

Finance Lease



What it is

A popular option for commercial vehicles when Contract Hire isn't suitable (though it can also be used for cars). When you use a finance lease, you won't own the vehicle, but it will appear on your balance sheet, with the capital element of the outstanding rentals acting as the subsequent liability.

When you start a Finance Lease agreement, we agree with you how you will use the vehicle. If you meet this expectation, your monthly payments and interest rates are fixed for the duration of the contract. You can choose to pay either the entire cost of the vehicle, including interest charges, over an agreed period or a lower level of monthly rentals, with a final payment based on the amount you sell the vehicle for.

It is important to note that as part of a finance lease contract, you are not allowed to own the vehicle when the contract ends. You must sell it to an unconnected third party and pay us 2% of the sale proceeds. In addition, if you default on your payments, we may have to repossess the vehicle and sell it. In this situation, we will also assess the vehicle for fair wear and tear.

Key details

- **Road tax:** Included for the first year of the contract and then billed annually in the following years
- **Amendments:** No. Mileage and maintenance can't be changed once the contract has started
- **Maintenance:** Optional
- **Recovery:** Optional
- **Excess mileage charge:** Not on the main contract. Yes, on the maintenance element, if selected
- **Possible additional costs:** If you get any fines (such as speeding or parking), we will transfer these to you where possible. Some fines may need to be paid by us directly, so we will do this and recharge you. A £15 administration fee will apply for all fines managed by us.

You might be interested in Finance Lease if:

- You want to pay a fixed monthly amount for your vehicle, including maintenance costs if you prefer
- You want a tax-efficient way to lease a vehicle as rentals can be offset against taxable profits, while VAT can be reclaimed by VAT-registered businesses. Customers also receive 98% of the sales proceeds.
- You want your business to drive brand new vehicles
- Your vehicles are used in a trade where they are more likely to be damaged day to day

Finance Lease might not be for you if:

- You want your business to own its vehicles
- You like to keep your vehicles for more than 5 years
- You prefer to purchase used vehicles

What you can do at the end of your contract

1. **Refinance the balloon:** You can choose to refinance the final (or 'balloon') payment on the vehicle for six, 12, 18 or 24 months, as long as value of this payment is higher than £1,200, all monthly payments were made on time, the vehicle is not currently older than 36 months and it will be no older than 72 months at the end of the refinanced contract. (Of course, you can also only do this if your contract includes a final payment.) You can do this up to 90 days before the contract ends and you must have everything in place at least ten days before it ends. Please speak with your broker for full details.
2. **Use a secondary rental:** Although you can't extend your finance lease contract, you can do what's known as a secondary (or 'peppercorn') rental. This means you pay roughly 3% of the capital cost of the vehicle each year (using a figure set at the start of the contract) and you can do this for as long as you want.
3. **Sell the vehicle:** When the rental is over, you must sell the vehicle to an unconnected third party and then pay us 2% of the sales proceeds.

If you want to end your contract early

You can choose to end your contract early. If you want to do this, please speak to your broker who can explain what's involved and give you an early termination quote. You will also need to sell the vehicle and pay us 2% of the proceeds.

Responsibilities

	LeasePlan	Customer	
Insuring the vehicle	✗	✓	You must arrange fully comprehensive insurance for the vehicle.
Paying the road tax (Vehicle Excise Duty)	✓	✓	This is included in your monthly rental for the first year but billed annually for the rest of your contract.
Repairing any vehicle damage	✗	✓	If the vehicle is returned to LeasePlan due to default by you or repossession of the vehicle by LeasePlan, any damage which has occurred to the vehicle outside the BVRLA Fair Wear & Tear Guidelines will be charged to you by LeasePlan.
Windscreen repair cover	✗	✓	You may be able to arrange cover with your insurer.
Accident management cover	✗	✓	You may be able to arrange cover with your insurer.
Roadside assistance and Breakdown cover	Optional	Optional	You can choose to have this cover through us OR you may be able to arrange cover with your insurer.
Vehicle maintenance (annual servicing, MOT, tyres)	Optional	Optional	You can choose to have this cover through us and it will be included in your monthly rental. Maintenance excludes misuse, accident damage and vehicle glass. OR you choose this do this yourself and must ensure that the vehicle is maintained in line with manufacturer recommendations.
Paying fines or penalties (such as speeding fines, parking fines or congestion charges)	✓	✓	If you get any fines (such as speeding or parking), we will transfer these to you where possible. Some fines may need to be paid by us directly, so we will do this and recharge you. A £15 administration fee will apply for all fines managed by us.

Jargon buster / Key terms

Amendments: If a service allows amendments, this means you can make changes to your contract once you have signed it. If it doesn't, you can't.

Early termination: This just means ending your contract early. When, and if, you can do this will depend on the type of service you have.

Excess mileage charge: Your monthly rental payment is based on several factors, including the maximum distance you expect to drive. If you go over this distance, you will have to pay the excess mileage charge, which is usually calculated on a per mile basis.

Fair wear and tear: We know that vehicles won't be returned in showroom condition after several years of driving. Fair wear and tear is the amount of damage that we consider to be reasonable for the time you've had the vehicle. If you go over this level, you may have to pay for the vehicle to be repaired.

Maintenance: If you choose maintenance, you pay a fixed monthly amount that then covers many of the additional costs involved in keeping a car on the road, such as maintenance, servicing, MOTs and new tyres (excluding misuse or accident damage).

Recovery: Helps you if your vehicle breaks down or doesn't start.

Term: How long the contract lasts. (You might also see this referred to as the 'duration').



Comparing your leasing options

	Contract Hire	Finance Lease	Contract Purchase	Lease Purchase
Vehicle appears on a company's balance sheet	✓	✓	✓	✓
Can return the vehicle at the end of the contract	✓	✗	✓	✓ / ✗ (Depending on contract terms)
Can buy the vehicle at the end of the contract	✗	✗	✓	✓
Can end the contract early	✓	✓	✓	✓ (Regulated contracts only)
Can extend the contract and lease the vehicle for longer	✓	✗ (But can continue to use the vehicle indefinitely)	✓ (Unregulated contracts only)	✗
Can change the contract once it has started	✓	✗	✗	✗
Includes road tax in the first year	✓	✓	✓	✓
Includes road tax in the following years	✓	✗ (Arranged by LeasePlan and recharged annually)	✓	✗ (Arranged by LeasePlan and recharged annually)
Includes optional maintenance	✓	✓	✓	✗
Includes optional recovery	✓	✓	✓	✗
Excess mileage charge if vehicle is returned	✓	✗	✓	N/A

LeasePlan

What's next?