



An agenda for Government

Finance & Leasing Association priorities for 2020 and beyond



FLA members have identified three changes that would improve both the service and protections available to customers and strengthen the growth of a sustainable economy.

Our recommendations for the incoming Government are to:

- Update the Consumer Credit Act (CCA) so that it delivers the protections that customers need.
- Use the updated CCA to help the roll-out of green finance.
- Unlock the growth of UK businesses by transforming the provision of finance advice.



Improving consumer protection

The UK's consumer credit industry is a large and innovative sector, but the legislation underpinning every credit transaction (the Consumer Credit Act (CCA)) is over 40 years old, and some rules actually prevent lenders from providing the help that their customers deserve.

- When dealing with customers in financial difficulty, the CCA requires lenders to use prescribed wording which is severe in tone and content, and very likely to deter customers from contacting their lender at the point when they most need help.
- Lenders do not have discretion to offer customers in financial difficulty more time to make payments – instead the CCA requires lenders to issue a new credit agreement which can be a confusing, inflexible and protracted process.
- The CCA's lengthy information requirements when taking out a loan do not reflect the fact that consumers increasingly want to apply for and manage their credit borrowing electronically. It can take between 30 to 150 swipes to review a contract on a smartphone or tablet.
- CCA rules prevent providers of leasing and hire purchase to small businesses – critical for capital investment – from building in payment holidays to reflect fluctuations in business income. Several providers of equipment finance have withdrawn from regulated business finance markets, unnecessarily reducing the availability of finance to very small businesses at a time when it is needed most to help drive productivity.

Change required:

The new Government should prioritise reform to the CCA including:

- Primary legislation to bring consumer protections into the 21st century.
- More streamlined information requirements for consumers borrowing online, and more flexibility for lenders in communicating with those falling into financial difficulty.
- A proportionate regulatory approach for funding to the smallest businesses to increase the options available to customers.



Supporting the green economy



Low emission vehicles (LEVs) have a vital role to play in reducing emissions. With consumers choosing to use motor finance in 91% of all private new car purchases in the UK, this popular option should have a central role to play in enabling increasing numbers of consumers to switch to LEVs – currently just over 1 per cent are pure electric.

However, again the CCA is an obstacle. As currently drafted, it inhibits the innovation in finance and leasing models that the transition will require and makes the customer journey complex, involving risk for both the customer and the finance company. It is, for example, unnecessarily complex to finance a vehicle and its charging point in the same transaction, even though this is a common demand.

The relative infancy of the LEV market makes it difficult to calculate the likely value of greener cars at the end of the finance contract. It is therefore more problematic for lenders to set a price for finance that is both fair to the car-buyer and accurately reflects the risk the lender takes.

Many consumers are also deterred by ‘range anxiety’ from buying an LEV. This can only be addressed by Government and local authorities providing the necessary charging infrastructure. Maintaining long-term incentives, including grants, subsidies and duties, would send a signal to the public that LEVs represent a good choice for consumers and businesses.

Change required:

The new Government should develop a range of measures to:

- Ensure credit legislation supports innovations in the emerging LEV market and helps to deliver the UK’s transition to electric vehicles.
- Develop, in conjunction with the British Business Bank, a risk-sharing scheme akin to the asset finance variant of the Enterprise Finance Guarantee Scheme to benefit both the new and used car LEV market.
- Maintain and increase the range of national and local incentives to build an appropriate charging infrastructure to meet future demand.

Unlocking SME growth

The right finance at the right time is absolutely vital if businesses are to thrive and grow – and asset finance (leasing and hire purchase) takes this one stage further by giving firms access to the equipment and machinery they need, for as long as they need it – a very efficient way to increase productivity.

However, SMEs are not always aware that asset finance is an option for them, and even if they are aware, may not know where to access such funding. There are several Government initiatives to address these problems, including the work carried out by the British Business Bank on the Business Finance Guide, its finance hub and local information infrastructure.

However, this has led to a patchwork of information and, in the case of the Growth

Hubs, the quality is inconsistent.

Change required:

The Government should:

- Fund a business advice “brand” to help businesses with common queries on issues such as late payments, making tax digital, red tape and critically what finance options are available and how to access those options.
- Expand the remit of the Small Business Commissioner’s Office so that the Small Business Commissioner can also assist SMEs when they are seeking advice or finance.
- Strengthen the Growth Hubs to ensure they are adequately funded and that their staff are aware of where to direct businesses when they are seeking finance.



The FLA at a glance

The Finance & Leasing Association (FLA) is the leading trade body for the asset, consumer and motor finance sectors in the UK, and the largest organisation of its kind in Europe. Our members include banks and their subsidiaries, the finance arms of leading retailers and manufacturing companies and a range of independent finance companies.

- FLA members play a vital role in supporting growth, jobs and fairness for consumers right across the economy.
- In the twelve months to September 2019, FLA members provided £138 billion of new finance to UK businesses and households.
- Within this, £46.7 billion supported the purchase of new and used cars, including over 91% of private new car registrations.
- £103.7 billion was in the form of consumer credit, accounting for over a third of all new consumer credit written in the UK.
- £34.5 billion supported businesses and the public sector to invest in new equipment, representing over a third of UK investment in machinery, equipment and purchased software.



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