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Winner takes all

Every trophy and triumph from our 10th Awards Dinner

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LeasingWorld

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LeasingWorld

Our front cover this month carries a photo from our 10th Awards Dinner which we felt captured the essence of our signature event, it's captioned "Winner takes All, every trophy and triumph from our 10th Awards Dinner" and the faces on the photo say it all.

Steve and Jackie Moody, owners of SKM Asset Finance had scooped the Top Hard Assets Broker 2018 award, they work hard year in year out to build their business, and doubtless at the end of each year the bottom line of their P&L gives them huge satisfaction, but we'd say as good as that is the pleasure of having your company selected as a category winner by a panel of expert industry judges.

Times are a-changing!

The feeling of stepping up on to the podium in front of 320 of your peers and industry colleagues to collect your prize, must be hard to beat. Everyone is pleased for them, the guests who applaud their achievement, Keith Sangwin presenting the award on behalf of the category sponsor UTB Asset Finance, and our industry's very own Lord Mitchell, you can see that both look really pleased for SKM, because they know our industry, and know what it takes to win one of these awards.

On page 9, Philip Davies of Renaissance Finance has penned a great phrase in his piece of how brokers are evolving their modus operandi into a mix of brokered and own-book. He notes, "When I started work in the asset finance industry it was dominated by big lenders, most of whom had a Marmite view of brokers." Well, lessors' tastes have certainly changed since then!

The jargon has changed since those days, too. We have witnessed the rise in popularity of the term Asset Finance over the term Leasing to describe our industry. Last month we cheekily suggested it was time to drop the word leasing from the lexicon, only to be taken to task by Julian Rose (head of think tank, wait for it, Asset Finance Policy) arguing for the term Leasing to become the collective noun for a wider variety of financial products. We have the debate on Page 16 this month, but in our view, like glaciers, some things move slowly, but are impossible to stop.

For those with an eye for eclairs, on Page 20 Allan Foad leaps on yet another massive shortfall of corporate governance, this time at Patisserie Valerie. It continues to be a mystery why the UK Corporate Governance Code, for all its high principles and reliance on non executive directors to keep boards on the straight and narrow, regularly fails to do so. What's it got to do with asset finance (?), well we are at the beginning of an era when the use of non-executive directors in our industry could rise dramatically, and we want to do things properly, hence our continued focus.

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→ IN BRIEF

HHF INCREASES FUNDING BY £51M

Henry Howard Finance have received a second £51m tranche of funding from the British Business Bank, the UK government-owned economic development bank, under the Bank's ENABLE Funding programme. The transaction is the latest made under the programme, which aims to increase the supply of finance to smaller businesses in the UK looking to acquire business critical assets to boost their growth.

The facility comes on top of an existing £51m asset finance facility granted in 2016 and will allow Henry Howard Finance to extend its leasing and asset finance offering to a larger portfolio of UK smaller businesses.

Mark Catton, CEO at Henry Howard Finance, said, "We are delighted to agree this additional facility with the British Business Bank. We are proud to support SMEs in the next chapters of their business success stories and this facility will allow more companies to grow and prosper."

Reinald de Monchy, Managing Director of Guarantee & Wholesale Solutions British Business Bank, said, "Our ENABLE Funding programme helps support smaller finance providers who share our goal of increasing the supply of finance to smaller businesses. This increased facility will allow Henry Howard Finance to continue to build on their track record in providing much needed asset finance allowing these types of businesses to realise their growth potential."

CAMBRIDGE & COUNTIES NEWS

The Asset Finance team at Cambridge & Counties Bank continues to grow: Arshad Miah was recently promoted to the role of Business Development Manager. Arshad joined Cambridge & Counties Bank from Lombard in 2015 to launch Asset Finance at the Bank and has continued to be an integral part of the team since. Arshad has a wealth of knowledge and experience to allow strong working relationships and growth in Cambridge & Counties Bank broker base over the years.

Supporting Arshad is Mark Harwood, who joined the Bank as Credit Support Officer before being promoted to the role of Business Development Officer, liaising directly with brokers and business partners to bring more deals to the table.

Close partners with Imperial

John Fawcett CEO

In one of the first deals of its kind in the UK, Close Brothers Asset Finance and Imperial Commercials have entered into a partnership that aims to make it easier and more affordable for firms to meet the challenging low emission targets that are set to be implemented by 2022.

Two companies have joined forces to provide a cost effective and competitive solution to the sometimes overwhelming cost of fleet upgrades.

Imperial Commercials has 40 dealerships across the UK and is part of Motus Group, who are the largest commercial dealer group in Europe.

John Fawcett, CEO for Close Brothers Asset Finance's Transport division, said, "Close Brothers Asset Finance and Imperial have enjoyed a long and productive relationship going back many years, and this is just the next step in working together for the customers' benefit.

Both businesses are well known for their customer-focused and innovative approach, and with various low-emission legislation coming into force over the coming years, this partnership could not have come at a better time.

Matthew Lawrenson, Managing Director at Imperial Commercials, added, "We are delighted to support Close Brothers Asset Finance, who have been a long-standing trading partner of Imperial Commercials, in their proactive approach to tackling the upcoming environmental legislative changes faced by UK operators. Our footprint, as the UK's largest Commercial Vehicle Dealer Group, supports the innovative solution Close Brothers Asset Finance are providing their customers."

Aldermore Wholesale milestone

Aldermore has reported that it has delivered over £1 billion of new business lending in the Block Discounting, Block Bridging and Structured activities since launching the dedicated team in 2014. This origination is within the Business Finance Origination numbers year to year, which includes Aldermore's flow Asset Finance, Invoice Finance, Commercial Mortgage and Property Development business.

As one of the fastest growing wholesale lenders in the market, Aldermore has a dedicated wholesale finance team in place, successfully building on the wider achievements of the Bank to reach the amount in just five years. It believes that one of the key drivers behind the achievement is the team's ability to prioritise personal relationships and deliver flexible funding arrangements.

Over the past five years, the team has seen the requirements of UK SMEs change to needing larger and more complex funding solutions, ranging from £1million to £40 million. This increase in demand is not surprising with Aldermore's Future Attitudes report finding that over a third (35pct) of SMEs now believe that their finance should come from alternative lenders.

Lee Rhodes, Commercial Director Wholesale & Structured Finance, at Aldermore said, "To achieve such a significant landmark in a short space of time really demonstrates our backing for these types of products into the independent leasing and bridging markets, as well as our other activities in supporting vendors and clients directly in achieving their ambitions.

"The team at Aldermore continues to grow in strength, following the new appointments of Mick Barber and Eamonn Pearson as Wholesale Business Development Managers. I strongly believe these new hires, combined with our dedication to service excellence and expertise, continues to really set us apart in the market."

Paragon appoints new Head of Credit

Paragon has appointed a new Head of Credit Management for its award-winning asset finance business. Experienced senior credit professional Anup Sangha will oversee credit decisions at the leading specialist lender, which supports SME businesses and growth in the UK.

Anup Sangha

The former Head of Credit for Aldermore's Asset Finance division has 23 years extensive experience in funding assets from across the financial services industry having worked at mainstream corporate and commercial banks, challenger banks and captive finance companies; these include the Royal Bank of Scotland, Lloyds Bank, Caterpillar Financial Services and MAN Financial Services.

Anup Sangha, Head of Credit Management for Asset Finance at Paragon, said, "I have experience in financing a whole range of assets from ships to lorries so I'm looking forward to delivering consistent and timely credit decisions at Paragon, particularly as we are a specialist SME lender.

"In these times of uncertainty, contributing to the growth of small businesses in the UK and ensuring that SMEs have access to finance is important. We understand that some customers have more challenging 'story credits' and we don't want them to be overlooked, so we are open to supporting them as well as the broader SME community."

> → I'm looking forward to delivering consistent and timely credit decisions at Paragon

Asset and Invoice Finance at Paragon, which was named SME Specialist of the Year at the Leasing World Awards 2018 on October 30th, provides specialist funding through brokers or direct to companies which equips small and independent firms in industries including construction, commercial transportation, aviation, business finance and technology.

Paragon is an Investors in People Champion and Living Wage Employer, which also signed up to the Women in Finance Charter that supports diversity in the finance sector.

UK NEWS

→ IN BRIEF

RIVERS DOUBLES LOAN NOTE PROGRAMME

Niche asset finance company Rivers Leasing has extended its loan note limit from £12 million to £25 million.

In the last two years alone Rivers Leasing's business origination has increased by 33pct in 2017 and 37pct in 2018. This year it has continued to build on its successes, ranking in the Financial Times FT1000 for the second year running and also featuring in the Financial Times FT 100 UK, which recognises fast growing UK companies that are also making an impact on their industry or wider society.

Having adopted a carefully considered growth policy that reflects market demand for asset finance in order to help British SMEs to grow without exceeding the company's capacity, Rivers Leasing's financing structure is a combination of the industry traditional and the innovative. This includes a £12 million loan note programme listed on the Bermuda Stock Exchange, which it has increased to £25 million this October in order to continue its planned development.

HHF new business insight role

Henry Howard Finance Group ("HHF") has appointed a new Head of Business Partnering, to help support the independent funder's continued growth.

Magda Hayman (above) will drive the alignment of the finance function to the strategic aims of the business with a particular focus on reporting and business insight. Magda, originally from Poland and living in Cardiff, has over seven years' experience in the Financial Services sector and joins the business from Alcumus Group, where she held the role of Finance Business Partner.

An ACCA qualified Chartered Accountant with a Masters' degree in Financial Controlling and Management, and Lean Six Sigma Certified, Magda will shape this newly created role to enhance business insight.

