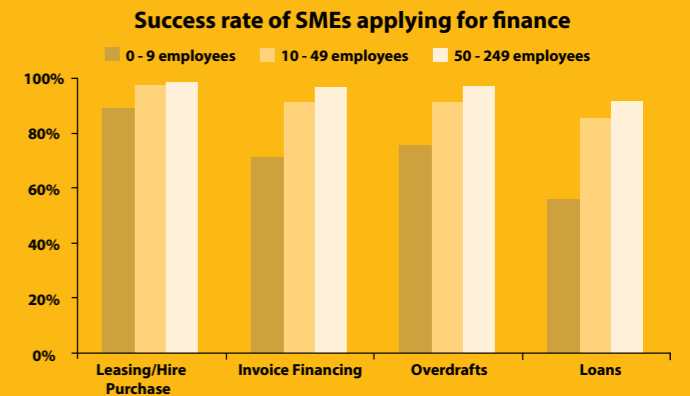
- Commit to the long-term future of the British Business Bank, which already supports asset finance in a number of ways, including via its new ENABLE funding vehicle.
- Create a comprehensive on-line directory of finance providers, which could be run by the British Business Bank.
- Build on the success of the current Regional Growth Fund (RGF), which has enabled asset finance providers to increase the amount of money they lend to small businesses.
- Extend the existing Enterprise Finance Guarantee (EFG) scheme (under which the Government provides a guarantee to business lenders) to include asset finance.

In 2014, FLA members provided £25.4 billion to UK businesses, representing almost 27% of UK investment in machinery, equipment and purchased software. 60% of this went to SMEs, the bedrock of the UK economy.



Source: FLA and *Department for Business, Innovation and Skills. Total drawdowns by companies under the Regional Growth Fund (RGF) as at 20 October 2014 and by SMEs via Enterprise Finance Guarantee (EFG) loans in the period 2009-2013.

FLA members are also an important source of finance for small businesses. In 2014, £14.7 billion was provided to SMEs in the form of asset finance, mainly through leasing and hire purchase. These are particularly popular with SMEs because the chances of a successful application – at 91% – are higher than for any of the other main sources of finance.



Source: British Business Bank, Small Business Finance Markets 2014, based on data from BDRC SME Finance Monitor, 12 months to Q2 2014.

Promote competition and choice for consumers and businesses

The regulation of consumer credit has just undergone its most significant overhaul in forty years. On 1 April 2014, the Financial Conduct Authority (FCA) implemented a new and much tougher regime. This covers the credit provided to consumers and to many small businesses both directly and via thousands of brokers, high street stores and motor dealerships. It was implemented on an extremely short timetable, which means that approximately 50,000 firms will have to be formally authorised by the FCA over the next twelve months. The new regime will take time to bed down.

Regulated credit is a diverse and highly competitive market. The FCA has a duty to promote such competition, but there is an inevitable tension between this duty and some of the effects of regulation. For example, applying a consumer-focused regime to small business customers risks reducing the amount of lending to small firms. Similarly, any new proposals to impose unnecessary regulatory requirements on non-bank lenders could have unintended adverse consequences.

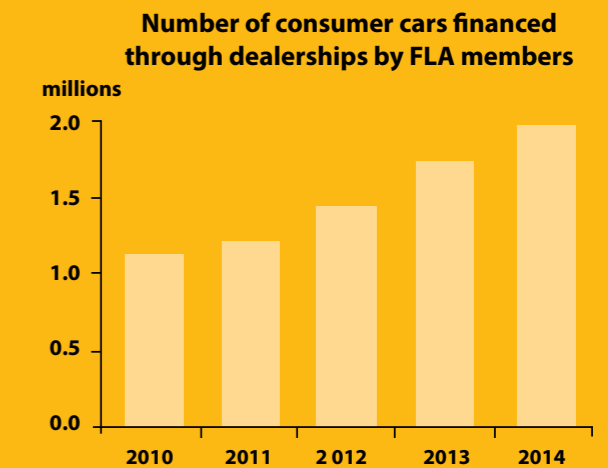
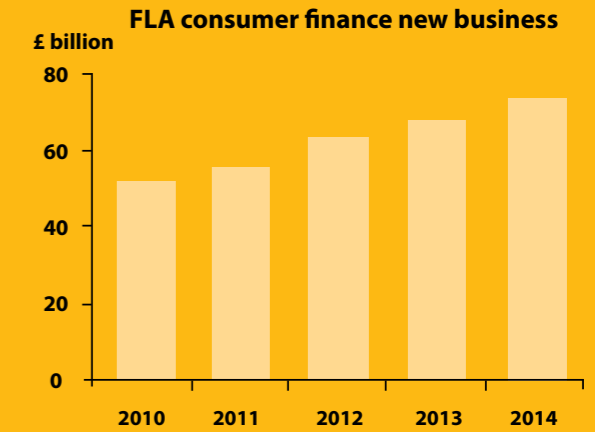
If the right balance is not struck, responsible lenders and intermediaries may leave the market, thereby reducing the supply of credit, impairing economic growth, and increasing financial exclusion.

