Industry Insight

BVRLA

Leasing Outlook

Apr 2025

On hold

Leasing customers extend contracts and delay replacements

Quarterly report
Van leasing and personal contract hire suffer double digit declines

Market spotlight
VED changes will add £50 per month to lease rentals

Industry outlook
ZEV Mandate for vans looking unachievable

Opinion
Price parity hits in used EV market

In association with: AutoTrader | SOLERA Vehicle Solutions | cap hpi | fleet assist | asset finance connect

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Market Headlines

- **BVRLA fleet grows 0.65% year-on-year** (page 4)
- **Car fleet up 4.9%; van fleet down -10.96% year-on-year** (page 5&9)
- **BCH car fleet up 6% year-on-year; salsac up 61% YOY; PCH down -13.4% YOY** (page 5)
- **BEVs account for 54% of all new BCH cars; average new BCH car CO_2 emissions just 43.7g/km** (page 6)
- **74% of all new BCH car contracts and 66% of new van contracts include maintenance** (page 7)
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- **LCV fleet falls for fourth successive quarter to 461,673 vans** (page 9)

Executive Panel

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Each quarter, we obtain the views of a selection of members of our Executive Panel to enhance our report insights. To join the panel email Phil Garthside at **phil@bvrla.co.uk**.

Market Summary

Leasing firms face a stagnating market while dealing with a host of difficult challenges.

Extension, postponement, delay… leasing executives have a thesaurus of terms to describe how customers are choosing to stick rather than twist when it comes to replacing their vehicles.

Both business and private customers are holding off change as budgetary constraints and economic uncertainty prey on their minds. These outlooks are most evident in the van and personal contract hire car markets, which have both suffered double-digit, year-on-year declines.

The business car sector has proved to be more resilient, at least for contract hire, although it remains extremely price sensitive. Employers are having to recalibrate their company car policies to reflect the inflation that has hit lease rentals, effectively forcing drivers to accept an element of compromise in either the brand or size of car they choose.

The benefit in kind treatment of zero emission cars has maintained the transition to electric car fleets, although the new wave of plug-in hybrids with longer battery-powered ranges are still finding an audience. Leasing companies say possible emissions testing changes, that would impact PHEV CO2 levels, and in turn, their tax treatment, are yet to dilute demand.

Salary sacrifice schemes once again delivered the most impressive year-on-year growth figures across the BVRLA lease fleet, rising 61%. This remains a buoyant sector of the market, with leasing executives reporting that some employers are migrating their perk company car drivers to salary sacrifice schemes. The bulk of last year's growth, however, appears to have come at the other end of the market, where the arrival of lower priced electric cars has provided a gateway to zero emission motoring for thousands of lower paid workers.

The growing volume of used electric vehicles generated by business contract hire and salary sacrifice agreements, remains the number one concern for leasing companies. After a torrid 2023 and 2024, used EV prices enjoyed a couple of months of calm at the end of last year, stabilising at about the same level as their petrol and diesel equivalents, but baking in the heavy depreciation pattern suffered by the technology. How long this calm lasts is uncertain, with higher volumes of end-of-lease EVs putting pressure on residual values.

Used prices also remain vulnerable to wider market pressures. Chief among these is the Zero Emission Vehicle Mandate, which is interfering in the economics of supply and demand as manufacturers react to pressure to increase their EV sales. This led to higher discounts and distress marketing in the final quarter of last year, both of which jeopardise used EV values.

The Government has now introduced greater flexibilities for OEMs to meet their mandate targets for both cars and vans over the next five years, although it is not clear how manufacturers will react. With the respective 2030 and 2035 phase out date for the sale of pure petrol or diesel cars and vans now set in concrete, the Government has provided certainty to the supply side of the automotive industry, but with no retail incentives for new or used electric vehicles the demand side of the private market remains unsupported.

All the evidence from the new vehicle market shows that drivers need financial incentives to make the transition to EVs, yet these are entirely absent from the used vehicle market. Even the vehicle excise duty exemption for EVs disappeared from April 1, and with the majority of electric cars likely to be subject to the expensive car supplement as well, leasing companies will be forced to pass on an additional £50 per month in lease rentals. Executives are deeply frustrated that there will be absolutely no financial weapons in their armoury to encourage used car buyers to consider an EV after the end of March.

The development of second-life leasing products and a positive narrative around the phenomenal longevity of batteries can start to counter negative press attitudes to EVs, but leasing executives believe that only significant financial incentives can deliver a step-change in used EV desirability.

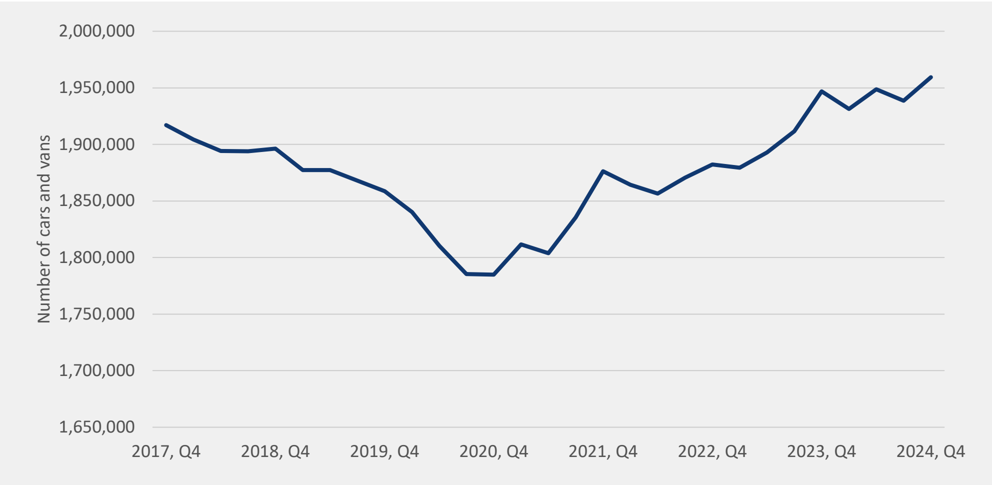
The electric light commercial vehicle market needs just as much thought and investment to encourage business users to turn their backs on dependable diesel. Demand for eLCVs from most customers spans the spectrum from minimal to non-existent, prompting a groundswell of opinion that the ZEV Mandate for vans is simply unachievable, although greater flexibilities in meeting the conditions of the mandate and confirmation that OEMs will still be able to sell diesel vans until 2035 provides more time for product improvement.

The inability of eLCV sales to gain traction is happening even as the cost of new diesel vans is proving prohibitive, prompting customers to extend the leases of their current vehicles well beyond standard holding periods. The costs and extra complications of switching to electric vans seem inconceivable to many, especially as product suitability and the charging network lag where they need to be.

As if the traditional supply-demand risk challenges of leasing, and the transition to an entirely new propulsion technology weren't enough, leasing companies risk being engulfed by the Supreme Court's review of commission disclosure in automotive finance agreements. Major players are preparing for whatever the outcome of the case will be, and all companies that sell via brokers have re-examined their documentation and practises. An unfavourable verdict from the Supreme Court would make 2025 an even more challenging year.