Prior to this, Magda previously held a number of roles as European Accountant, interim IT Finance Manager and Accounting Manager with Opel Vauxhall Finance (formerly GM Financial).

Speaking of her appointment Magda said, "I'm delighted to be joining Henry Howard Finance at such an exciting time. I have been really impressed by the organisation and their ambitious plans for the future. This is a fantastic opportunity and I'm really looking forward to getting started and joining the team."

Commenting on the role, Mark Tweed, Group CFO for Henry Howard Finance, said, "Magda's appointment continues our strategy of building out our capability in support of the growth of the business, and will enhance HHF's ability to anticipate the funding needs of our growing customer base. We are very pleased to be welcoming Magda to the team."

Finance companies missing out on tax relief

Almost 9 in 10 finance companies could be eligible for Research and Development ("R&D") tax relief on new products and services but only 41pct of them have ever claimed, specialist tax relief firm Catax has revealed.

Businesses in the finance sector are missing out on millions of pounds even though 89pct of them have developed new products or business process in the last two years, spending an average of £351,594 on these innovations, according to a recent Censuswide survey of 1,000 senior and middle managers nationwide. This means these companies are in line for valuable R&D tax relief that the government provides to encourage innovation.

But despite three quarters (77pct) of finance firms being aware of R&D tax relief, less than half report ever claiming it, the Catax study shows. This is either because they don't think they qualify or they incorrectly believe that it is expensive and time consuming and 'would not know where to start'.

A quarter of finance businesses do not realise they can claim R&D tax relief if they develop a new product or service . More than a third of the business managers said they 'did not know' if their firm had ever made a claim, according to the Censuswide survey.

The national average for the number of firms that have ever claimed is 36.8pct, which puts finance companies ahead of many other sectors despite the fact they are missing out on a huge number of claims.

Executives believed the average value of an R&D tax relief claim in the first year to be just £27,254 when the true figure is almost double that, at £49,000 for firms in all sectors nationwide. R&D doesn't even have to have been successful to qualify and claims can be backdated at least two years.

R&D tax credits can help to reduce a limited company's corporation tax bill or be claimed as a cash sum reimbursement from the HMRC. R&D tax relief only applies to those businesses that are liable for corporation tax, including businesses making a loss.

Catax CEO Mark Tighe commented, "The finance sector is missing out on tens of millions of pounds in R&D tax relief each year – despite claiming to be experts in finance. Many companies still think that R&D is all about science laboratories and test tubes and simply do not relate it to their own innovations.

"We need to get away from this way of thinking. The vast majority of finance companies invest hundreds of thousands each year on developing new products and services which would make them eligible and yet less than half are actually claiming."

Since launch, Catax, a leading UK expert in specialist tax relief, has recovered more than £191m of tax relief for its clients in the areas of Research & Development, Capital Allowances and the Patent Box.

Mark Tighe added, "Finance executives looking to improve margins and efficiencies must take a proper look at their R&D tax relief entitlements. Most good R&D tax relief specialists will work on a commission basis so concerns over costs should be dismissed. New products and services do not even have to have been successful to quality for R&D tax relief because it is all about encouraging innovation."

→ IN BRIEF

EDUCATION FROM ACCOLADE

Accolade Education Finance Limited ("Accolade") has relaunched its school and academy operating lease finance offering. Local Authority Schools and Academies can use operating leases to acquire IT equipment, furniture, sports or telephony equipment. Accolade have extensive experience and knowledge of the Department for Education guidance on leasing and subscription services for schools.

Andrew Willoughby, Accolade CEO, said, "We are a small but experienced team who are committed to offering excellent service by building a panel of reputable brokers to provide operating lease finance to schools."

Accolade has a committed funding facility from Bank of London and The Middle East ("BLME") which will enable them to grow their business and support schools in acquiring the assets they need in order to provide a first class education.

No festive cheer for young SMEs

The proportion of young small businesses (those trading for less than five years) predicting growth has hit its lowest level for two years – falling from 54pct in November 2016 to just 40pct this month, according to new research from Hitachi Capital Business Finance.

The new data reveals that, compared to the start of the year, 2018 has seen dramatic falls in small businesses predicting growth – particularly those that are relatively young (26pct) and that have been around for longer (37pct) – an indication that anxiety over Brexit and the global economic outlook have taken their toll after a tough year.

Comparing confidence in November 2018 to the same time in 2016 and 2017, the UK's youngest enterprises have seen a sharp fall in confidence compared to the previous two years (down from 54pct to 40pct). By comparison, levels were stable between 2016 and 2017. In nine industry sectors small businesses were less optimistic about their growth prospects than they had been at the start of the year, with Transport and IT/Telecoms hit hardest.

In all but one UK region, respondents were less confident in November 2018 than they had been the previous January – with London, the Midlands, and Wales (-22pct) experiencing the sharpest falls.

Gavin Wraith-Carter, Managing Director at Hitachi Capital Business Finance stated, "The final charge into Christmas is important for many small businesses. For those in retail and leisure, it's a key for sales and in other sectors it's a time to plan for the New Year. During the course of the last 18 months, smaller companies in general have been resilient and relatively calm in the face of unprecedented economic and political upheaval. What we have discovered with our latest research is an emerging new trend. Having looked in detail at community by sector and geography, business age is now showing itself to be a very significant factor. The very old and very young are struggling a lot more. The older ones may be more resistant to change, in a year when GDPR was voted one of the biggest headaches for the sector. For young businesses that are building up their experience and credit history, some feel less confident about coping with uncertainty and change."

Are hybrid brokers here to stay?

Philip Davies, Sales Director at Renaissance Asset Finance ("RAF"), comments on how the broker market is evolving and argues that a hybrid model is here to stay.

Philip Davies

Casting my mind back to when I first worked in the asset finance market (admittedly some time ago!) it was dominated by a handful of big lenders and most of them had a Marmite view of brokers. Brokers generally comprised individuals or small teams. Today brokers form a significant origination channel. The Finance and Leasing Association ("FLA") reports that of the new business written by its members, about 20pct originates through the broker channel. However, looking at the broker landscape today, it is a mistake to view that channel as a neat and uniform route to market; there is significant diversity in broker size, model, structure, segment and asset focus.

There are asset specialists – the obvious ones focus on cars but some of these brokers might seek only high value and classic car business. Others include those brokers who finance niche assets such as those in the print, broadcast and access platform segments. RAF is financing more of these niche assets by aligning itself with such specialist brokers.

In terms of structure and model, there is also tremendous variety with, for example, solo brokers, teams, centralised aggregators, centralised and devolved franchises, independent and lender/private equity-owned. Before the 2007/8 crisis there was a fairly standard route of progression for a broker seeking expansion and shareholder exit. The route would normally start with establishing an own book using blocking while retaining multiple funding lines, subsequently followed by acquisition by a lender and then the inevitable transition to a single funding source from that lender.

The combination of increased liquidity together with the tighter conduct environment driving brokers to promote the best product for borrowers means that the transition of independent brokers to a single lender owned and funded model might be a thing of the past. This trend is reinforced where a broker seeks to service a wide spectrum of borrowers and assets.

The other key driver is that lenders owning a broker will be selective about the allocation of capital and will be happy for their wholly owned or part-owned broker business to distribute deals where the risk and/or return is unattractive. In my view the combination of all these factors means that brokers are more likely to deliver sustainable growth if they maintain a hybrid funding model.

10th LeasingWorld AWARDS DINNER 2018

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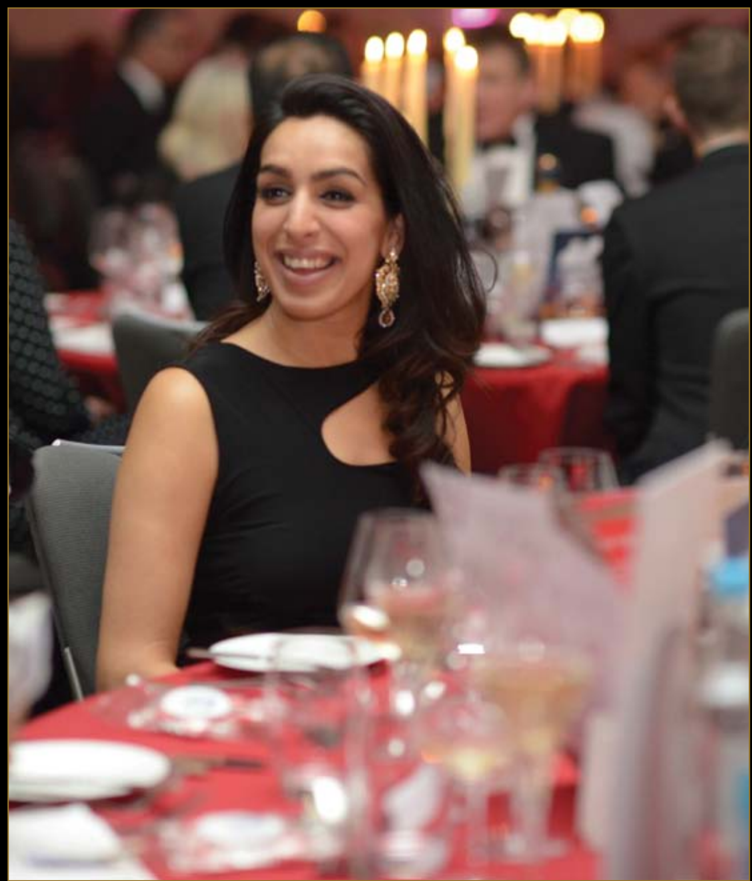


Leasing World held its tenth annual Awards Dinner on October 30th, and this being an anniversary worth commemorating, we were tempted to changed things around a little, but not too much, because we feel that keeping things simple works.

