Industry Insight

BVRLA

Leasing Outlook

Jan 2025

Storm warning

Leasing industry braces for the impact of falling EV residual values

Market spotlight
Adapting to new leasing strategies and creating second-life leasing products

Industry outlook
Court of Appeal commission ruling requires a thorough review of contracts

Quarterly report
Van fleet shrinks while salary sacrifice boosts car uptake

Opinion
Unintended consequences of the ZEV Mandate

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Market Headlines

- **BVRLA fleet grows 1.4% year-on-year** (page 4)
- **Car fleet up 3.3%; van fleet down -3.6% year-on-year** (page 5&9)
- **BCH car fleet up 6.3% year-on-year; salsac up 51% YOY; PCH down -15.1% YOY** (page 5)
- **BEVs account for 53% of all new BCH cars; average new BCH car CO_2 emissions just 61.3g/km** (page 6)
- **74% of all new BCH car contracts and 64% of new van contracts include maintenance** (page 7)
- **Used cars account for 12,481 lease contracts, and used LCVs for 3,435 contracts** (page 8)
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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

In mid-2024, Leasing Outlook data indicated that this might be the quarterly report to announce the BVRLA lease fleet had exceeded 2 million vehicles for the first time.

Instead, at the end of Q3, the total fleet had shrunk marginally, with both LCV and personal contract hire numbers undermining the gains made by business contract hire and salary sacrifice.

Leasing firms report that there is still steady demand in the market, but the price consciousness of customers has rarely been so acute. Lease rentals have risen by 30-40% over the past four years, pushed skywards by raised interest rates, higher vehicle prices, and greater depreciation.

Consequently, the opportunity to extend leases for both internal combustion engine and electric vehicles is proving popular with customers, and providing a lifeline for those leasing companies that are facing heavy disposal losses on EV. There are hopes that the apparently relentless decline in the used prices of EVs has now stabilised at about the same level as their ICE equivalents, but given that they have a price premium of 27% when new, the depreciation impact is obvious.

Mitigating these losses is the number one priority of leasing companies in what feels a little like a race against time, with the volumes of EVs reaching the end of their lease contracts set to increase significantly.

“The concerning factor is that used electric vehicle prices have dropped off a cliff, yet they're still around in relatively small numbers,” said one managing director. “In two or three years' time when they come back in far, far greater numbers, the problem might be worse because we're going to have to find a lot more people who want to buy a used electric vehicle.”

Financial support from the Government for the buyers of used EVs is urgently required to stimulate demand, shore up values, and ensure the industry can remain at the forefront of decarbonising the UK’s vehicle parc. Instead, the opposite appears to be happening, with EVs registered after April 2025 set to face a £410 VED supplement because their initial price was more than £40,000, and London due to remove the cleaner vehicle discount from the daily congestion charge.

Leasing firms are already avoiding sending their used EVs to market by developing second-life leasing products targeted at SMEs, salary sacrifice customers and private drivers. The strong early response has confirmed that price is the best way to stimulate demand in the used market.

The Budget’s confirmation of supportive benefit in kind tax rates for zero emission vehicles out to 2030 has been warmly welcomed by leasing companies, which now want to see a series of proactive measures introduced to encourage private new and used car buyers to choose electric powertrains.

With neither maintenance spend nor battery degradation proving to be an issue, the question facing leasing companies is how long to hold second-life EVs before remarketing them. Five to six years appears to be standard, so the vehicles can still be sold with a warranty on their battery, but firms are already eyeing holding periods of as long as 10 years, so long as the service and maintenance spend of EVs continues to be as promising as it currently appears.

Holding periods for electric vans, on the other hand, are being kept to traditional durations amid fears that a step-change in performance could render this current generation of eLCVs obsolete. Leasing firms are devoting considerable consultancy resource to help LCV customers electrify their fleets, with no off-the-shelf plug n’ play solutions available. Even so, the vast majority of fleet operators are restricting their electrification programmes to the so-called low hanging fruit – vans that can comfortably complete their daily duty cycles with no range or payload issues. Better product is still desperately needed, especially in the 3.5 tonne and pickup categories.