BVRLA Fleet Focus Q4 2024

Vehicles operated by BVRLA members



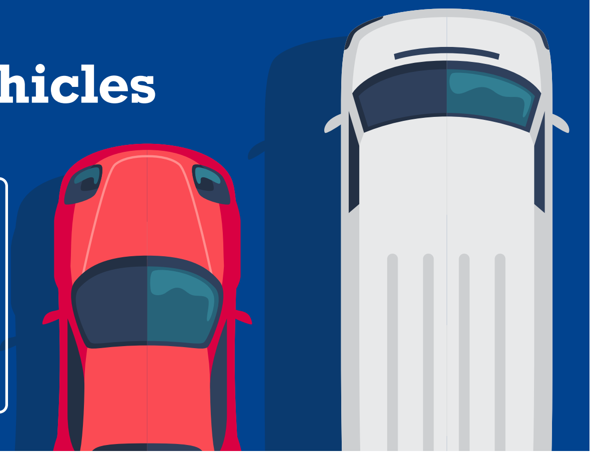
Overall fleet

Total fleet 1,959,468 vehicles

(+0.65%, Q4, 2024 VS Q4, 2023)

Share of total fleet

	Q4 2023	Q4 2024
Cars	73%	76%
Vans	27%	24%



Car leasing drives growth

The size of BVRLA members' combined car and van fleet achieved a six-year high in Q4, 2024. The 0.65% uptick in volume is a surprise, amid widespread industry reports of business and retail customers holding off the replacement of vehicles due to economic uncertainty and cost-of-living pressures.

The car fleet in Q4, 2024 was 4.86% higher than Q4, 2023, and comfortably ahead of last year's 2.6% increase in the UK's wider new car market. Business contract hire drove the growth, up 6.6% year-on-year, offsetting a 12.9% decline in personal contract hire.

Van leasing volumes fell sharply, almost 11% lower than at the end of 2023, despite a 3% rise in the number of LCV registrations during the year.

TREND

+69,407

YEAR-ON-YEAR INCREASE IN NUMBER OF CARS ON BVRLA LEASE FLEET

Car and van fates diverge

The double-digit decline in vans on leasing company fleets in the final quarter of 2024 reversed a longer-term trend that had seen light commercial vehicles represent a greater share of BVRLA members' lease fleet.

While the size of the lease car fleet has grown year on year in every quarter since Q4, 2022, the van fleet has suffered three consecutive falls as customers balk at the cost of new vans and try to squeeze another year's service out of their existing vehicles. With supply readily available, the drop in numbers is caused by lower demand.

Even within the car fleet, the figures reveal widely varying demand between business and private customers (see page 5).

TREND

1,497,795

(+4.86%) CARS ON BVRLA LEASE FLEET

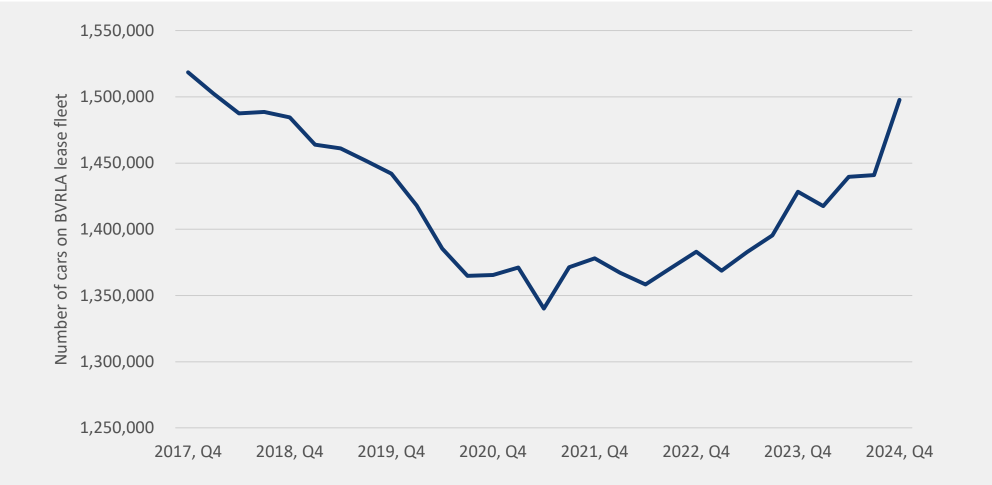
TREND

461,673

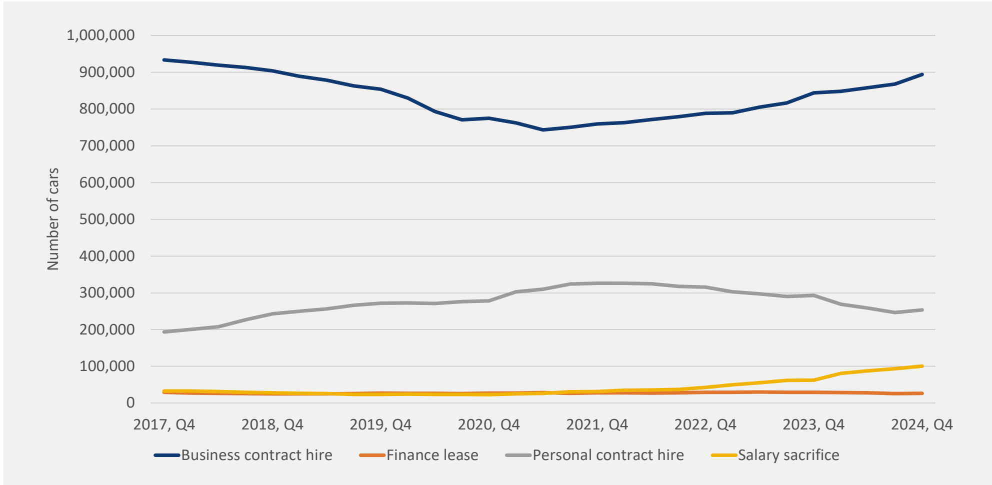
(-10.96%) VANS ON BVRLA LEASE FLEET

BVRLA Fleet Focus Q4 2024

Total car fleet



Vehicle funding alternatives



Business cars underpin growth

A surge in registrations in the last three months of 2024 saw BVRLA members' car lease fleet jump by 4% on the previous quarter and 4.9% year on year, continuing the largely positive trajectory since the height of the pandemic in 2020.

Drilling into the numbers reveals that the number of business contracts has grown year-on-year in every quarter since Q2, 2020, strengthening as supply has returned to normal, while consumer contracts have stayed roughly level in every quarter since Q3, 2022. If salary sacrifice volumes were excluded from the private figures, the delta between business and retail leasing would be even greater, highlighting the affordability issues impacting the consumer economy. The data echoes SMMT figures, which show private drivers accounted for 38% of new car purchases in 2024, down from 43% the year before.