So we brought in live piano music and singing from Liberty Leasing's Eddie Graham, and an enormous tenth birthday cake.

These were about the biggest changes we made to the usual plan, which is to get 320 of the right people into one room and acknowledge those who have especially excelled in past twelve months. With 32 silver, gold and platinum tables around the ballroom at the Hilton Bankside in London, all eyes were on Hitachi Capital's video which covered a number of significant world events - and a few compromising photographs of hitherto respected industry professionals – over the ten years since Leasing World first held an awards ceremony. We later learned that the video had been put together by an eighteen-year-old, which was very impressive.

Among the many award winners this year, BrokerWorld's front page is the right place to record the achievements of Charles & Dean (Breakthrough Broker Award), Oracle Finance (Broker of the Year award) and SKM Asset Finance (Top Hard Assets Broker, on the cover). We should also give a special mention for Hitachi Capital Business Finance (Broker Champion of the Year). You'll find a handful of photographs over the page.

The Editor's Choice Award is invariably unpredictable, but when he heard that Shoosmiths' Melanie Chell had swum the full twelve-mile length of Windermere for charity, Leasing World's editor decided he had found this year's winner.

With fund matching pound for pound by Hitachi Capital Business Finance, our raffle and Heads and Tails game together raised exactly £10,000 (including a little generous rounding-up from software provider IDS). The money has been split between two deserving causes; FareShare, a charity which fights hunger and tackles food waste, and the Royal Brompton & Harefield Hospitals charity.

Our thanks go out to everyone who joined us on the night, for their generous contributions and their support for an industry which, by common consent, has enjoyed a very good year in 2018. No birthday cake next year, but apart from that, why change a winning formula? ■

Winners

UK LESSOR OF THE YEAR
Sponsor: Great American Lease & Loan Insurance Services

Hitachi Capital Business Finance

BUSINESS FINANCE CHAMPION
Sponsor: Great American Lease & Loan Insurance Services

Wesleyan Bank

TOP BANK LESSOR
Sponsor: NetSol Technologies

Metro Bank

TOP INDEPENDENT LESSOR
Sponsor: NetSol Technologies

Asset Advantage

10th LeasingWorld AWARDS DINNER 2018
Sponsored by HITACHI Inspire the Next

SME CHAMPION
Sponsor: Instant Impact - Graduate Recruitment Services

Aldermore Business Finance

SME SPECIALIST OF THE YEAR
Sponsor:Instant Impact - Graduate Recruitment Services

Paragon Bank

BLOCK FUNDER OF THE YEAR

Investec Asset Finance

BROKER CHAMPION

Hitachi Capital Business Finance

SERVICE EXCELLENCE AWARD
Sponsor: Siemens Financial Services

Bluestone Leasing

TOP NEW CHALLENGER BANK
Sponsor: Locke Lord LLP

PCF Bank

NEXT GENERATION AWARD
Sponsor: The Leasing Foundation

Mike Green at White Oak UK

Winners

PROFESSIONS CHAMPION

Braemar Finance

DEAL OF THE YEAR

UTB Asset Finance

BROKER OF THE YEAR AWARD
Sponsor: Hitachi Capital Business Finance

Oracle Finance

NEW ENTRANT OF THE YEAR
Sponsor: Hitachi Capital Business Finance

Simply Asset Finance

INNOVATOR OF THE YEAR
Sponsor: Aldermore Business Finance

Shire Leasing

BREAKTHROUGH BROKER AWARD
Sponsor: Aldermore Business Finance

Charles & Dean

TOP HARD ASSETS BROKER
Sponsor: UTB Asset Finance

SKM Asset Finance

TOP ASSET FINANCE LEGAL TEAM
Sponsor: Shawbrook Bank

Shoosmiths

TOP VENDOR SPECIALIST

Henry Howard Finance

TOP CLASSIC & SUPERCAR FUNDER
Sponsor: HTB Asset Finance

Liberty Leasing

EDITOR'S CHOICE AWARD
Sponsored by HTB Asset Finance

Melanie Chell

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Leasing? Asset Finance? What's in a name?

Julian Rose, Head of think-tank Asset Finance Policy, is opting for calling our industry "Leasing" and makes his case as follows:

"Volume 12, Number 129, of Leasing World was the one. Where Leasing World, the Economist magazine equivalent in the leasing trade press, famed for its authoritative insight into the industry, declared the time may have come to: 'Drop the word Leasing from the lexicon'.

Leasing World reported that senior industry figures had suggested leasing was sometimes seen as the poor relation to investment banking, having poorer career prospects, with a chequered past of photocopier and computer flex fiddles or even 'not very sexy'.

The problem isn't the word, but its definition. Dropping it in favour of, say, 'Asset Finance' won't fix it. The crux of the matter is that the definition of leasing was hijacked in the 1980s. The time has come to rescue it.

John Adams, author of Commercial Hiring and Leasing (Butterworths, 1989), nailed it. The essential characteristic of any lease contract, Adams wrote, is that it enables capital equipment to be secured by revenue expenditure. (For anyone not close to the accounting, that means the firm doesn't have to tie up its own cash).

On that basis, any contract that enables capital equipment to be secured by revenue expenditure, regardless of any other trivial details (such as who owns the equipment or what happens at the end of the contract) should be seen as part of the leasing industry.

Don't reject that idea too quickly, it's what works very successfully in the United States.

According to the Equipment Leasing and Finance Association ("ELFA"), in 2018, a projected $1.676 trillion will be invested by US businesses, non-profits, and government agencies in plant, equipment and software. Approximately 63pct, or $1.059 trillion of that investment, will be financed through loans, leases and lines of credit.

The majority of these contracts are not accounting leases, but all form part of the joined-up equipment leasing and finance industry. Most finance companies

→ **Leasing World reported that senior industry figures had suggested leasing was sometimes seen as the poor relation to banking**

provide a range of solutions, they are all represented by ELFA, and the industry attracts and retains top young people.

That doesn't happen here, because of the hijack of leasing. It can be traced back to 1984 with the first lease accounting standard, SSAP 21. That's when leases first became defined in an exclusionist way.

The accounting regulators define a lease as a contract where the equipment is owned by the lessor and made available to the lessee. That might seem logical to accountants, but it meant that other loans secured on assets were 'officially' declared not to be leases. After the 1984 hijack, the UK leasing industry became defined by how contracts are accounted for, not by what actually matters for businesses needing equipment.

No-one really noticed this at the time, as the tax benefits of accounting leases were such that other types of asset loans were rare.

That has changed and is likely to change further. Many big-ticket equipment finance contracts are already set up as loans rather than accounting leases. Who is doing this? Leasing firms and leasing experts within them, because that's where the right skills sit.

We should expect a shift over the next decade towards loans that aren't accounting leases, in some cases from accounting leases to loans, but often from general business loans to secured equipment loans.

This reflects:

- The long-term erosion of the tax benefits of accounting leases compared to loans.
- The new lease accounting standard, IFRS 16, that for its users removes any remaining perceived benefits of off-balance sheet accounting for operating leases.
- Tighter prudential regulation of banks, meaning that whereas in the past banks might have been content to lend with floating charges over business assets as security, in the future having fixed charges over equipment could help lower the required level of regulatory capital (and, in turn, result in lower interest rates).
- The slow but steady move towards a more diverse range of funding sources for UK business lending, with more use of asset-backed securities and the need for those to contain loans backed by security over specific assets.

To prepare for this future, we have to rescue the definition of leasing. It should include all financial contracts that enable capital equipment to be secured by revenue expenditure. Perhaps we will call the industry 'equipment leasing and finance' where there's space, like the Americans. But, for short, leasing will do just fine.

With this wider definition, we will show that leasing is no poor relation, no tax fiddle, it will offer great career prospects, and yes, it will be rather sexy after all.

Forget the 30pct or so lease penetration levels we have lived with for decades. Once the definition of leasing is rescued, the sky will be the limit. ■

Leasing World has its say:

Julian puts forward a strong argument for keeping the word Leasing to describe what our industry does, and sees no problem with allowing it to absorb financial contracts that are not actually leases, by raising the definition of Leasing up a level of abstraction to, "When capital equipment is secured by revenue expenditure."

He supports the continued use of the term leasing by pointing to the rest of the world, where the word leasing (albeit in its different forms e.g. lizing, lesing) is common parlance and nobody has a problem with it, and we agree again, that the UK is one of the few places on the planet where leasing is an under-the-radar business that's not well known.

Yes, we did write about dropping the word Leasing from the lexicon, and perhaps we should have been clearer and said, "public lexicon", as it was at the end of a long sentence about raising public awareness of our industry. This issue came out of our CEO survey, where several influential leaders bemoaned that the word Leasing does not ignite the light of recognition in the public's eye, and if there ever was a time to boost that awareness, it was now. They pointed out that they did

more Hire Purchase than leasing, and that customers did not know what leasing was, or if they did, then only to the extent of car leasing or office space.

Some might argue that almost any name would do, providing that there is a vigorous effort made to push it out into the world with a strong clear profile, although we couldn't go with a strap line like "Leasing – what you get when capital equipment is secured by revenue expenditure!" So we are saying it is more about the word than the definition, and however good Butterworth's is at technical definitions, they're pretty poor on coming up with catchy names.

Let's take a reality check, in the UK our news desk sees a far greater occurrence of the expression "Asset Finance" than of "Leasing" so we're practically there already. Times have been a-changing, our company was established 18 years ago, when calling it LeasingWorld made a lot more sense than calling it AssetFinanceWorld. Julian's company was established recently, just a couple of years ago, by which time it made a lot more sense calling it Asset Finance Policy rather than Leasing Policy.