A proportionate and stable regulatory regime is crucial if our members are to be able to continue to serve their customers in a responsible way.

What we would like the next Government to do

- Allow the new system of credit regulation to be implemented without further major changes. (It will be nearly two years before all lenders have been formally authorised under the new system, and further change would risk damaging the market).
- Encourage the FCA to fulfil its statutory duty to promote effective competition in the credit markets.
- Review the application of consumer credit regulation to small business lending, so as to ensure a proportionate approach.
- Reject any proposal to impose bank-style prudential rules on non-bank finance providers. (The non-bank lenders do not pose a serious systemic risk, and inappropriate regulation would diminish the supply of responsible credit to businesses and consumers).

In 2014, FLA members provided £74.1 billion to support household purchases in the form of in-store and online credit, credit cards, personal loans, and second charge mortgages (representing 34% of total consumer credit in the UK), including £24.7 billion of consumer car finance, including finance for 76.1% of all UK private new car registrations.



Source: FLA.

Ensure personal data is handled responsibly

Responsible lending to consumers and businesses relies on the use of personal data. Lenders are – quite rightly – required to use such data (provided voluntarily by consumers) to help assess whether a potential borrower is likely to be able to repay a loan or meet the terms of a lease. Robust procedures exist to ensure that this data is properly protected and handled so as to minimise the opportunity for any misuse.

However, technological advances in this area pose new challenges for regulators and legislators. In response, the European Union (EU) has proposed a new Data Protection Regulation. If implemented as drafted, it would prevent credit providers accessing the data they need to lend responsibly to their customers.

The FLA has been lobbying for a more pragmatic approach, which would allow lenders to continue processing data to help protect their customers.

What we would like the next Government to do

- Work with other EU governments to ensure the proposed new EU Data Protection Regulation is amended so as to avoid serious harm to the credit markets and the wider UK economy.

“Making sure that consumer credit providers make responsible lending decisions is vital, and effective data sharing by lenders, with the right consumer safeguards, is a key part of the solution.”

StepChange Debt Charity

Maintain and improve essential public services

The pressures on the public finances will continue after the Election. FLA members have an important role to play in helping the new Government fund essential public services as efficiently as possible.

Much of the equipment used to deliver public services can be leased, which avoids up-front costs and is often more economical than buying outright. In the NHS, for example, asset finance enables hospitals to deliver better patient outcomes by giving clinicians access to the most up-to-date medical equipment (e.g. CT scanners) in an affordable way. Similarly, schools can benefit from leasing IT and other equipment.