TREND

1,123,388

(+6.2% YEAR-ON-YEAR)
CARS IN BUSINESS FLEET

TREND

374,407

(+1.2% YEAR-ON-YEAR)
CARS IN CONSUMER FLEET

Salsac numbers breach 100,000 mark

The meteoric rise of salary sacrifice schemes continued throughout 2024. Numbers were 61% up year-on-year to just over 100,000, with a sense that they might be even higher due to some agreements being recorded as business contract hire. There is no doubt that this funding method has allowed thousands of employees to access an electric car who would otherwise have been unlikely to do so.

In volume terms, business contract hire drives auto finance, while personal contract hire is struggling in the face of stiff competition from cutthroat PCP offers and household budgetary constraints that are diverting retail customers towards cheaper secondhand vehicles.

BVRLA members also reported a 12.8% year-on-year increase in fleet management services as business clients focus on reducing their vehicle costs.

TREND

894,304

(+6% YEAR-ON-YEAR)
BCH CAR FLEET

TREND

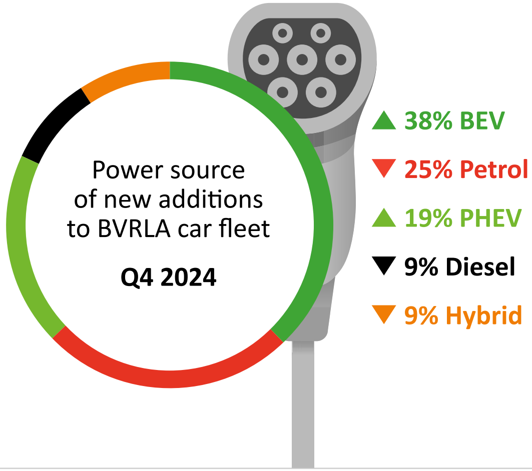
253,751

(-13.4% YEAR-ON-YEAR)
PCH CAR FLEET

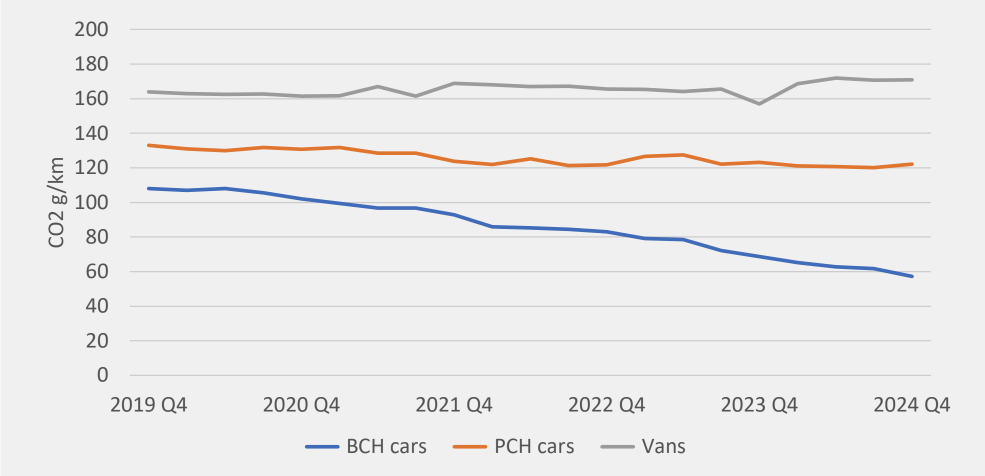
BVRLA Fleet Focus Q4 2024

Car fuel choices

	Q4 2019	Q4 2020	Q4 2021	Q4 2022	Q4 2023	Q4 2024
BEV	1%	5%	12%	21%	32%	38%
Petrol	35%	35%	36%	32%	26%	25%
PHEV	2%	6%	12%	14%	17%	19%
Diesel	54%	45%	32%	24%	15%	9%
Hybrid	7%	9%	8%	11%	10%	9%



BVRLA fleet CO_2 emissions



BCH drives EV demand

Company car drivers are yet to react to possible changes to the utility factors (the assumed share of driving done in electric mode) in plug-in hybrid vehicle emissions testing. If implemented, the changes will increase benefit in kind tax on PHEVs. PHEV market share grew year-on-year, with leasing companies reporting that SMEs and businesses with high mileage drivers still see a future for PHEVs, especially as the cars' zero emission ranges get longer.

Battery power has cemented its dominance of leasing, thanks to its lead in the business contract hire market, where it accounted for 54% of new orders in Q4, 2024.

BEV penetration of the personal contract hire market leapt from 16% in Q3, 2024 to 28% in Q4, as OEMs introduced offers to meet their ZEV Mandate targets. The uplift demonstrated the importance of financial incentives in stimulating EV demand among private drivers.

27%

SHARE OF PHEVs IN NEW ADDITIONS TO BCH FLEET

87%

SHARE OF EVs IN NEW ADDITIONS TO SALARY SACRIFICE FLEET

Company cars lead race to net zero

The gap between the emissions of business and private cars widened in the final quarter of 2024 as company car drivers maintained their migration to EVs. The average emissions of new additions to the BCH fleet in Q4 were just 43.7g/km compared to 103g/km for PCH cars, despite 28% of new PCH deals being for EVs, well ahead of the ZEV Mandate target. Some leasing directors see the remaining 72% of PCH drivers who stuck to petrol, diesel, PHEV or HEV cars as proof that the majority do not want an EV, but are prepared to switch if the offer is good enough. Company car drivers are certainly accepting the range compromises and charging inconvenience of EVs in return for the supportive benefit in kind tax treatment of zero emission cars.

Van emissions have stayed stubbornly high as businesses struggle to make electric LCVs work from either a cost or operational perspective.