So, Asset Finance sounds more modern, with a cleaner edge that's better for public consumption. Leasing is a technical term, and an old term, so essential when discussing IFRS16, or as insider shorthand in internal discussions, but not so much outside in today's business world.

As our industry's aim should be to put what we do for people out there in the most positive way, the obvious banner would be Asset Finance. The word leasing wouldn't disappear, it would remain internal to the industry, and part of our jargon. And of course, we'd always keep the offices of the Worshipful Company of Lessors in Holborn going. ■

ROUND THE ASSOCIATIONS

Post June stats rebound

Since June's muted new business figures, the FLA has reported an uptick in the market, with figures that show an 8pct rise in July, and a 10pct rise in August, compared with the same months last year.

Geraldine Kilkelly, Head of Research and Chief Economist at the FLA, put June's figures down to Brexit uncertainty, and highlighted subsequent gains in agricultural, construction and manufacturing sectors.

Everything as a Service

Simon Goldie, Head off Asset finance at the FLA, writes: In mid-October, the Financial Conduct Authority (FCA) confirmed its intention to extend access to the Financial Ombudsman Service ("FOS") to SMEs with an annual turnover below £6.5 million and fewer than fifty employees or an annual balance sheet below £5 million.

While we support an improved system of redress for SMEs, we argued in our response to the FCA's consultation on this issue that any redress mechanism should be part of a wider rethink of how business lending is regulated. The current piecemeal approach means that a lot of business lending will continue to be regulated under rules designed for individual consumers, and SMEs' route to redress will be provided by a body – the FOS – that does not have the resources or expertise to deal with this new market. We are pleased that the FCA seem to agree with the latter point, as they have stressed the need for change at the FOS in advance of the new jurisdiction taking effect. We will be monitoring closely to see whether these words are translated into effective action.

Industry fraud trends were discussed at recent meetings of our Risk and Fraud and North West Regional Groups, as part of our ongoing efforts to keep this important subject high on the agenda. While we do not see signs at the moment of any significant spike in fraudulent activity, we need to keep things that way, including by helping members monitor the issue very closely, and take advantage of preventative measures provided by our Fraud Alert Service, the national fraud prevention service CIFAS, and our National Vehicle Crime Intelligence Service ("NaVCIS").

Our asset finance conference in October considered whether the industry was ready for what journalists are calling the Fourth Industrial Revolution. As technology now shapes every aspect of business, from customer care to back office systems, we brought together speakers from the cutting edge of innovation to look at the implications for the asset finance industry of The Internet of Things, and the concept of Everything as a Service.

The subject of our recent Party Conference fringe events – helping SMEs to find the right finance at the right time – really struck a chord with attendees. Both events were full to capacity, and the resulting discussion and recommendations have been captured in a leaflet which we are sharing with MPs and Ministers, and can be downloaded from the FLA's website.

BVRLA hopes to accelerate EV uptake

Commenting on the recent announcement from the BEIS Select Committee who are calling upon government to bring the ban on diesel and petrol vehicles forward to 2032 and are requesting a national roll-out of electric charging points across the UK, BVRLA Chief Executive Gerry Keaney said, "The Government's electric vehicle strategy needs to move from one based on visions to one based on actions.

"If India, China and Scotland feel able to set a target of banning new petrol and diesel cars and vans by 2032, then the UK should be brave enough to meet that challenge as well. As the purchasers of more than 50pct of all new vehicles sold in the UK each year, the vehicle rental and leasing industry is more than capable of delivering this transition to zero emission transport – if the government can provide the right supportive environment.

"The Government needs to do a lot more than just boost the roll-out of electric charging points. At the moment, we have a misguided strategy that is withdrawing incentives and raising taxes for electric vehicles at the exact time we are trying to drive uptake. The coming Budget offers a perfect opportunity for the Government to address these glaring policy gaps."

Handing in our FCA 'homework'

Paul Goodman, NACFB Chairman and broker, writes: The long summer now seems like a distant memory with people returning to work after a well-earned break – and, much like a return to school, our Autumn 'term' started with handing in our homework.

We've been working with our accountants to get our FCA Gabriel return completed, covering our business for the last year.

Gabriel is the FCA's online reporting system for collecting and storing regulatory data from firms and our annual return had to be submitted by 12 September due to our year end date. The FCA's deadlines for submission are just a month and 12 days after each company's yearend, compared to the luxurious 9-10 months we all had before regulation was introduced in 2014.

While the timescales may seem tight compared to the previous regime, as a broker it's right that we should have the proper accounting systems in place in order to report promptly, and really the regulators don't want to be waiting for months to find out whether any of their charges to firms are overleveraged or don't have enough fat in the balance sheet to sustain and protect the business.

They need to protect our customers and understand the broker firms risk profile by ensuring our finances are sound and that we're not under pressure to take or push for higher commissions, and by checking on the types of fees we charge lenders and clients. That's why the reporting requirements have been widened to include the type of business being done and the number of complaints, and we now have to demonstrate that we have a wide enough panel of lenders to offer the best deals (rather than being tied to a limited few).

All of which begs the question about

whether those brokers whose work falls outside of the legislation should be scrutinised in the same way to ensure they are keeping up professional standards. Customers need to be aware that these regulations and the transparent and open reporting required by them are here to protect the customer, assure the quality and reliability of the broker they choose to work with.

The returns can be complicated with lots of questions to answer, and not all brokerage work is covered by the regulators. My best advice for any brokers out there unsure about their return is to access the NACFB Compliance support portal. The information stored by Gabriel is used for all kinds of purposes, so it pays to ensure all the information up there is correct and up to date.

While I recognise that this new way of reporting can be a lot of work, I also believe it adds another valuable layer of good business practice, helping us ensure our services are fit for purpose and we always have our eye on the ball.

NACFB hosts Asset Finance Day

The third NACFB Asset Finance Day took place in London on 1 November, an event dedicated to members of the Association who operate within the Asset Finance Sector. Hitachi Capital was the headline sponsor for this event.

Round table sessions with lenders provided NACFB members the chance to engage in face to face sessions with patrons of the NACFB. After a buffet lunch and drinks, the event concluded with a networking session which gave members the chance to socialise with other brokers and lenders in a more informal setting.

Patisserie Valerie
Allan Foad highlights another failure of corporate governance

The editor has been reading Private Eye again and has asked me to write about Patisserie Valerie, where corporate governance appears to be as rotten as gangrene

For the benefit of those like me, who had never heard of Patisserie Valerie until the chief financial officer was taken in for questioning by the police to explain accounting irregularities, it is a chain of more than 200 higher end cake & coffee shops. It was founded in London's Soho by a Belgian lady called Valerie in 1926 and the shops have the ambience of Paris's Belle Epoch era. It specialises in indulgent cakes and pastries but it caters for breakfasts and lunches as well as afternoon teas.

It was acquired by Luke Johnson, the financial pundit and restaurant owner who made his fortune with Pizza Express, and was floated on AIM in 2014 with Johnson retaining a 37pct stake. Johnson continued to chair the board after flotation and the other directors were Paul May, the chief executive, Chris Marsh, the chief financial officer, and two non-executive directors Lee Ginsberg and James Horler. All were in place before the listing.

The story is still unfolding, and will probably lead to legal proceedings, but what we know so far is that "accounting irregularities" were discovered this year that nearly brought the company down and which, seemingly, caught the board unawares. Marsh was arrested but not charged and May has since stood down in favour of a turnaround specialist, Stephen Francis.

The irregularities uncovered were that £29m of cash shown in the balance sheet in March proved to be fictitious and undisclosed overdrafts of £10m were also discovered. In addition, after the first year of flotation, incentive payments to the executive team in the form of shares were not disclosed in the annual report & accounts and the subsequent sales of these shares were not advised to the stock market.

The upshot was that the company was brought to its knees and nearly 3,000 jobs were put at risk. It was rescued by a £25m sale of discounted shares and a £20m loan from Luke Johnson which will be partially repaid from the proceeds of the share offering. Hopefully this injection of funds will stabilise the business and allow it to recover but the question is how was this mess allowed to happen?

Looking at the "irregularities" in turn, the company showed £6m in cash on its balance sheet in 2015 and this sum progressively increased to £29m this year. I do not yet know how this figure was engineered but it seems that this amount of cash was only in the bank account at the year ends. At other times the figure was much smaller as is evidenced by the minimal amount of credit interest received. A good credit analyst would have picked up this creative accounting trick.

The mysterious overdrafts that came as a surprise to the directors were provided by Barclays and HSBC. These are reputable banks and I would expect them to require a resolution of the board as part of their approvals process for these facilities. Was the board resolution falsified or did it pass through the board? If the latter is true, how can the directors deny all knowledge of these overdrafts?

The executive incentive scheme was approved by the remuneration committee at the flotation and the members of that committee were the chairman and the two non-executive directors. It was disclosed in the accounts in 2014 but disappeared after that. Grant Thornton audited the accounts and testified it had received all information required for the audit. These pay outs should have been approved by the board and minuted by the company secretary, who was Chris Marsh wearing another hat, and the board minutes should have been available to the auditors. Why did they not spot that there was no reference to the incentive scheme in the accounts they audited? Grant Thorton's role in this affair is also under investigation.

The executive directors received their awards and promptly sold them netting millions of pounds each. In addition, on two separate occasions the non-executive directors sold shares as well. Did they receive these under the incentive scheme or were they bought and sold using insider knowledge? I hope not. These sales should have been advised to the stock market because shareholders and potential shareholders deserve to know if directors are bailing out.