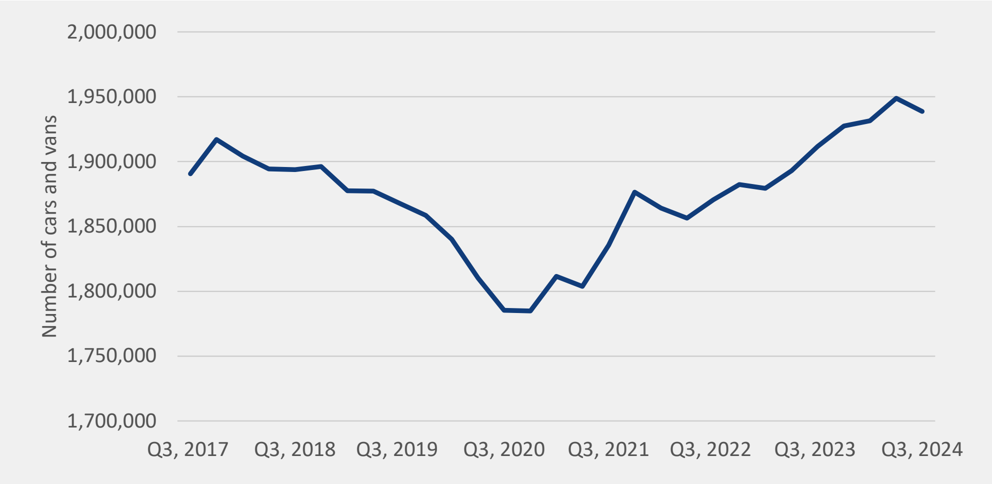
No executives think manufacturers will achieve the ZEV Mandate target for LCVs this year or next unless vehicle capabilities improve significantly and total cost of ownership models close the gap with diesel. Even diesel has suffered a substantial realignment of its used values over the past 12 months from particularly buoyant levels, and leasing companies are taking an even dimmer view of the prospects for used eLCVs, regardless of the position forecast by pricing guides.

The other major issue sprung on the automotive finance market in the last few months has been the Court of Appeal’s ruling on commission disclosure. While the three cases heard by the court all involved private individuals and hire purchase agreements, leasing companies and their lawyers have been examining the implications for business and personal contract hire. With an appeal due to be held around March, there is still widespread uncertainty among lenders, although a consensus is appearing that commissions should be disclosed in all regulated contracts. For non-regulated arrangements with business customers, leasing companies are taking subtly different approaches to commission disclosure requirements.

As for the year ahead, the ambition is for growth, with companies sensing positive demand in the market. The challenge is to deliver this on a sustainable basis, given the uncertainty over future EV values.

BVRLA Fleet Focus Q3 2024

Vehicles operated by BVRLA members



Overall fleet

Total fleet

1,938,585 vehicles

(-1% Q3, 2024 VS Q2, 2024)

Share of total fleet

	Q3 2019	Q3 2024
Cars	78%	74%
Vans	22%	26%

Modest growth for BVRLA lease fleet

A dip in van numbers restricted growth in the overall BVRLA lease fleet during the third quarter of 2024. Year-on-year, the combined car and van fleet grew 1.4% to 1,938,585, although this total was down on the previous quarter.

BVRLA members' car lease fleet was up by 3.3% year-on-year, thanks to fleet and business customers whose higher demand offset a decline in the personal market.

The van sector, however, was down by -3.6% year-on-year, after recording its third consecutive quarter-on-quarter fall. The shrinking fleet cannot be attributed to supply issues, given that the SMMT reported a 3.6% increase in new light commercial vehicle sales during the first nine months of the year, but there are accounts of customers forensically examining the need for each new van in the wake of the inflation that has hit the sector.

TREND

+26,295

YEAR-ON-YEAR INCREASE IN VEHICLE NUMBERS ON TOTAL LEASE FLEET

Vans become more important to leasing firms

The light commercial vehicle market has become more important to BVRLA leasing companies over the past five years. LCVs now account for 26% of the members' fleets, compared to 22% prior to the pandemic, so any fall in their numbers has a bigger impact on the overall fleet.

Companies report steady, unspectacular demand for new car leases, with the Government's growth agenda yet to trigger any noticeable uplift in business. Business contract hire has not kept up with the wider new car market, where fleet sales were 16.3% up during the first nine months of the year, according to the SMMT.