TREND

57.3g/km

AVERAGE CO_2 EMISSIONS OF BCH CAR FLEET

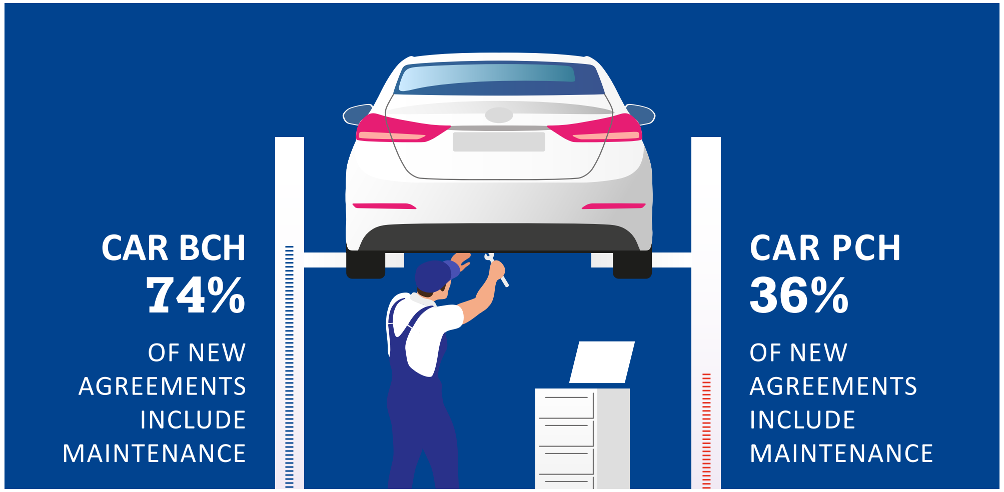
TREND

122.2g/km

AVERAGE CO_2 EMISSIONS OF PCH CAR FLEET

BVRLA Fleet Focus Q4 2024

Maintenance contracts - proportion of maintained fleet by funding method



Maintenance warning signs

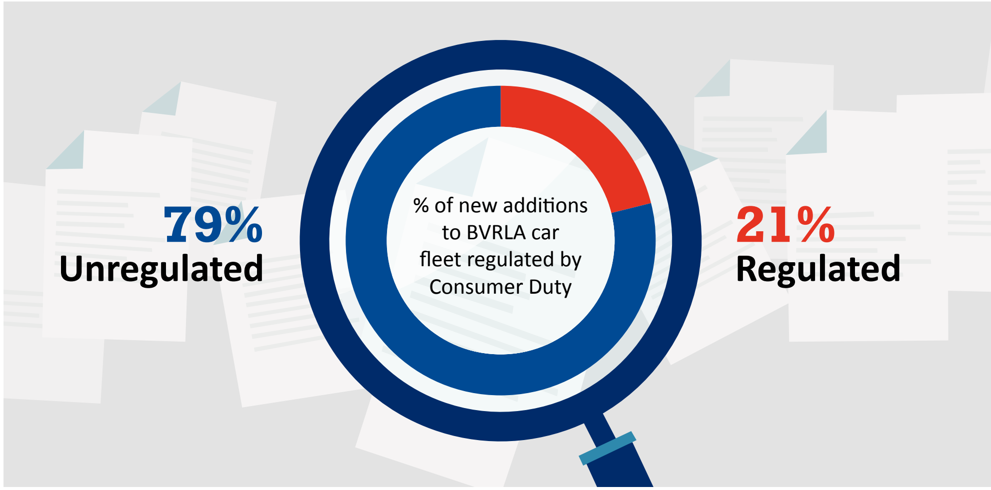
Cost pressures, whether on business bottom lines or household budgets, are prompting customers to explore shorter mileages and maintenance-free contracts. Both steps reduce lease rentals, but increase the risk that vehicles will be returned at the end of their contracts without a full service history, and with excess mileage on the clock, leading to difficult recharge conversations.

Meanwhile, maximising vehicle uptime has become a battleground between leasing companies. Limited workshop capacity has seen the average time between when a company car or van booking is created to when the vehicle goes in for work extending from eight days prior to the pandemic to 13-14 days, according to Epyx. The Association of Fleet Professionals reports that some van fleets are finding it “impossible” to book 4.25 tonne electric vans in for MOTs.

66%
OF NEW VAN BCH CONTRACTS INCLUDE MAINTENANCE

7%
OF NEW VAN FINANCE LEASE CONTRACTS INCLUDE MAINTENANCE

Regulated contracts



Commission disclosure impacts leasing

The fair value assessments that leasing companies have to conduct as part of Consumer Duty responsibilities have been extended as businesses prepare for the Supreme Court’s impending verdict on commission disclosure.

While all the cases that the Supreme Court judges are reviewing centre on hire purchase agreements, and not leasing contracts, leasing’s close adjacency will make the next few weeks key to how the wider automotive finance market fares across 2025 and beyond.

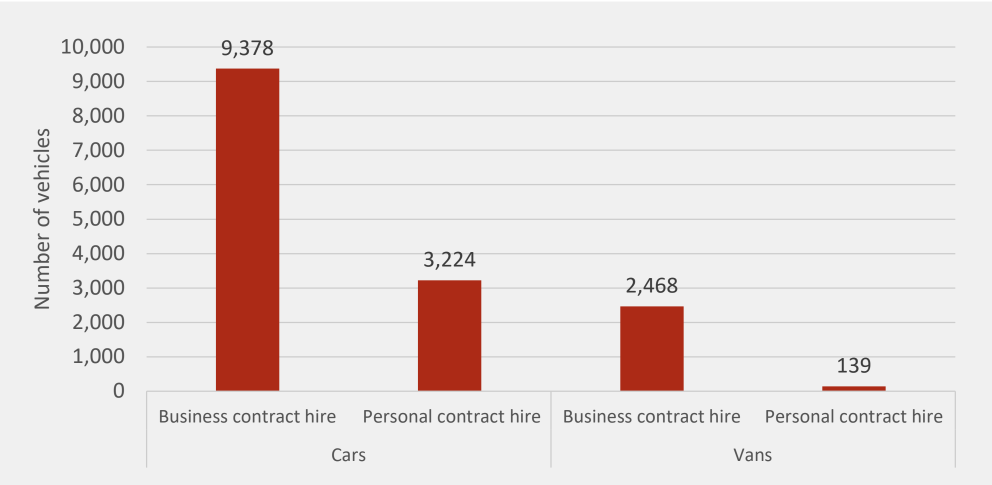
Leasing companies hope the Supreme Court will deliver final clarity around requirements for firms, and are ready to respond to any outcome.

3%
OF NEW VAN CONTRACTS ARE REGULATED

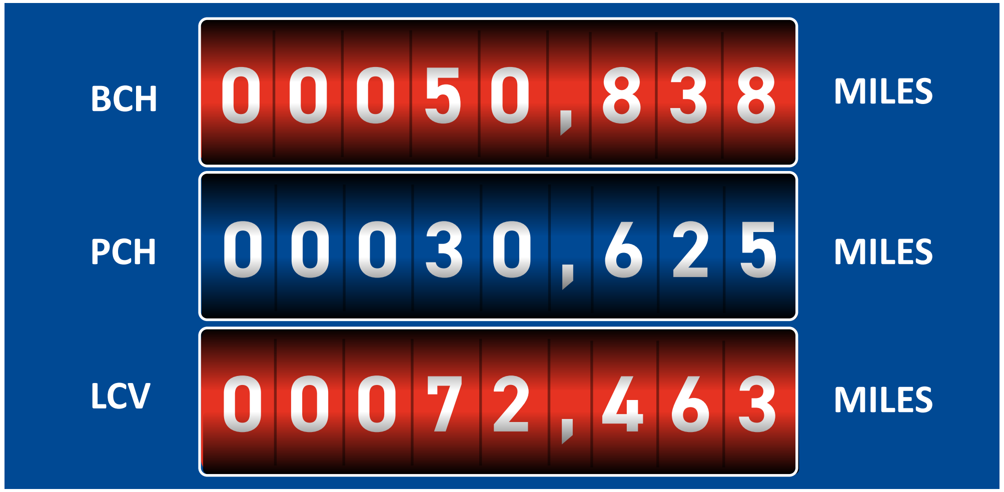
100%
OF PCH AGREEMENTS ARE REGULATED

BVRLA Fleet Focus Q4 2024

Used vehicle leasing



Contract mileage



Second-life leasing gets serious

An 8.5% increase in used car leasing volumes between Q3 and Q4, 2024, reflects the energy that certain companies are injecting into the development of second life leasing products. Total numbers account for less than 1% of the total BVRLA car lease fleet, but advocates see commercial opportunities in offering lower cost, secondhand electric cars to SMEs and private consumers, with salary sacrifice customers identified as prime candidates.