It seems very likely that these incentive awards were calculated on inflated profits as comparator information reveals that Patisserie Valerie was outperforming the market for no discernible reason. They were also outperforming their own expectations as their target profit margin after sales costs was 33pct but they achieved 51pct. Their operating profit margin, at 18pct, was double those of rivals Costa and Caffe Nero. Whilst their competitors' margins were shrinking year on year, reflecting increasingly difficult trading conditions, Patisserie Valerie's were rising. All of this information should have caused the non-executive directors to enquire into how this performance was being achieved.

The evidence is pointing to Patisserie Valerie having a very cosy board. Johnson and the two executive directors have worked together since 2006 and the two non-executive directors have been on board since the float. They have been under pressure to appoint a third non-exec, but always resisted. Does this signify they were hiding dark secrets? It is not healthy to have an unchanging board. It is too early to say how much complicity there has been but the non-executive directors are either culpable of fraud or gross incompetence.

The executive directors have pocketed millions through their incentive scheme and their motivation, if they are found guilty of fraud, is clear, but there is not much in the public domain to explain the actions (or lack of them) of the non-executives. The reports that will inevitably flow from the current investigations will make interesting reading.

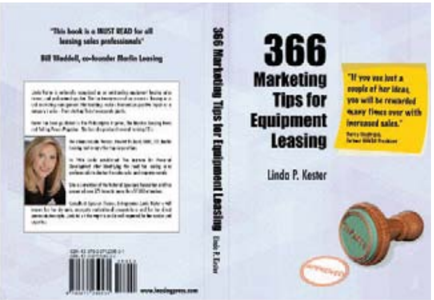
> → It once more shows up the shortfalls in our corporate governance

The only one who is perhaps innocent is Luke Johnson who, on the face of it, has nothing to gain from these "irregularities". If estimates are correct he has lost £100m from this debacle and is on record as being a very worried man. His problem might well have been that he is over-committed. It is reported that he sits on over 40 boards and chairs half of them. With hindsight he admits to spreading himself too thinly and is looking to cut back on his other commitments. At the time of writing, however, he remains the chair of Patisserie Valerie but has waived his fees for the year.

This sorry saga is now under investigation by both the police and the Serious Fraud Office. So far only the chief financial officer has been a person of interest but I doubt that will remain the case. It is difficult to see how all of these "irregularities" could have been down to him alone. But whatever happens, it once more shows up the shortfalls in our corporate governance rules. At the end of the day they are only as good as the human beings that operate them, and it is human to err. Unfortunately, more checks and balances are needed.■

Book review: Linda Kester / 366 Marketing Tips for Equipment Leasing

From time to time at Leasing World we like to see what training events, podcasts, video-blogs and webinars are being promoted to upskill people in our industry and to keep them up to date. But even in 2018, there are those who choose to educate themselves through paperbacks. This month we've dived into Linda Kester's "366 Marketing Tips for Equipment Leasing" … a book which is heavy on the selling and light on the leasing



There really are 366 tips here, often just three or four pithy paragraphs each. One can only suppose Kester picked that number just in case someone was given the book the Christmas before a leap year, so they wouldn't be disappointed on December 31st. Dostoyevsky it isn't, but who has time for Dostoyevsky. It's the kind of book you dip into, read until you find something that interests you, and then probably put down again, rather than a systematic set of steps to follow to improve your marketing.

In Tip number 162 we're confidently advised "Always, always, always check your spelling"…by an author who goes on to ask whether your e-mails are "red" and whether or not you want to "gage" someone's interest. "Your audience makes judgements on you and your company by reading the materials that you send them," Kester tells us, and of course she's right.

Many of Kester's tips have arresting titles. "Junkyard Dog", for example, turns out to be a piece of advice telling the reader of the importance of being "mean and focused". "Spray and Pray" is an exhortation to do the opposite - slow down, talk slowly in phone calls. The section named "Clutter is Postponed Decisions" is not very much more than a reminder to cash any cheques you get in the post, rather than leaving them in a pile of papers on your desk for six months…. advice we imagine you've picked up already. In any case, we would be inclined to counter that advice with something a little closer to home: "A clutter-free desk is a sign you're not working hard enough,".

Under the heading "Be like a Homicide Detective" we're told not to interrupt a prospective customer when he/she is talking, but this reviewer couldn't help channeling Columbo, who interrupted quite a lot. Columbo, of course, wasn't selling anything.

Kester says, "The five Ps of marketing are not the five Ps that are taught at business schools" - meaning, presumably, Product, Price, Place, Promotion and People. This is one of the more forthright offerings in the book, as it seeks to override a fairly well-established principle. Elsewhere, the book does invite you to question, even if only briefly, some of your current practices.

> → A salesman who read, assimilated and stuck remorselessly to every tip in this book would be a nightmare to deal with

We've read Linda Kestler's advice on voicemail strategies and decided they're not for us, but they might be for you. We liked "Deadlines are your ticket to freedom" - a clever bit of counterintuition. Several ideas Kester put forward got us talking; even if we disagreed with them, they had promoted discussion. The one that advised us to hold a hot cup of coffee in the palms of our hands before making an important phone call - based, apparently, on solid biological principles - was genuinely intriguing, and as it happens, there is usually a cup of coffee in the LW office, although it's usually stone cold so the physiology won't work.

The beauty of a 366-chapter book is that you can dip in and skim the parts that don't grab you until you find one that does. Suggestions on what to say when a potential customer asks for multiple proposals, or asks a question that's absurdly open and would take an age to answer in full, are written with a useful American directness that we might learn from. Still, out of the 366 chapters, a couple of hundred are liable to come across as filler.

A salesman who read, assimilated and stuck remorselessly to every tip in this book would be a nightmare to deal with, but that's probably not a concern to Linda Kester. I'm sure she'd settle for readers who put the book down having reevaluated a few of their working practices.

We got our copy online for the low price of five pounds for the Kindle issue, our Tip No. 367 is that you give it a try, to find the handful of tips in there that could make a difference to you. But at £69, we're not convinced we have room on the bedside table for the paperback.

By Robin Skuse

Editor's personal favourite: after reading Robin's review, I couldn't resist dipping into this 366 Tip sheet of a book. The one I liked was Tip 153 "Retired Financial Executives".

"If you are looking for new business, or possibly new brokers, take out a classified ad under the header "Business opportunities". The ad should target retired financial executives. These executives have a huge number of contacts. Set them up as commission only sales reps/brokers. They work from home. It's a win-win because retired executives still get to keep their hands in the business world, and you get some creditworthy lessees."

That would be music to the ears of some people I know, and of course Expert Services Classified Ads section in BrokerWorld magazine would be the perfect place for the ads. ■

Front of mind Joanne Davis

Partner, Head of Asset & Consumer Finance, Locke Lord LLP

Overview of FCA incentives and remuneration and the Motor Finance Review

This summer saw an interesting case that has significant ramifications for firms looking at obtaining validation orders from the FCA. The High Court was asked to determine the extent to which the FCA must consider that consumer detriment may have arisen in circumstances where an unauthorised broker has played some part in introducing regulated business to an authorised lender.

The case itself concerned a subsidiary of Barclays Bank that entered into 1,444 regulated credit agreements as lender under which the total amount payable was roughly £47 million. The Barclays subsidiary had notified the FCA that the agreements entered into had been brokered by an unauthorised broker, albeit the unauthorised broker was not the entity that had directly introduced the business to Barclays.

After the FCA initially granted a validation order a number of borrowers referred the matter to the court alleging that they had in fact suffered detriment. Following this, the FCA asked that the court remit the matter to it to reconsider its decision (to grant the validation order) on the basis of these new claims. Before doing so, the court directed that a preliminary hearing was necessary to determine whether the question of consumer detriment is a relevant factor to be taken into account in deciding whether to issue a validation order and, if so, whether the failure to do so (by the FCA) means the court should determine the references in favour of the customers and remit the matter to the FCA for a fresh decision.

Discussion during the hearing focused upon whether, when determining if to grant a validation order, the FCA should only concern itself with whether customer detriment had arisen as a consequence of the breach, or, that the FCA should examine comprehensively whether detriment had arisen at any point, regardless as to whether the detriment had arisen as a consequence of the breach of the general prohibition.

The court's view was that it was only just and equitable to "consider all relevant factors and conduct a multifactorial assessment by reference to all the circumstances and balancing the various factors which it [the FCA] identifies as being relevant to the matter." In short, the court directed that the FCA would need to conduct the comprehensive examination.

The ramifications of this are that validation exercises are likely to become more complex and detailed with firms expected to demonstrate comprehensively that detriment has not arisen at any point. Lenders are likely to ask for more from brokers to assist them with demonstrating to the FCA that no detriment has occurred. Additionally, this in turn reiterates the importance of ensuring that all parties introducing within a chain are identified and have the requisite authorisation status and permissions.

JOANNE DAVIS, PARTNER AT LOCKE LORD
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OneSavings Trading update

OneSavings Bank plc ("OSB"), the specialist lending and retail savings group, has issued its trading update for the period from the 1st July 2018.

Reported highlights:

- Strong financial and operational performance has continued in the third quarter.
- Loan book growth of 16pct for the nine months to 30 September 2018 with net loans and advances growing by £1,175 million to £8.5 billion during the period (30 September 2017: £997m and £6.9bn, respectively).
- Organic originations of £730 million were executed in the three months to 30 September 2018 (Q3 2017: £677m).
- The InterBay Commercial and bridging businesses continue to perform well and **the newly-launched InterBay Asset Finance business funded its first deals in October 2018**.
- Net loan book growth of c.20pct for the full year in 2018 is expected. Other full year guidance remains unchanged with NIM of c.3pct and cost to income ratio of c.30pct.

