

Finance Leasing: Unregulated

About this information

You should read this document and all the information we provide to you carefully, so that you can decide whether this product is right for your needs and circumstances.

This document provides key information that will help you understand our Finance Lease product. It does not contain all the information about the agreement you will enter into with us.

If you have been provided with information on this product by an equipment dealer or finance broker, you are encouraged to take it away and consider it carefully. The dealer/broker does not act as our agent.

How a Finance Lease works

A Finance Lease is a financing product whereby you hire equipment, owned by us, for an initial fixed period.

We have legal ownership of the equipment throughout the term of the agreement and may register this interest with HPI Ltd. You have quiet enjoyment of the equipment throughout the period.

At the end of the fixed term, you will have a number of options to either extend the hiring or return the equipment to us.

Maintenance and servicing of the equipment may be offered as part of the financing. If this is the case, the maintenance cost will be charged monthly and collected with the agreement rentals. These combined equipment and maintenance contracts are usually referred to as Contract Hire.

The accounting, tax and VAT treatment of finance leases can be complicated. You should seek advice from your accountant, financial and, or legal advisor before entering into any financial transaction. It is possible that a contract may not qualify as an operating lease to you.

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Finance Leases are provided by De Lage Landen Leasing Ltd (we/us) – a subsidiary of Cooperatieve Rabobank U.A., headquartered in The Netherlands and licensed with the European Central Bank.

Any maintenance or servicing contract will be provided by the supplying dealer or manufacturer of the equipment.

If, after reading this document, you require further information or have any questions, we encourage you to contact us. Details of how to do this are provided at the foot of this document.

Product features

- You have use of the equipment without investing capital.
- An alternative line of credit.
- Payments over the term cover the full value of the equipment, plus financing costs roughly equivalent to a comparable Hire Purchase agreement.
- If maintenance is provided, the cost of routine servicing is spread over the term of the agreement.
- Equipment is acquired by us (the lessor) and we pay your nominated supplier the price you have agreed (plus VAT).
- VAT is paid by you (the customer) on lease payments (and any maintenance charge) throughout the term, at the prevailing rate.
- VAT is reclaimable by you, providing your business is VAT registered with His Majesty's Revenue & Customs.
- You pay fixed payments, even if corporation tax rates change.
- The payment (and any maintenance charge) amount is subject to changes in the VAT rate.
- Fixed term (typically 24 – 84 months).
- You claim the interest element of the lease payments (and any maintenance charges) as a trading expense against taxable income.
- The lease cannot be terminated by us, unless you fail to comply with the terms and conditions of the lease agreement.
- You do not own the equipment.

Frequently asked questions

What is a Finance Lease?

- A lease is a contract between two parties, where one party, the lessor (DLL/us), allows the other party, the lessee (you), use of their equipment for a fixed period in exchange for regular payments.
- A finance lease is a lease where the net present value of the payments equates to the fair market value of the equipment at the start of the lease.
- There are other criteria that can make a Finance Lease an Operating Lease. For accounting purposes, you should check with your accountant or financial advisor.

Can I select the supplier of the equipment?

- You control the buying process by selecting the supplier and providing they are approved by us, we pay them for the equipment you select, at the price you have agreed.
 - Some manufacturers and dealers support the sale of their equipment to enable us to provide preferential financing terms.
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How can the Finance Lease be used?

- A Finance Lease provides you with the use of equipment over a fixed period, for a known regular rental payment.
 - If a maintenance and servicing contract is offered, the costs are fixed for the term of the agreement.
 - Spreads the initial VAT cost of equipment as VAT is payable on payments as they fall due at the prevailing rate.
 - The lease must be for approved business equipment.
 - We will acquire the equipment you specify, at the price you agree from your nominated supplier.
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Who may a Finance Lease be suitable for?

It may be suitable for any UK based business:

- Who can demonstrate regular income.
 - Who is looking to spread the VAT cost over the term of the lease term.
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What are the benefits of a Finance Lease?