Success, however, appears to depend on automating the customer journey as much as possible, and industrialising the collection, inspection and refurbishment processes.

Growing confidence in the longevity of vehicle batteries is also encouraging leasing companies to extend leases to vehicles up to seven years old (a year before their OEM battery warranty expires).

TREND

3.5%

THE SHARE OF USED CARS AMONG NEW ADDITIONS TO THE PCH CAR FLEET

TREND

3%

THE SHARE OF USED VANS AMONG NEW ADDITIONS TO BCH VAN FLEET

Shorter terms and mileages

The term and mileages of lease contracts have become a movable feast as customers increasingly look to extend their existing arrangements. Delaying replacements has become a logical decision, with vehicles reaching the end of their original lease agreements in a reliable condition, the rentals of replacements being substantially higher, and the economy in an uncertain state.

For their part, leasing companies have been glad to extend electric car contracts as a means to avoid losses at disposal, while carefully assessing the financial implications of delaying the remarketing of ICE vehicles in a market where prices are normalising after the highs of recent years.

Despite these trends, leasing companies and customers are sticking to roughly similar durations and mileages when they price contracts, but with the expectation that terms may well be extended during the contract.

39 months / 47,000 miles

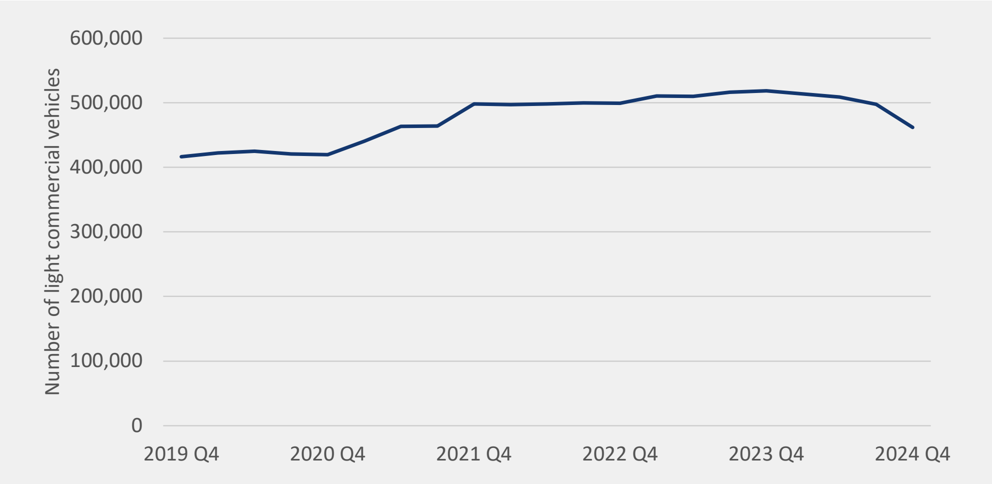
THE AVERAGE TERM OF NEW BCH CONTRACTS

37 months / 27,300 miles

THE AVERAGE TERM OF NEW PCH CONTRACTS

BVRLA Fleet Focus Q4 2024

Van fleet



Van fleet numbers decline

After seven years of almost inexorable growth, the BVRLA's van fleet declined in the second, third and fourth quarters of 2024.

Leasing companies attribute the fall to the dramatically higher cost of new vans, compared to the rentals of the vehicles they replace, and to customers taking a cautious approach to future investments in the light of economic uncertainty, and the inflationary impact of higher employer's National Insurance contributions. Consequently, customers are keeping their vans for longer and 'rightsizing' their fleets to avoid having costly, under utilised assets.

As for electric van uptake, leasing executives report minimal demand and as a result expect the LCV sector to fall ever further behind the levels stipulated by the ZEV Mandate.

TREND

461,673

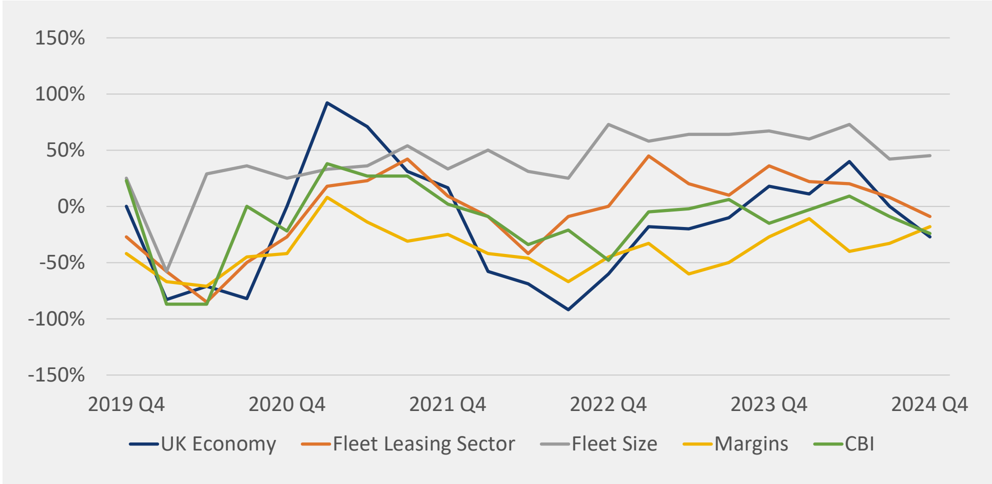
(-11% YEAR-ON-YEAR) VANS ON BVRLA FLEET.

TREND

-9.3%

YEAR-ON-YEAR DECLINE IN VAN BCH NUMBERS

Industry confidence



Vote of no confidence

There is only one confidence indicator where the leasing industry has a positive outlook – fleet size. In all other forecasts, leasing companies have a negative view of the future, with their view of the prospects for both the UK economy and the leasing sector even more gloomy in Q4 2024 than the previous quarter.

Last summer's brief boost to industry confidence, provided by the political certainty of a new Government with a sizeable majority, disappeared amid the pessimistic mood music of the Autumn Budget.

Customer demand is muted, residual value windfalls are shrinking as the used car market normalises, and the depreciation risks involved in supporting the electric car market are growing. Confidence is on a downward trajectory.

TREND

+45%

BVRLA MEMBERS' CONFIDENCE IN FUTURE FLEET SIZE

TREND

-18%

BVRLA MEMBERS' CONFIDENCE IN FUTURE MARGINS

BVRLA Member Outlook

The well-known analogy of a swan gliding on the surface of a lake, looking calm and in control, while paddling frantically underwater, seems appropriate for the vehicle leasing industry at the start of 2025. At first glance, businesses and private drivers still need cars and vans, interest rates have started a long, slow decline, and the selection of electric vehicles is growing exponentially.

Peer below the surface, however, and companies are facing a barrage of challenges that mean trading conditions are anything but normal. Electric cars face new costs, the economy is sluggish, a Supreme Court ruling on commission disclosure could have major ramifications for motor finance, there's continued negativity surrounding the residual values of electric cars, and across the light commercial sector there is a widespread reluctance to transition to electric vans.