Andy Golding, CEO of OneSavings Bank, said, "I am delighted with the continued strong performance of the Bank. We delivered 16 percent net loan growth in the first nine months of the year and entered the fourth quarter with a strong pipeline, enabling us to increase our full year guidance for net loan book growth to c.20 percent.

"Our lending and retail savings franchises continue to perform very well. Current levels of applications in our core Buy-to-Let and commercial businesses remain strong and we are building a robust pipeline for Q1 2019.

"We recognise the current uncertain macroeconomic outlook. However, our strong balance sheet with sensible LTVs and affordability testing, our strong capital position and robust stress tests, which include a number of Brexit scenarios, give us confidence in our business going forward."

New pipeline for PCF Bank

CODE Investing and PCF Bank, the specialist bank owned by AIM-listed PCF Group plc, are pleased to announce a strategic partnership to provide vehicle and asset finance to the UK SME sector.

As an institutional partner to CODE Investing, PCF will gain direct lending access to qualified SMEs that require hire purchase and leasing finance to help them acquire a wide range of business-critical assets. The focus will be on SMEs whose investment plans meet pre-determined criteria set by PCF.

PCF has been supporting the UK SME sector for almost 25 years by providing finance to help businesses acquire a wide range of vehicles and equipment such as commercial vehicles, coaches, construction equipment and manufacturing equipment. PCF currently has a portfolio of over £200 million of finance receivables spread across over 14,350 customers.

PCF joins a wide range of institutions on CODE Investing's lender panel, highlighting the increasingly important role alternative finance platforms are playing in helping businesses find the best and most appropriate form of finance — and lenders the most suitable borrowers.

Robert Murray, Managing Director of PCF, said, "Banks and other financial services providers are increasingly turning to alternative finance platforms to assist them in sourcing customers and then delivering their products seamlessly. We have been greatly impressed with CODE Investing's use of new technology to source and pre-qualify customers and are delighted to be working in partnership with them. We see partnerships like this one as key to the development of our business as we look to grow our portfolio from its current levels to £350 million by September 2020 and £750 million by September 2022."

Ayan Mitra, CEO and Founder of CODE Investing, added, "PCF are precisely the type of progressive and flexible lender that we want on our rapidly growing panel. In many sectors, being able to secure competitive vehicle and asset loans is critical to growth. This kind of finance is literally the oil of the broader UK economy, helping to keep it moving, manufacturing and building. Our role will be to act as a filter for PCF, presenting them only with pre-qualified companies that meet their criteria. As they increase their market share, this will ensure their growing portfolio is fully optimised and de-risked."

CODE Investing is an alternative debt finance marketplace for SME business loans of between £500,000 to £20,000,000. CODE Investing's platform qualifies and matches SMEs against the individual credit criteria of its institutional partners, enabling creditworthy businesses to access the capital they need in weeks rather than months. CODE Investing offers SMEs an efficient, cost effective, and transparent way to borrow through a variety of instruments, having facilitated £47 million in lending through its platform to date. It is authorised and regulated by the Financial Conduct Authority (No. 627852).

Investec plc & Investec Limited

The above-named have reported unaudited combined consolidated financial results for the six months ending 30 September 2018

Overview of results

- The group has delivered a sound operational performance.
- This is notwithstanding a challenging operating environment. Rising US interest rates, the threat of trade wars, concerns over global growth prospects, weak economic growth in South Africa, and Brexit-related uncertainty in the UK have contributed to this.
- The Asset Management and Wealth & Investment businesses have grown funds under management supported by strong net flows of £4.8 billion.
- The Specialist Banking business saw a substantial reduction in impairments as well as revenue growth supported by reasonable levels of client activity.
- The cost to income ratio improved marginally. Revenue growth and cost containment remain priorities.
- A solid base of annuity revenue has continued to support earnings through varying market conditions.

Overall group performance

Operating profit before goodwill, acquired intangibles, non-operating items and taxation and after other non-controlling interests (operating profit) increased 14.2pct to £359.3 million (2017: £314.6 million) - an increase of 17.6pct on a currency neutral basis. Overall group results have been negatively impacted by the depreciation of the average Rand: Pounds Sterling exchange rate of approximately 4.1pct over the period. The combined South African businesses reported operating profit 5.0pct ahead of the prior period (in Rands), whilst the combined UK and Other businesses posted a 40.2pct increase in operating profit in Pounds Sterling.

Salient features of the period under review are:

- Adjusted earnings attributable to shareholders before goodwill, acquired intangibles and non-operating items increased 8.2pct to £265.3 million (2017: £245.3 million) - an increase of 11.1pct on a currency neutral basis.
- Adjusted earnings per share (EPS) before goodwill, acquired intangibles and non-operating items increased 6.4pct from 26.6 pence to 28.3 pence - an increase of 9.4pct on a currency neutral basis.
- Annuity income as a percentage of total operating income amounted to 75.5pct (2017: 76.4pct).
- The total income statement impairment charge reduced materially to £31.0 million (2017: £59.6 million). The annualised credit loss charge as a percentage of average gross core loans and advances subject to expected credit losses has improved to 0.34pct (2017: 0.52pct).
- The annualised return on adjusted average shareholders' equity increased to 13.4pct from 12.1pct at 31 March 2018.
- Third party assets under management increased 3.7pct to £166.5 billion (31 March 2018: £160.6 billion) - an increase of 7.2pct on a currency neutral basis.
- Customer accounts (deposits) decreased 2.1pct to £30.3 billion (31 March 2018: £31.0 billion) - an increase of 4.3pct on a currency neutral basis.
- Core loans and advances decreased 3.7pct to £24.2 billion (31 March 2018: £25.1 billion) - an increase of 2.4pct on a currency neutral basis.
- The group maintained a sound capital position with common equity tier one (CET1) ratios of 10.4pct for Investec plc and 10.3pct for Investec Limited, ahead of the group's CET1 ratio target. The group is comfortable with its CET1 ratio target at a 10pct level, as its leverage ratios for both Investec Limited and Investec plc are above 7pct.
- Liquidity remains strong with cash and near cash balances amounting to £12.5 billion.
- The board declared a dividend of 11.0 pence per ordinary share (2017: 10.5 pence) resulting in a dividend cover based on the group's adjusted EPS before goodwill and non-operating items of 2.6 times (2017: 2.5 times), consistent with the group's dividend policy.
- The proposed demerger and separate listing of Investec Asset Management (still subject to regulatory and shareholder approvals) is progressing well.