TREND

1,440,951

(+3.3%) CARS ON BVRLA LEASE FLEET

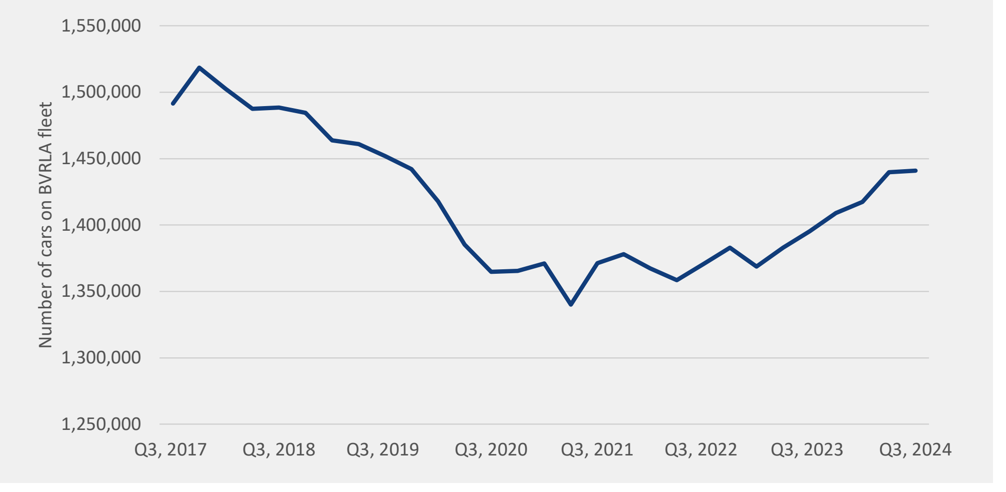
TREND

497,634

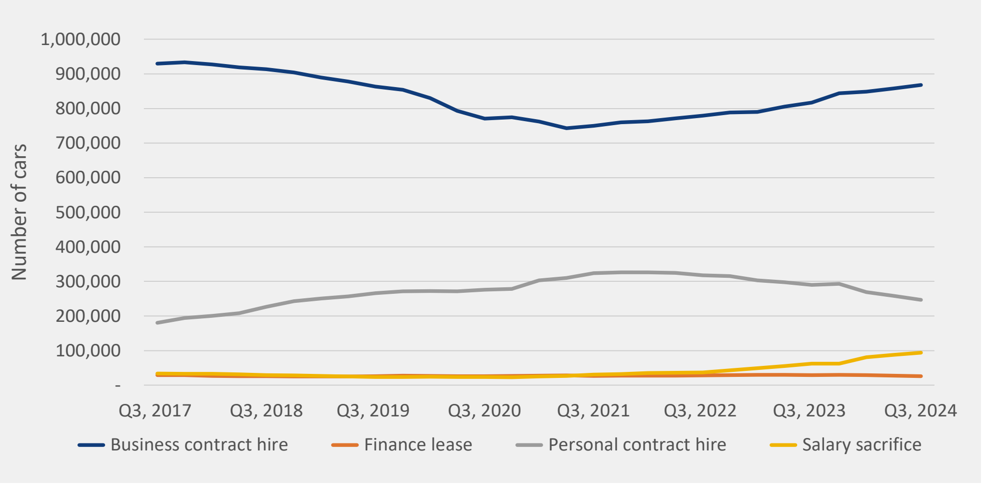
(-3.6%) VANS ON BVRLA LEASE FLEET

BVRLA Fleet Focus Q3 2024

Total car fleet



Vehicle funding alternatives



Car lease fleet grows 3.6% year-on-year

Business customers helped BVRLA members' car lease fleet maintain its upward momentum in Q3, 2024, on a trajectory that started at the end of Covid-19. Indeed, the contribution of business would be even greater if the BVRLA counted salary sacrifice as business not private cars (the SMMT treats them as fleet) – the drivers do pay benefit in kind tax.

The result is a slight shift in the shares of business and consumer clients across the fleet to 75:25, from 74:26 a year ago and 72:28 in Q3 2021.

Analysts suggest that the double-whammy of inflationary pressures and general economic uncertainty have made consumers wary of long-term financial commitments, whereas companies lease new cars for essential business reasons.