The introduction of the £425 expensive car supplement from April 1 to any electric cars that cost more than £40,000 – which accounts for two-thirds of EVs according to evdatabase.org – has created havoc for lease quotations, with companies having to calculate two different prices manually to reflect the difference in cost between cars registered before or after the end of March. Adding irrecoverable costs to leases is a sure-fire way to prompt customers to extend current contracts in a bid to spread the impact, delaying replacement cycles and postponing the transition to new zero.

Moreover, from the start of their second year, 'expensive' electric cars will also have to pay £195 Vehicle Excise Duty, in addition to the £425 supplement, a £600 annual hit that will add £50 per month to lease rentals.

The longer term impact of the VED increase for electric cars could be even more damaging, weakening by £600 per year the one obvious area where battery-powered models have a financial advantage over petrol and diesel cars. The current cohort of first generation EVs reaching the end of their fleet lives have woefully underperformed their original residual value forecasts, leaving leasing companies nursing sizeable losses at disposal.

Executives describe as 'misleading' market data that shows used EVs are selling in record numbers. Yes, more used EVs are selling, but this is merely a consequence of greater supply, not greater demand. Vendors are having to accept price parity between used EVs and used petrol models, despite battery-powered cars having cost 52% more than ICE cars in 2021 at the start of the leases that are now coming to an end, according to JATO Dynamics. New EVs today still cost about 20% more than equivalent ICE cars, so residual value parity between the technologies is baking higher depreciation into leases for zero emission vehicles.

And used EV supply is growing, inflated by the ZEV Mandate. This caused major price distortions towards the end of last year as manufacturers introduced discounts to achieve the required percentages of EVs in their total sales. Whether a similar situation develops again this year depends on how OEMs react to the new flexibilities that the Government has offered to help them meet the terms of the mandate over a longer period. But manufacturers are still under pressure, with only five years to transition 100 percent of their car sales to electric, hybrid or plug-in hybrid technologies.

Discounts and offers have a negative impact on residual values, and leasing companies have been factoring higher depreciation into their lease rentals for several months. Faced with substantially higher lease rentals for most new vehicles (except for spot deals based on short-term heavy discounts), both businesses and private

Car and van fleet forecast

	Q4 2024	Q1 2025 forecast	Q2 2025 forecast	Q3 2025 forecast	Q4 2025 forecast	Forecast change Q4 2024 to Q4 2025
CAR	1,497,795	1,507,937	1,507,112	1,508,777	1,509,494	0.8%
LCV	461,673	462,909	462,822	462,333	461,901	0.0%
TOTAL	1,959,468	1,970,846	1,969,934	1,971,109	1,971,395	0.6%

Car fleet forecast by fuel type

	Q4 2024	Q1 2025 forecast	Q2 2025 forecast	Q3 2025 forecast	Q4 2025 forecast	Forecast change Q4 2024 to Q4 2025
Petrol	379,901	373,707	367,422	358,704	349,123	-8%
Diesel	127,480	123,213	118,317	113,362	107,148	-16%
BEV	572,372	605,759	644,858	689,124	741,796	30%
PHEV	278,054	289,542	305,646	319,452	333,396	20%

BVRLA Member Outlook

customers are attempting to postpone replacements, delaying the progress of the UK car parc's progress to net zero. When leasing customers do bite the bullet, the supportive benefit in kind tax treatment of company cars means fleets and salary sacrifice scheme drivers are keeping faith with zero emission cars, but the fact that salsac customers are twice as likely to select an EV as personal contract hire customers underscores the fact that many drivers need a sizeable incentive to switch to battery power.

The same logic applies to demand for used EVs, with no shortage of suggestions from leasing companies about the type of incentives that the Government might offer, ranging from a used EV grant to a cut in VAT on used EV prices, and VAT equalisation between home and public charging in order to reduce the costs of charging. There is widespread industry disappointment that the Government did not address the demand side of the EV sector in its recent changes to the ZEV Mandate. The sector hopes action will happen in the Industrial Strategy and Spending Review outcomes expected in the Summer.

Looking ahead, one new idea gaining traction is a residual value backstop that would act as a kind of insurance policy in case future values drop below a certain floor, although whether it would be a public or private enterprise that underwrites the risk is not clear.

Leasing companies also accept their own role in shoring up used EV values by broadcasting the positive driving and environmental qualities of EVs, celebrating the lower energy costs of home charging compared to petrol and diesel pump prices, and highlighting the robust nature of EV batteries. One major leasing company has tested the batteries of more than 8,000 ex-lease cars and found that their average state of health is 93% after traveling 44,000 miles (70,000 kms), and close to 90% after 125,000 miles (200,000kms). The fact that there is so little difference in battery performance between used EVs could be used as an argument against the need for state of health tests, but in a fledgling market any initiative that builds consumer confidence benefits everyone.

Battery resilience is certainly galvanising initiatives to develop second-life leases for EVs, which could provide meaningfully cheaper options for private drivers and salary sacrifice customers (although distress marketing initiatives by some OEMs chasing their ZEV Mandate targets means that recent leases for new EVs have sometimes been cheaper than for used EVs). Leasing firms are investing in efficient processes to refurbish vehicles and accurately describe their condition to potential customers, while initially restricting second-life leases to cherry-picked cars in perfect condition.

The bigger issue is that having been burnt once, leasing companies are now taking a far more prudent approach to their EV residual value forecasts, which means higher lease rentals for customers. The supportive benefit in kind tax treatment of zero emission company cars has been phenomenally successful in driving demand, but the massive gap in EV uptake between business and personal contract hire exposes the market's dependency on financial support. Without it, demand is half.

Leasing companies face further deflationary pressures on EV residual values as cheaper battery-powered cars from new entrant manufacturers arrive. Technologically accomplished, these new brands are backed by dealer networks, service centres and centralised parts warehouses. Fleets and business users may still need a bit more faith in the ability of new entrants to ensure vehicle uptime, but salsac and private drivers already see the appeal of lower priced EVs. Leasing companies

Car and LCV fleet forecasts by funding method

Finance product	Q4 2024	Q1 2025 forecast	Q2 2025 forecast	Q3 2025 forecast	Q4 2025 forecast	Forecast change Q4 2024 to Q4 2025
BCH CARS	894,304	905,285	915,646	924,649	934,367	4%
PCH CARS	253,751	251,910	250,861	248,442	246,093	-3%
BCH LCVs	319,168	321,162	323,311	324,411	325,533	2%
PCH LCVs	5,063	4,943	4,860	4,632	4,532	-10%

BVRLA Member Outlook

with closer relationships to the new brands say their growth ambitions are formidable, although there is still a degree of industry caution over the long-term presence of these brands, given the geo-political relations between Europe, China and the USA. If the international trade war of tariffs intensifies, the UK could become an even more popular market for Chinese OEMs, bringing deflationary pressures to both new and used EV prices.

In its ZEV Mandate review, the Government did acknowledge that “a buoyant second-hand EV market is necessary to advance our ambitions to increase ZEV uptake,” and it pledged to monitor the health of the used market. Leasing companies are adamant that intervention will be essential to protect residual values, keep EV leases affordable, and maintain the momentum of the transition to net zero.