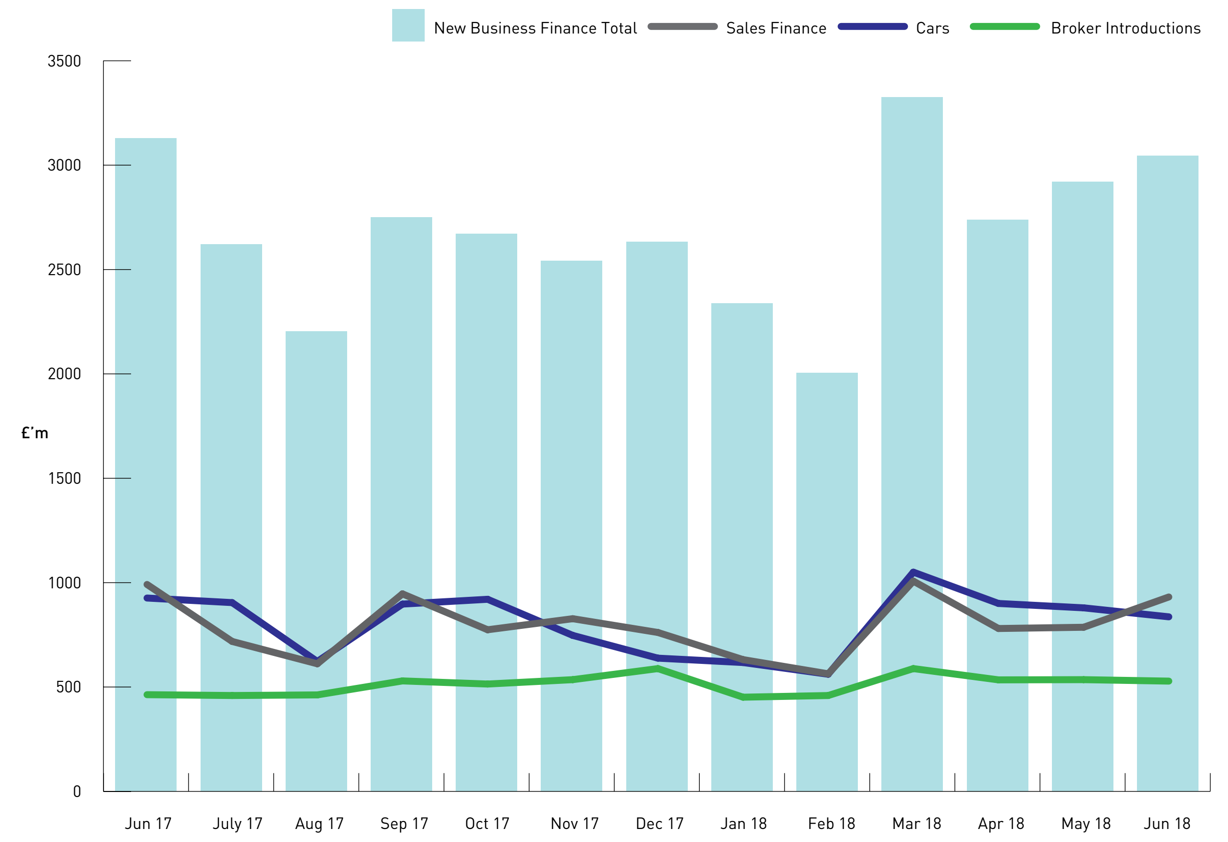
DATA

UK NEW BUSINESS FINANCE JUNE 2018

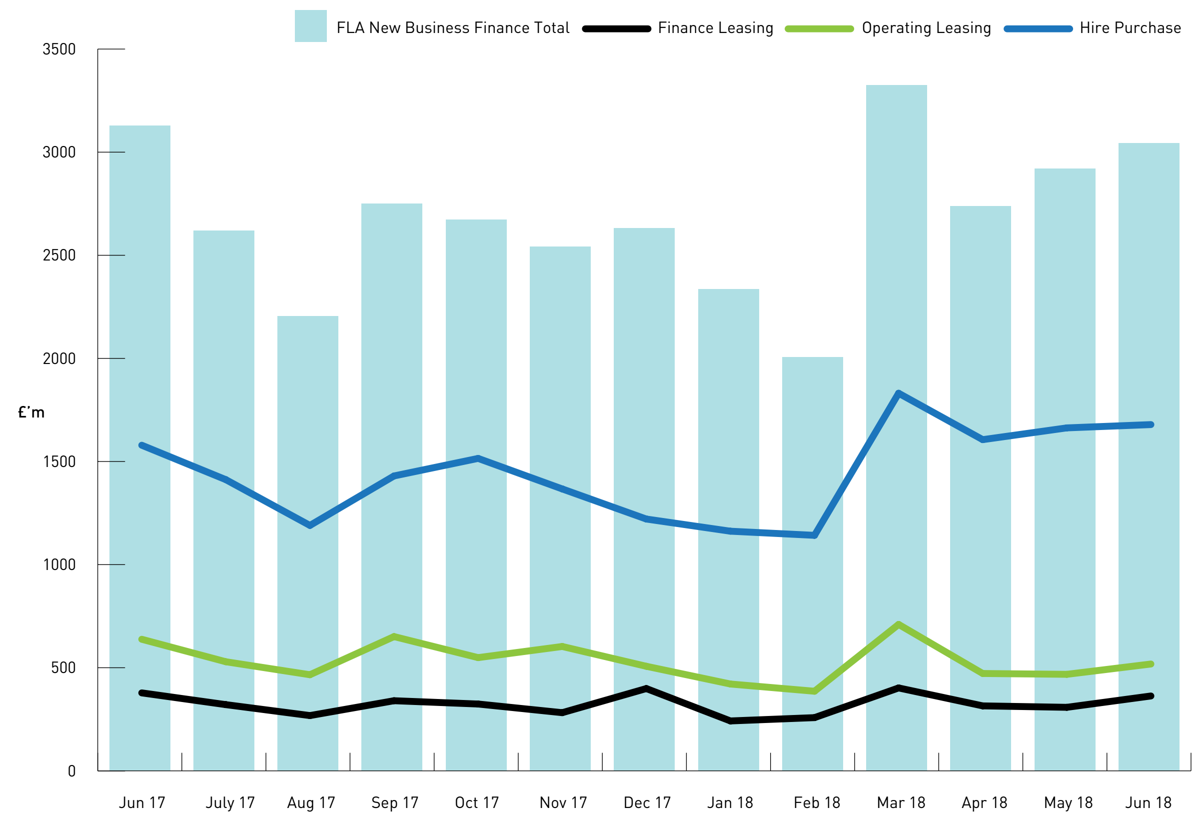
	Current month compared			12 months to		
	June 2018	June 2017	Month change %	June 2018	June 2017	Yearly change %
Total comprising	3,044	3,130	-3%	31,846	31,442	1%
By asset						
Cars	827	917	-10%	9,353	9,300	1%
Other asset finance	2,042	2,062	-1%	20,670	20,094	3%
High value	34	48	-28%	496	1,307	-62%
By channel						
Direct finance	1,428	1,544	-7%	14,920	15,039	-1%
Broker finance	519	454	14%	5,903	5,450	8%
Sales finance	922	982	-6%	9,200	8,905	3%
High value	34	48	-28%	496	1,307	-62%
By product						
Finance leasing	367	382	-4%	3,878	3,728	4%
Operating leasing	522	642	-19%	6,220	6,832	-9%
Hire purchase	1,683	1,583	6%	17,370	16,534	5%

Note 1: Cumulative totals are subject to rounding differences. Source: The Finance & Leasing Association

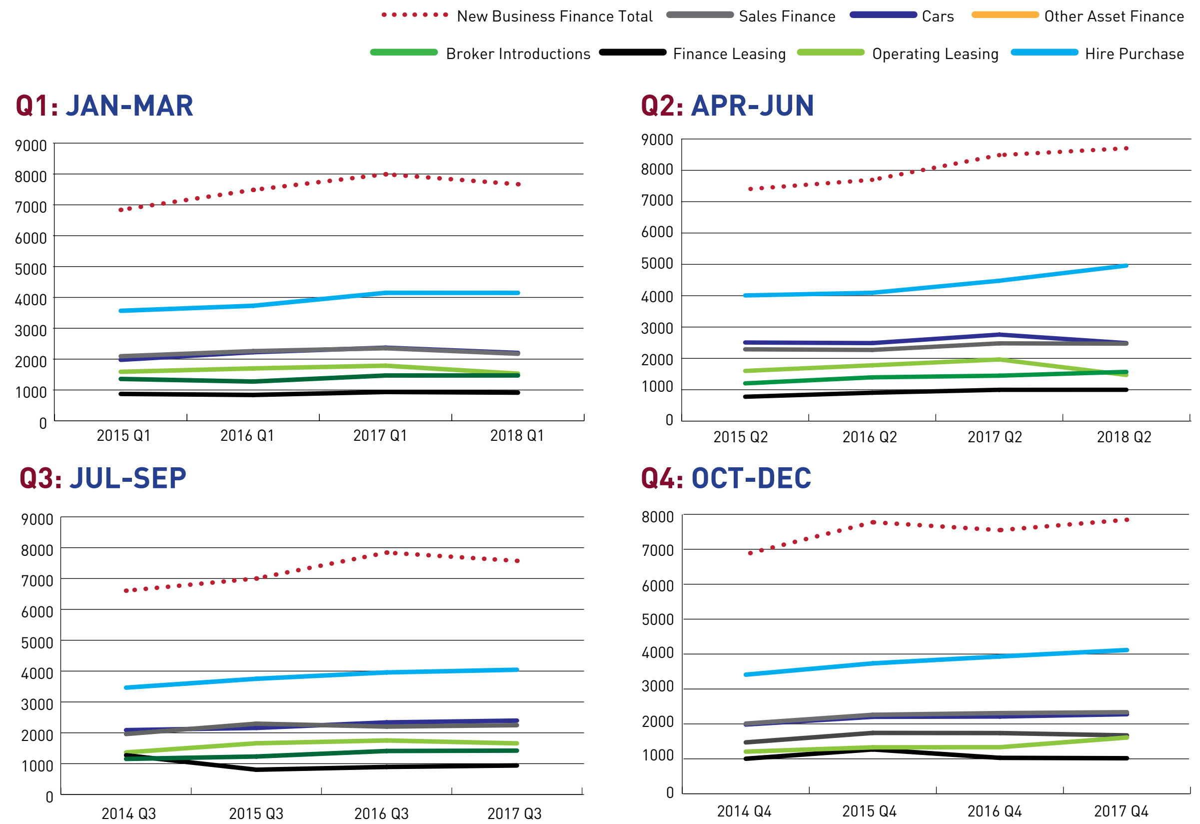
UK NEW BUSINESS FINANCE (13 MONTHS)



UK NEW BUSINESS FINANCE (13 MONTHS) BY PRODUCT



UK NEW BUSINESS FINANCE QUARTERLY COMPARISONS



AF-PA upholds third Thursday tradition

Although high street shops may be already full of pine trees and Slade, AF-PA was of the opinion that November is a little early to be branding their networking event as a Christmas party. Instead, by waiting until the traditional third Thursday of the month, they could theme it as a Beaujolais Nouveau celebration, where the great and the good could gather at Harry's Bar in the City to sample the first new-season wines made from grapes grown, according to a popular online encylopaedia, in the "stony, schistous soils" of Beaujolais AOC.

Staff were on hand to top up any glasses that were getting conspicuously low, and if any wine was left over when things wound down in the evening, it can always be mulled and poured out next month.

In the hand that wasn't clutching the wine-glass, guests tended to hold business cards and raffle tickets, because this was principally an opportunity to network and raise money for good causes. Peter McDonnell played auctioneer for a broad range of gifts and experiences, which included a trip to one of the Solent Forts. Johnnie Halliday, fresh from his appearance at Leasing World's own Awards Dinner last month, then stepped forward to oversee fair distribution of the raffle prizes.

AF-PA's self-reinvention into a formally recognised charity means it can now add the 25pct extra value of GiftAid to its fundraising totals. It has raised £180,000 for St Giles School, a charity close to the Association's founders' hearts, which was bolstered by this event's generous donations.

St Giles School is a community school for pupils from 4 up to 19 who have physical or learning disabilities, and the school says it is "committed to the principle of equality of opportunity."

Stephen Bassett, now AF-PA's CEO, has shared with us his own vision of what the charity does well and what it might be able to do more of in 2019, so keep your eyes open for several more opportunities to network with AF-PA in 2019. ■

→meanwhilebackintheoffice

The things they do for charity! by Robin Skuse

In handing over the 2018 Editor's Choice award to Shoosmiths' Melanie Chell for swimming the length of Windermere, Leasing World was forced to confront its own limitations. It took over eight hours, and for us one of the photos of the year is this shot of Mel hugging her Dad, who'd watched over the swim from his kayak, both mightily proud, and relieved we should think. There are things I would do for charity, but being that wet and cold, for that long, is not really one of them.

