

Guide

COULD SALE AND LEASEBACK WORK FOR YOU?



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Sale and leaseback is a term used when a leasing provider purchases some, or all, of a fleet of vehicles from an organisation and leases them back to that business for a fixed monthly amount. This often happens when a company wants to continue using their vehicles but also wishes to release capital tied up in their fleet or protect themselves from residual value risks.

The key benefits of a sale and leaseback include:

- An instant cash injection
- Fixed monthly rentals, for ease of budgeting
- No future residual value risk
- An additional credit line - giving you more access to credit when you need it
- Access to additional fleet management expertise including fleet policy analysis, fleet optimisation analysis and EV evaluation etc
- Comprehensive management reporting e.g. vehicle mileage, P11D and MID reporting
- Access to a wide range of services including maintenance management, breakdown assistance, accident management, tax and MOT management, etc.

How it works

If the vehicles in your fleet are currently owned by your company, it's worth exploring the benefits of switching these to a Contract Hire agreement. Sale and leaseback can offer a quick and easy mechanism to do this.

Your company will sell the vehicles to Lombard Vehicle Solutions (LVS) for an agreed value who will then lease them back to you over an agreed period of time. In return, LVS will take on the responsibility for the vehicles' ownership as well as any risk surrounding their disposal.

At the end of the agreement, LVS will simply collect the vehicles. All you need to do is ensure they are returned in an appropriate condition for their age and mileage, and the mileage is in line with the agreement.

LVS bears the risk for the vehicles' resale values. This protects you from any fluctuations in used car values while fixed monthly repayments also shield you against any potential rise in future interest rates.

In addition, a full maintenance package can be added to cover servicing, maintenance and repairs under fixed monthly payments that protect you from any further unbudgeted costs.

Other cost benefits include VAT reclaim and the ability to deduct monthly rentals against your corporation tax. And, importantly, your business will benefit from an immediate cash injection which can be put to use for your core business activities.

The process

- LVS obtain confirmation of each vehicle's age, mileage, ownership information, confirmation of any existing finance against the vehicle and whether the vehicles qualify for VAT
- Discuss if the vehicles should be purchased at their book value (written down value) or an agreed market value
- LVS will arrange an inspection of a sample of the vehicles (typically 25%)
- Agree between when you wish the sale and leaseback to begin

If you would like to discuss the changing landscape of fleet management and how to prepare for this then please get in touch with your Account Manager or our Business Intelligence and Consultancy Team.

Tel: [0117 908 6490](tel:01179086490) or email us at enquiries@lombardvehiclesolutions.com

You should seek independent advice to determine if this product is suitable for you. Security, in the form of guarantees or indemnities, may be required. Product fees may apply. Finance subject to status and is only available for business purposes. Lombard Vehicle Solutions (LVS) is provided by ALD Automotive Ltd (ALD), trading as Lombard Vehicle Solutions, Oakwood Drive, Emersons Green, Bristol, BS16 7LB. LVS is a product solution provided for Lombard by ALD and there is a financial connection between Lombard and ALD as a result. The arrangement ensures that Lombard customers as well as those of National Westminster Bank Plc and The Royal Bank of Scotland plc have access to a wider range of products to meet their vehicle asset finance needs. Customers whose agreements are regulated by the Financial Conduct Authority should be aware that Lombard is acting as a credit broker and not a lender, and that Lombard will receive a payment from ALD should you wish to proceed with an agreement. You can ask Lombard or ALD for more information about this.

Let's talk

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