EV issues still seem some way off in the light commercial vehicle sector, where customers remain resolute in their preference for diesel. Steep inflation in the acquisition price of diesel vans has led to contract extensions beyond traditional holding periods, and while leasing companies report that discounts are starting to return to the market, an almost doubling in both the price and delivery charges of vans means much higher rentals.

As for switching to electric vans, leasing company executives are increasingly forthright in their views that the vehicles are simply not fit for purpose for too many applications. Beyond last mile urban deliveries, where courier firms have depots and customer bases calling for zero emission partners, businesses cannot make the cost or operational compromises of eLCVs work for them. Range, payload and a lack of clarity over the derogation that allows a driver with a standard B licence to drive a 4.25 tonne eLCV, are all conspiring against a switch to battery power. Some leasing companies even report that early eLCV adopters are reviewing their electric commitment, having lost too many hours of charging downtime during the working day.

The Government has now offered further flexibilities and concessions in the ZEV Mandate for vans. Leasing directors said without change the targets would have been unachievable unless manufacturers dramatically reduced the number of diesel vans they sell. Diesel vans will now be available to 2035.

Extending the duration of eLCV leases provides one way to reduce monthly rentals, but is proving difficult for many fleets with a greener disposition. Having electrified the ‘low hanging fruit’ of their vans with low range requirements, they are now turning their attention to higher mileage vehicles and finding that the battery warranty expires after 100,000 miles. This is a threshold the vehicles could easily breach before their third birthday, and while all early evidence suggests EV batteries will stay healthy for much longer, the residual values of eLCVs with out-of-warranty batteries is much lower.

“We won’t be breaching the warranty conditions on any of our electric cars or vans, because of the high cost to repair them,” said one director. This ball is firmly in the court of van manufacturers.

One ball that leasing companies are keeping a close eye on involves the disclosure of commissions on leases sold through brokers, following the recent Court of Appeal ruling in cases that involve FirstRand and Close Brothers. These cases all involved hire purchase agreements and are now being considered by the Supreme Court, where an unfavourable verdict for the banks would have a substantial impact on the automotive finance sector.

Leasing agreements are not under the court’s scrutiny, but leasing companies have nonetheless taken the initiative to ensure commissions are disclosed in regulated personal leasing products, and considering similar actions for unregulated business after the Court of Appeal indicated that a business customer could still be unsophisticated, and therefore vulnerable and require protection. The impact of commission disclosure so far, say leasing executives, has been minimal, with one dealer-backed company reporting a single customer who walked away from a finance offer due to the size of the commission, only to return when they couldn’t source a similarly flexible funding arrangement from their bank.

Given the scale and scope of all these industry challenges, the swan mentioned at the start of this review should be more accurately pictured paddling not on a calm pond, but a white water river.

Opinion - service, maintenance and repair

Karen Ewer – Operations Director, Fleet Assist

Fleet Assist's Operations Director, Karen Ewer looks at why service booking lead times may increase and the importance of monitoring battery health in fleet vehicles.

Could Connected vehicles increase lead times?

Greater focus from fleets on vehicle 'uptime' is driving a change in the way garage performance should be viewed. Historically the time between the requested booking and actual booking date has been a key measurement and indication of workshop capacity. So, can extended booking lead times be seen as a positive rather than a reflection of garage capacity issues?

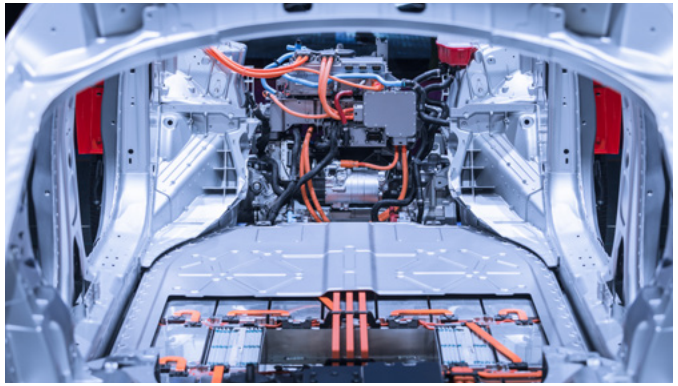
Increased visibility and usage of connected vehicle data will be a game changer, as proactive service scheduling becomes a reality. Increasingly fleets are using the data provided to prompt drivers well before their service due date and encourage them to make a booking in advance. As more fleets embrace 'proactive maintenance' regimes this will increase booking lead times, delivering improved processes and efficiencies for garages. Further positive outputs of utilising connected vehicle data are enabling the garage network to improve resource planning and provide the opportunity to pre-order parts in readiness for the vehicle's arrival, which in turn will reduce downtime.

ZEV Mandate battery warranty stipulations

As we follow the road to zero emissions and the applicable government mandates, we should focus on all aspects of the mandate. In addition to the emission requirements battery performance forms a critical part as listed below:

- 8 year/100,000-mile battery/drive train warranty (whichever comes first).
- a commitment to replace the battery if it falls below 70% capacity within the window.

As we predicted focus on battery health is becoming ever more heightened, given the mandate that used buyers will require visibility of battery SOH (state of health). With this in mind an open agenda item for Fleet Assist and all fleets is to identify how connected vehicles and the after-sales garage network can support battery monitoring during a vehicle's life and ensure its performance is in line with mandate conditions.



Secondary / extended lease terms

Previously we have discussed the potential impact of brakes and suspension wear particularly on BEVs, where they are operated on a secondary lease or extended term. Our earlier predictions appear to be correct. When analysing our data, the propensity for suspension work on BEVs aged between 36-48 months is currently running at double that of the equivalent ICE vehicles. This may have an impact on maintenance budgets and be considered on extended and secondary lease vehicles.

New OEMs and SMR aftersales support

With the increase in emerging OEMs, particularly in the BEV LCV sector, having a robust garage network and strong parts distribution network in place is essential and should form part of a decision for a fleet to operate any new OEM.

Attention also needs to be given to the increased weight capacity these new BEV LCVs will bring into the market, and the impact this will have. Existing legislation states that electric vans with a weight over 3.5 tonnes are classified as HGVs and are required to undergo their first MOT test one year after they have been registered, followed by annual inspections. This alone has its challenges, as these are more rigorous tests compared with the current class 7 MOT, test centres are limited, and most are unable to facilitate BEVs. This will undoubtably lead to further garage congestion, increased downtime and booking lead times.

To combat this issue, we are hopeful the Department for Transport (DfT) will reclassify these vehicles to enable them to follow the same process as current LCVs with Class 7 MOTs. With more sites currently able to undertake Class 7 MOTs, centre congestion and vehicle downtime will be reduced. This change may also bring cost saving and operational benefits, with the statutory fees for Class 7 MOTs being lower than those for HGV tests and routine scheduling being made easier for the fleet operator.