Of course, ours is an industry rightly applauded for its charitable work and the imagination it shows in finding different ways to raise that money. For example, Leasing World's Awards Dinner's Heads 'n Tails game, expertly run by Johnny Halliday and sponsored this year by Locke Lord, allows many excellent photo opportunities and raises substantial sums by urging guests simply to cover their bottoms.

Quite popular these days is to invite people to bake cakes. Asset Advantage, for example, held its Great British Bake-Off recently. Baking is a win-win activity, the only risk of humiliation coming from burning the cakes into their paper cases – in which event, there's probably a supermarket around the corner or a boutique sales booth in your nearby railway station that will conjure up a reasonable facsimile of 'homemade' – and it's all for charity, nonetheless.

Or maybe you do fancy a little exercise after all? Not a problem! If you can stay upright on a bicycle, you can do your bit. Metro Bank and Hitachi Business Capital have both this year sent fleets of masochists pedalling deep into France. Those planning to put stationary bicycles in the office as an alternative should bear in mind that sweat doesn't evaporate well indoors, and the aroma when you get off is not quite the same as it would be rolling into the poppy-strewn fields of Flanders.

Don't get on with bicycle saddles, lakes, or touching bottoms? Then you can simply go for a walk. Mind you, the people who decide what counts as well-intentioned self-denial will make you pay for your choice. Ogilvie Fleet took on the Six Dales Walk – that's five dales more than a good Sunday afternoon, in my book. Synergy Automotive took on the Yorkshire Three Peaks Run, which, until you reach the word "Run", sounds only half as difficult as Six Dales – that's mathematics. After the word Run, it sounds practically impossible – that's physics.

Leasing World supported the Thames Path Mighty Hike for MacMillan Cancer Trust this year, and the good thing about the Thames Path is, it's pretty flat. To compensate, it's awfully long, at twenty-six miles. The website promotes some of the attractions of this Mighty Hike as "clearly marked route" and "medical assistance". The route also goes past some of the poshest riverside homes in the land, so cheaper than buying a copy of Country Life.

Some find walking too tame, and need to run a 10K, or a marathon. Leasing World also sponsored runners in London's Hyde Park half marathon, for Baby Loss Awareness Week, and the number of participants was astounding, tens of thousands, an army you could confidently invade France with, most running quite fast, but a few . . . walking the whole course.

→Not sure you've got the knees for a marathon distance? Portman Asset Finance can heartily recommend Charity Boxing!

Not sure you've got the knees for a marathon distance? Portman Asset Finance can heartily recommend Charity Boxing, which consisted of bouts contested over 3 rounds of 2 minutes each, with 1 minute intervals. Biff! Boff! The pain is over quickly, which is probably the point.

In the course of writing this, I believe I've had my mind changed. Windermere has become a rather tranquil and welcoming alternative to all the sweat and bruising of the other options. Windermere is teeming with Atlantic salmon, Arctic char, brown trout and even European eels, none of which sounds remotely threatening and some of which sound delicious. The water temperature can be as high as sixteen degrees. And I suppose after half a dozen miles of being as close to unconsciousness as makes no practical difference, life's myriad trials and petty annoyances would dwindle away to nothing.

LEASING EVENTS CALENDAR 2018 / 2019

Date	Event	Address	Contact
Nov 29	NACFB Gala Dinner	Park Plaza Hotel, Westminster	admin@nacfb.org.uk
Dec 4	2018 FLA Christmas Drinks Reception	Royal College of Physicians	events@fla.org.uk
Dec 6	Blockers Lunch	Hispania, 72-74 Lombard St, EC3	Sold Out
Dec 13	D&D Leasing Charity & Drinks Reception	The Savoy, Strand	By Invitation
Dec 14	Leasing Christmas Charity Lunch	IOD, Pall Mall	johnbatty@iaa-advisory.com
2019			
Feb 26	FLA 2019 Annual Dinner	Grosvenor House, London W1	linda.charles-richards@fla.org.uk
Jun 19	NACFB Commercial Finance Expo 2019	Birmingham NEC	Registration opens Jan 2019

ON THE MOVE

Geoff Duncalf has joined specialist lender *Paragon* from Lloyds Banking Group, where he spent eight years, including five years as Senior Account Manager at Black Horse Finance covering the Midlands region.

The newly-created role will see Geoff responsible for leading and developing a team of six Regional Sales Managers with a focus on new partnerships across the UK to build relationships with both dealers and brokers in the motor, LCV and leisure markets. Geoff started his career in the motor industry as a car sales executive before moving into the financial services industry with Lloyds in 2010.

Geoff said, "I'm looking forward to getting out and meeting new introducers and forging strong, lasting relationships. I'm particularly enthusiastic about the digital side of our industry and keen to help and provide feedback to introducers on how this can be developed to enhance the end users' buying journey – it's just one great way of how we can add value at no extra cost."

Midlands Asset Finance ("MAF"), the financial services broker, is committed to building the next generation of finance brokers, employing five new members of staff all under the age of 23.

University graduates **Sam Greasley**, **Harry Krikken**, **Charlie Hubble**, **Ryan Walker** and **Liam Delaney** have all been recently hired as the broker continues its talent development scheme to help boost its national coverage.

Job roles within the group vary as, Harry, Charlie and Liam, who are all 21 years old, become trainee relationship managers, whilst Ryan, 22, moves into the marketing team as a marketing executive. The youngest of the group, Sam, is 18 years old and is completing an apprenticeship in Business Administration as he carries out his role as a sales co-ordinator. The five new starters take the total headcount of MAF to twenty-seven, meaning the business has more than doubled in size in the last 24 months.

CivilisedBank, the digital SME bank with relationship managers, has appointed commercial finance expert **Nick Baker** as Head of Intermediaries. Nick joins from a national commercial mortgage broker, where he was Managing Director for five years and where he was responsible for day-to-day operations and the development of the business. He led the business in achieving full FCA Permissions and securing notable industry recognition for the company. He is also an Enterprise Mentor with The Prince's Trust.

At CivilisedBank Nick will primarily focus on leading the development and execution of the bank's Introducer Strategy, spearheading the relationship with the bank's intermediary partners.

Chris Weller, Chief Commercial Officer at CivilisedBank, said that bringing Nick into the Civilised team "illustrates our commitment to servicing our selected broker partners and the importance we place on relationships, as we work towards providing something different to what is currently being offered within the market."

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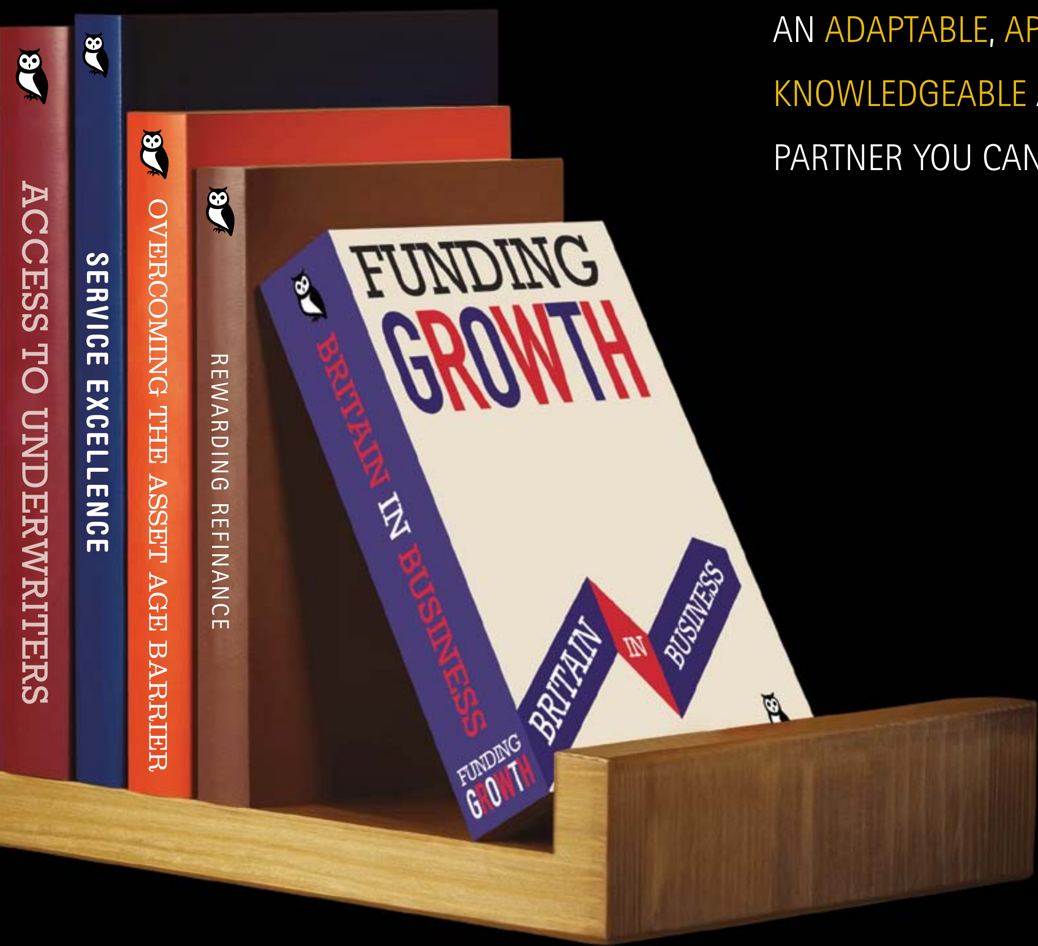

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