



**TREASURY COMMITTEE INQUIRY INTO ECONOMIC IMPACT OF  
CORONAVIRUS:  
WRITTEN EVIDENCE BY THE FINANCE & LEASING ASSOCIATION**

**About the FLA**

1. The Finance & Leasing Association (FLA) is the leading trade body for the UK asset, consumer and motor finance sectors. In 2019, FLA members provided £140 billion of new finance to UK businesses and households. Nearly £105 billion was in the form of consumer credit, accounting for over a third of all new consumer credit written in the UK. Over £35 billion of finance was provided to businesses (including £20 billion to SMEs) and the public sector to support investment in new equipment, representing over a third of UK investment in machinery, equipment and purchased software.
2. We have three urgent requests. Firstly, the Bank of England must open the Term Funding Scheme to non-bank lenders. Secondly, the Government must widen the eligibility criteria for the Covid-19 Corporate Financing Facility. Finally, the Government needs to remove the bureaucratic statutory impediments which prevent lenders offering quick and simple support to struggling customers.

**The FLA's interest in the Inquiry**

3. Unlike other past crises which were rooted in a single part of the economy, the coronavirus pandemic is all-encompassing, and this makes it harder for the Government to target its response. Consequently, financial services play a key role as a support conduit for the whole economy.
4. FLA members are committed to supporting their customers over the coming months to ensure the economic viability of businesses and households, which should help reduce the adverse impact on the wider economy, including supply chains (e.g. the High Street and car dealerships) and the jobs they support.
5. Our members tell us that they continue to support new business whilst offering arrangements to support existing customers suffering income shocks, for example by offering payment holidays and drawing up repayment plans. This is particularly important in the UK because, in many other Western economies, the State offers greater levels of income support.
6. It is therefore important that the Bank of England, HM Treasury (HMT), FCA, British Business Bank and Department for Business work together with funders to ensure that various support schemes and regulatory provisions are aligned. Some FLA members will be able to access to the Covid-19 Corporate Financing Facility

(CCFF) established by HMT and our bank members are eligible for the Bank of England's Term Funding Scheme (TFS).

7. However, two challenges need to be urgently addressed. The accreditation process for funders applying for the TFS needs to be swifter for smaller banks. If resources are a constraint, then the Bank could use some form of other benchmark as a proxy for accreditation. Secondly, the TFS urgently needs to be extended to non-banks – FLA non-bank members financed households and businesses to the tune of £52 billion in 2019 – to ensure that they can play their part in doing the right thing to help their customers.
8. We would also urge the Government to review the eligibility criteria for the CCFF, to ensure it has the widest possible reach.
9. Our members' ability to support their customers is constrained by the Consumer Credit Act (CCA). In many of the circumstances where forbearance will be needed, the CCA prescribes a cumbersome and time-consuming 'modifying agreement' to be made. Some relaxation of the modifying agreement requirements would give lenders greater flexibility in delivering the forbearance customers need.
10. The CCA also requires lenders to issue unhelpful and harshly worded letters to customers – for instance, a Notice of Sum In Arrears (NOSIA) has to be sent if a payment is not made by the due date even though the borrower may already have agreed a payment holiday or repayment plan with the lender. HMT is sympathetic to our concerns but the response to coronavirus has amplified both the problem and the need for an urgent solution.
11. We would be happy to give further evidence to the Committee as the Government's response to the coronavirus evolves.

**Finance & Leasing Association**  
**20 March 2020**