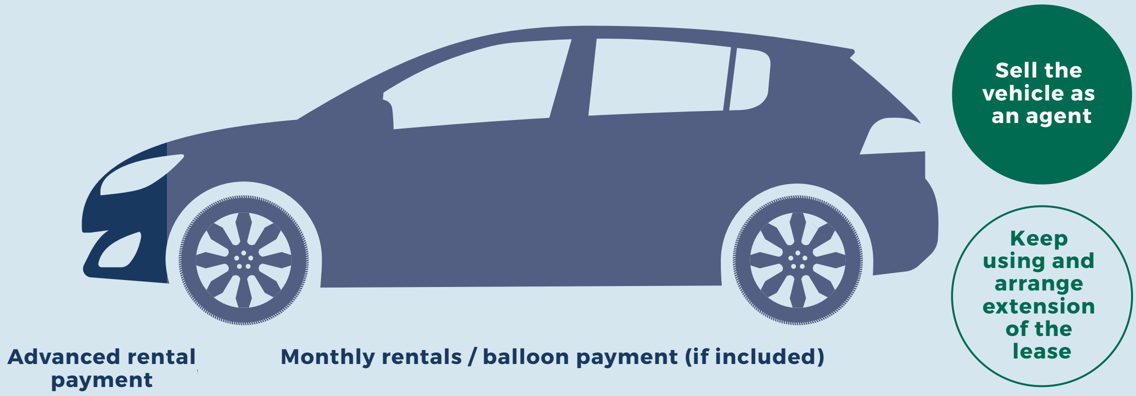
SAF Specialist Automotive Finance

SAF Specialist Automotive Finance ESSENTIALS

Finance Lease



What is Finance Lease?

A Finance Lease is a form of **flexible leasing** to fund the use, but not the ownership, of a vehicle. The customer ('**lessee**') can never 'take title to' (own) the vehicle. Finance leases differ from Contract Hire because:

- The customer can include a balloon payment at the end of the agreement. This is where a proportion of the credit is repaid as a lump sum payment at the end.
- Rather than handing back the vehicle the customer:

  a) sells it on behalf of the finance provider and receives a percentage of the sale proceeds; or

  b) can extend the term of the lease to continue using the vehicle.

Who is the product suitable for?

Business customers that have smaller fleets. This is because it is difficult to manage the resale of a large number of finance leased vehicles at the end of the agreement. Finance leases are not usually offered to consumers.

What is the process for the customer?

The customer will:

1. Make an advance rental payment - usually 3 or more rentals (monthly payments) are paid in advance.
2. Pay all of their remaining monthly rentals and balloon amount (if applicable) – in line with the term of the agreement or how long they will use the vehicle for.
3. Sell the vehicle, as an agent, and keep a large percentage of the proceeds, or arrange an extension of the lease and keep using the vehicle.

What else does the customer need to know?

- The finance provider or 'lessor' owns the vehicle - the customer can only sell once all repayments and charges have been made, and the finance provider has given their consent.
- The customer can terminate the hire agreement early but early termination charges are often applied and can be high. The charges will be set out in the hire agreement.