- Convenient, easy application process.
 - Equipment is acquired at net cost. The VAT is chargeable on the payments as they fall due, rather than on the full cost of the equipment (NOTE – VAT rates may change during the term).
 - Typically, no additional collateral or security is required.
 - Unlike a bank overdraft, a lease cannot be terminated by us unless you are in breach of the terms and conditions of the agreement, or a specified termination event occurs.
 - Access to an alternative line of credit for to your main business funding facilities.
 - Interest element of the lease payments (and any maintenance costs) may be deducted as a trading expense against taxable income.
 - Rental (and servicing and maintenance) amounts are fixed and scheduled and help with budgeting and cashflow.
 - Payments will not vary if corporation tax rates change and the amount you pay is fixed unless VAT rates change.
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Can I claim Capital Allowances?

- You can claim capital allowances under a finance lease. Check with your accountant how this agreement will be recorded in your financial statements.
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How do DLL make a decision as to whether to offer a Finance Lease?

To help us decide whether to offer you a finance lease we may use:

- Any information you have given us e.g. business accounts, bank statements.
 - If you have been a customer before, any information we already hold.
 - Information we receive from enquiries.
 - We may also view your credit history with a credit reference agency, or ask them to make enquiries for us.
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What if I change my mind after signing the agreement?

- You cannot cancel the agreement once it has been started and funded.
 - If you have any queries, contact us to discuss your options.
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Will an agreement with DLL affect my credit rating?

- We will ask your permission before making a check on your credit history with a credit reference agency.
 - Our enquiry will show on your record with them and may affect how others subsequently use this information in granting credit to you.
 - If you fail to make payments on the due dates, we will register this with a credit reference bureau. This may affect how others view your creditworthiness.
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How do I make payments?

- To ensure that payments are made on the right date all payments must be made by Direct Debit. If we agree to take payment by any other means we may add an additional fee of up to 2% of the amount due.
 - We will send you an e-invoice detailing your payments to the address you supply at the start of the agreement. Any paper copies will be charged at up to £3.50 per invoice.
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How will I know how much I must pay?

- Your lease agreement will clearly state the payment amounts, number and frequency, along with the due dates.
 - Any service and maintenance agreement will clearly state what is included, the amounts, number and frequency along with due dates.
 - Any return conditions in your agreement will detail any additional fees or charges that may become payable at the end of the lease if the equipment is returned to us.
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What interest rate will I be charged?

- Interest rates used to calculate the payments are fixed at the outset and will not change once your lease commences.
 - Your payment amounts will be detailed on your lease agreement.
 - We do not disclose the interest rate used in calculating the payments.
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Are there fees payable?

- A documentation fee to cover part of the cost of setting up the agreement may be charged on the start date of the lease agreement. The amount payable will be clearly detailed in the agreement and will be included with the first payment amount.
 - An annual administration fee is due on each anniversary of the agreement. This amount is clearly detailed in the agreement and will be included in the relevant payment amount.
 - Any additional fees and charges applicable in the service and maintenance agreement will be clearly detailed in the relevant agreement.
 - Any return conditions will specify what charges or fees may be payable if the equipment is returned at the end of the lease, e.g. excess hours, low track/tyre depth, tyre type, damage beyond reasonable wear and tear.
 - Fees may be charged for various items during the term, e.g. for rescheduling payment dates, providing copy documentation or changing bank details.
 - Contact us for the current list of our charges and fees that may be applicable.
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Is there any VAT?

- DLL purchase the selected equipment from your chosen supplier and pay the net price you have agreed plus VAT.
 - VAT is charged to you at the prevailing rate on each payment as it falls due. We will send you an e-invoice confirming this and allowing you to reclaim the VAT element as part of your normal business returns.
 - Some fees may be subject to VAT at the prevailing rate
 - Is there any commission payable to the supplier/broker?
 - Commission may be payable by us to the supplier of the equipment and/or your finance broker and/or any other connected party.
 - Details of any commission paid, including the amount and how it was calculated, can be obtained from the dealer/broker or DLL upon request.
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What if the equipment is faulty?