Opinion - Understanding BEV growth

Dylan Setterfield - Head of Forecast Strategy, cap hpi

Volumes of used battery electric vehicles hit another new record in February. Our sold vehicle volumes at cap hpi reached 10,101 units in February, surpassing the previous month's record of 10,077 trade cars in the final days of the month. March will almost certainly be another new record.

Overall volumes will continue to increase. February 2025 was almost double the total from 2024, which in turn was more than double 2023 levels during the same month. Some in the industry have referred to a "tsunami" of used BEVs hitting the UK market in future and some have talked of exponential increases in levels of used electric cars going forward. The former is a partially suitable metaphor, but the latter is simply untrue.

A tsunami is defined as "an unusually large sea wave produced by a seaquake or undersea volcanic eruption". The wave is unstoppable, increasing in visible size while approaching land as the seabed shallows and causing damage when it finally hits the shore. We saw "unusually large" increases in BEV penetration from 2019 onwards. The market share for battery electric cars more than doubled and then quadrupled in 2019 and 2020 and then increased by a further 75% the following year. Since then, however, proportional increases have been much more modest; like a tsunami, the effect will start to reduce until something like normality is resumed.

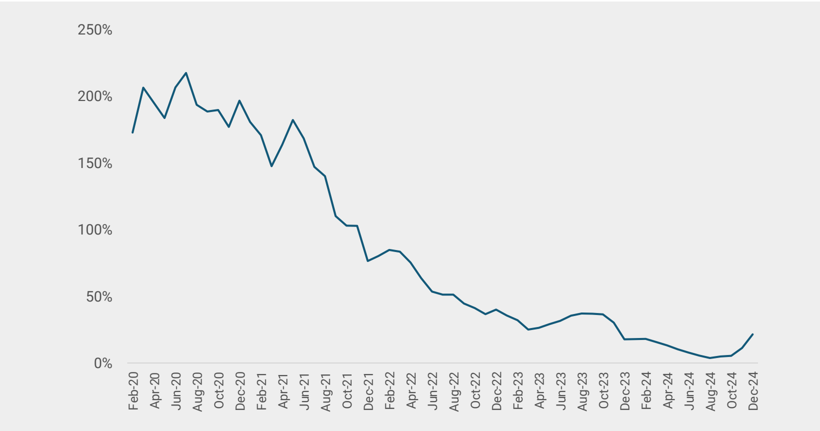
Overall volumes will continue to increase, but not at the rates seen in recent years. BEV market share was flat from 2022 to 2023, and volumes last year were up by just over 20% compared to 2023. Exponential increases in used volumes of electric cars are a reality. It's just that it has already happened.

Consumer demand remains strong for used BEVs. Those dealers who are participating in the market are seeing an increasing variety of models coming through into the three-year-old used car parc and selling them quicker than internal combustion engine cars, at higher margins. As we reported previously, car supermarkets had been leading the way, but independents are increasing recognising the profit opportunities and slowly returning to the fray.

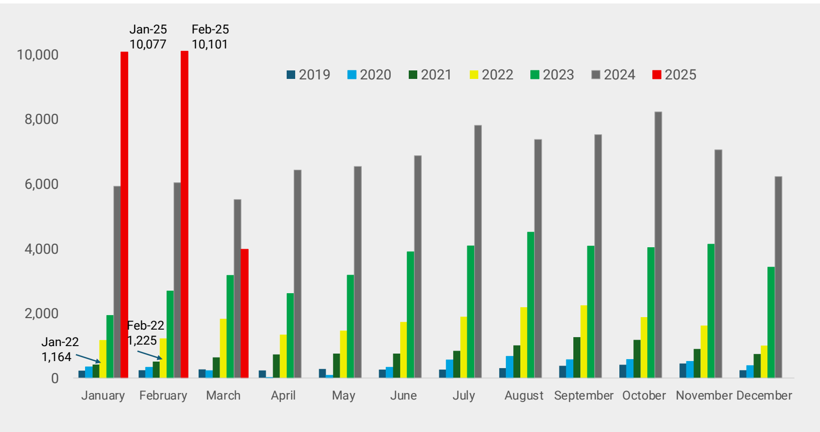
We will continue to have periods where supply and demand wax and wane in the coming years. For the last four months of last year, battery electric cars were the best performing fuel type and used values outpaced the rest of the market by more than 3%, but year-to-date they have underperformed by roughly the same amount. In fact, we have recently seen a short-term spike in volumes, partly driven by record Tesla Model 3 registrations at the end of 2021, but used values have fared much better than they did three years ago, when volumes were at less than an eighth of today's levels.

Even under the ambitious penetration levels assumed under the government's Zero Emission Vehicle Mandate, proportional increases in future used BEV volumes will remain much more modest than those we have seen over the past few years.

Battery Electric Vehicle Annual Sales Rate (YOY% Change) – Last 5 years



Battery Electric Vehicle Disposal Data Monthly Volumes 2019 to 2025



Opinion - UK car market

James Standing - Finance & Leasing Development Director & EV Lead, Auto Trader

2024 was a mixed year for the new electric vehicle (EV) market. Almost 382,000 new EVs were registered, a 21% increase from 2023, according to the SMMT. However, we know growth was mainly driven by fleet sales, with only 10% of new EVs sold to consumers, pointing to stagnant public demand. With a target of 28% for this year, both industry and government need to act to boost retail adoption.

Affordability remains a driver of growth

In contrast to the new EV market, the used EV market is seeing significant consumer demand, with demand for used EVs on Auto Trader rising 51% in 2024.

This rising demand is due to the comparative affordability of used EVs vs new EVs. Currently, a new EV costs 23% more than its petrol or diesel equivalent, down on 2024's 35% differential. The introduction of new, more affordable models such as the Renault 5, Dacia Spring and Leapmotor T03 helping to drive us closer to achieving price parity.

Price parity has however been achieved in the used market. The decline in used EV prices seen over the last two years means that many used EVs are at parity, and whilst this is good news for consumers, we know the impact is being felt in specific segments of the market.

The value presented by used EVs in both their upfront affordability and cheaper running costs is enticing an increasing volume of consumers with sales of used EVs up 57% in 2024.

Price is a clear stimulus for EV interest but not the only factor. Auto Trader data shows past government announcements, specifically around the ban of new ICE sales, can result in a significant rise in EV consumer interest.

Whilst these factors can drive interest, we do need to see more direct action from government to support adoption levels among the early majority of buyers.

New entrants

While these brands only sold 14,000 cars in the UK last year, this number is set to rise.

Some existing brands have already seen their market shares decline as brand loyalty has become less prevalent among consumers. In 2024, over two-thirds of new car buyers purchased their car from a different brand.

This declining brand loyalty is more emphasised in the EV market where over two in five new EV buyers purchased their car from a different brand to that which they previously owned. A key factor in this is weakening brand recognition caused by unfamiliar naming conventions.

BVRLA DATA HUB

For full data, visit the BVRLA data hub at:
https://www.bvrla.co.uk/resource/bvrla-data-hub.html

This report provides a consolidated view of the Quarterly Leasing Survey and the forward-looking Leasing Outlook report. In addition to the data highlights provided in this report, you can now access an extensive list of tables as part of the Quarterly Leasing Survey online, by following the link provided above.

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