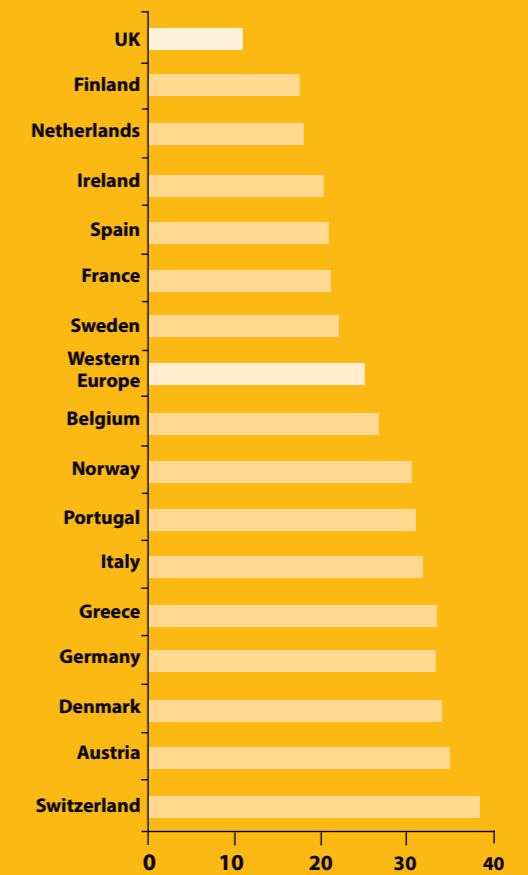
Unfortunately, current public sector procurement rules and practices often inhibit the use of leasing, even where it would be the most affordable and efficient way of obtaining the equipment needed to deliver high-quality services. Schools have to obtain special Government permission before taking out some kinds of leases. We believe schools – and other public services – should be free to choose the type of finance agreement which best suits their needs and budget.

What we would like the next Government to do

- Encourage greater use of equipment leasing by NHS hospitals, so as to support high-quality patient services.
- Remove unnecessary barriers to the use of leasing in the schools sector.

CT Density (installed base units per million inhabitants)

In 2013, the UK had the lowest density of Computerised Tomography (CT) scanners in Western Europe.



Source: European Coordination Committee of the Radiological, Electromedical and Healthcare IT Industry.

Keep pace with the digital world

In 2014, 74% of UK adults bought goods and services online, and 53% banked online. But our regulatory systems were designed for a pre-internet age.

We welcome the FCA's work to adapt current information disclosure regulations for the new era. But legislation continues to inhibit lenders' ability to respond to consumers' needs. For example, the standard information sheet prescribed by the EU Consumer Credit Directive is simply impractical for loans taken out via tablets and smartphones. Consumers want simple, relevant information so they can make informed decisions.

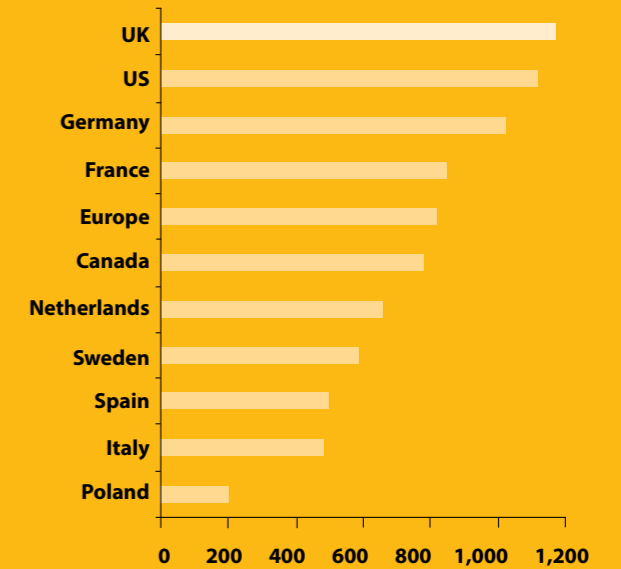
The European Commission will publish a new digital strategy in May 2015. The incoming Government and the FCA will have a key role in ensuring the strategy is fit for purpose.

What we would like the next Government to do

- Work closely with the EU institutions and other EU governments to ensure the new European Digital Strategy is flexible and robust in the face of likely future technological developments.
- Ensure that the FCA uses the results of its 'smarter disclosure' project to lead an EU debate on the reform of current information requirements for online transactions.

Internet sales per shopper in 2015 (£)

In 2015, each UK shopper is expected to spend on average £1,174 online, more than the US and other major European markets.



Source: VoucherCodes.co.uk (part of RetailMeNot Inc.).

Contacting the FLA

Edward Simpson

Head of Government Affairs

Direct Tel 020 7420 9654

Mobile 07918 766 991

Email edward.simpson@fla.org.uk