- In the first instance, you should speak with the supplier to see if they are able to rectify the problem or suggest another suitable remedy.
 - If the supplier is unable to resolve the issue you should contact us and we will take steps to try and resolve the issue.
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Who insures the equipment?

- The equipment must be insured, at all times, either on a fully comprehensive or all risks basis with us named as first lost payee.
 - You can arrange your own insurance and must provide us with evidence to this effect within 30 days from the start of the agreement or as we request from time to time. You also authorise us to handle any claim on your behalf and agree that the insurance company may pay any settlement proceeds directly to us.
 - If you fail to provide evidence of suitable cover, we have the right (but not the obligation) to include the equipment on our insurance policy for all or any portion of the term of hire.
 - If we decide to include the equipment on our insurance policy, we will charge you a fee which includes any premium and other amounts we must pay to the insurer as well as an administrative fee on which we may make a profit. The fee shall be in addition to each payment amount due and shall be payable at the same time.
 - You must notify us immediately if any damage or loss occurs and we will handle any claim to be made under our insurance policy.
 - A copy of our insurance policy summary will be given to you at the start of the agreement.
 - If at any point during the term you insure the equipment on your own insurance policy, and you provide us with evidence that the policy is valid and in force, we shall arrange termination of cover for the equipment under our insurance policy.
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Can I end the agreement early?

- There is no right to unilaterally terminate the lease agreement early.
 - If you wish to discuss terminating the lease before the end of the term you can do so by contacting us and we will consider your request and advise you of your options.
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What happens if I miss a payment?

- Making timely payments on the due date is a strict condition of the agreement and why we collect payments by Direct Debit from your bank.
 - Failing to make payments on the due dates will mean that you have broken the terms of the agreement.
 - Contact us if you expect to miss a payment to see if we can help.
 - If you fail to make a payment on the due date, we will contact you to discuss your options to bring the agreement back up to date.
 - Failing to make a payment on the due date can affect your credit rating. This may have severe consequences on your ability to obtain future credit. It may make future credit more expensive.
 - We may take action to recover the equipment and any associated costs.
 - Full details of the consequences of missing a payment are outlined in the agreement.
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What happens at the end of the Finance Lease?

We will contact you at least three months before the end of the lease to confirm your option(s) which may include:

- Continuing to rent the equipment.
- Returning the equipment to us.
- Acting as our agent to dispose of the equipment to an approved third party purchaser.
 - Where you act as our agent to dispose of the equipment you will be entitled to a significant share of the sale proceeds.

Where you have an option to continue to rent the equipment it will be on one of two methods:

- For minimum term leases – continue paying the same rental amount on the same frequency until terminated by you; or
- For fixed term leases – on paying an annual nominal rental in advance until terminated by you.
 - When equipment is returned to us it must be at a location we choose (normally the original supplying dealer) and in a condition that meets any stipulated Return Conditions agreed at the start of the lease.

What are the return conditions at the end of the lease?

If any Return Conditions have been agreed then:

- The equipment must be returned to us at the end of the term in accordance with a set of conditions specified at the start of the lease.
- You must ensure you understand and agree with the return conditions before you sign the agreement.
- If the equipment does not meet the specified condition, additional fees and charges will be levied to compensate us for, e.g. excess hours/mileage, reduced tread/track depth, non-compliant tyres, damage beyond fair wear and tear.

What if I fail to return the equipment on the due date at the end of the lease?

- Failure to return the equipment to the location specified, and in the condition required, may result in legal proceedings including court action. Additional associated costs may also be incurred and be due from you.

Contact

T 01923 810016

E csd.uk@dllgroup.com

www.dllgroup.com/gb/en-gb/contact-us

De Lage Landen Leasing Ltd

PO Box 430

Watford, WD18 8EZ

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