TREND

1,080,674

(+5.0% YEAR-ON-YEAR) CARS ON BUSINESS CAR FLEET

TREND

360,277

(-1.7% YEAR-ON-YEAR) CARS ON CONSUMER FLEET

Salsac and BCH offset PCH fall

An impressive 6.3% year-on-year increase in business contract hire car numbers offers evidence of healthy demand for BVRLA members' core business. BCH accounts for 60% of the lease fleet and has risen to levels not seen since the first half of 2019 before coronavirus struck.

The personal contract hire market, however, has been in almost uninterrupted quarter-on-quarter decline since the first three months of 2021, with vehicle price rises, higher interest rates and the cost-of-living crisis dampening demand. The -15.1% year-on-year fall in PCH numbers follows the shrinking volumes in the private new car market, where SMMT data tracked a -9.4% fall between January and September.

The stellar performer in the car sector continues to be salary sacrifice, up 51% year-on-year, as a new wave of smaller, cheaper electric vehicles and fledgling offers of secondhand EVs are making the environmental employee benefit accessible to lower paid workers.

TREND

867,985

(+6.3% YEAR-ON-YEAR) BCH CAR FLEET

TREND

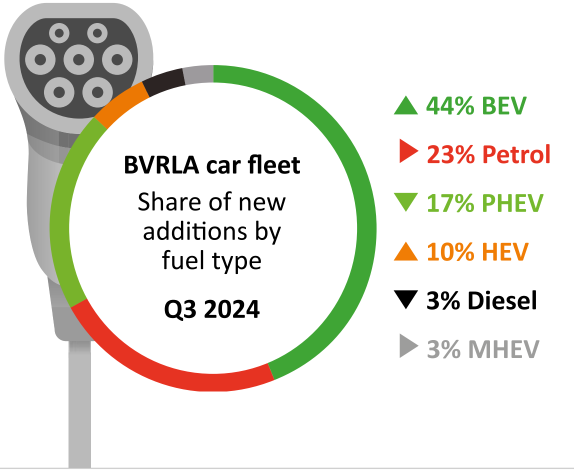
246,300

(-15.1% YEAR-ON-YEAR) PCH CAR FLEET

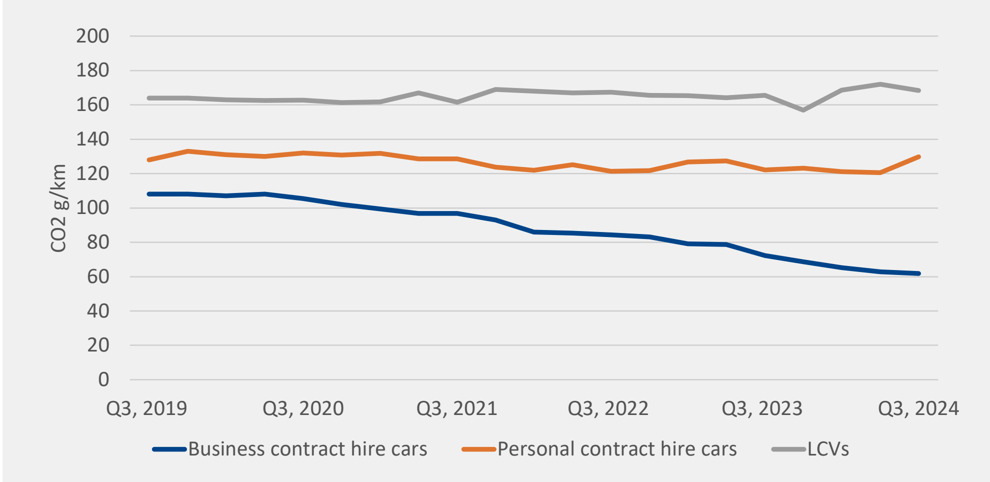
BVRLA Fleet Focus Q3 2024

Car fuel choices

	Q3 2020	Q3 2021	Q3 2022	Q3 2023	Q3 2024
Petrol	43%	40%	31%	23%	23%
Diesel	21%	11%	8%	6%	3%
BEV	15%	21%	33%	42%	44%
PHEV	7%	16%	14%	20%	17%
HEV	12%	8%	12%	6%	10%
MHEV	2%	3%	3%	3%	3%
FCEV	0%	0%	0%	0%	0%



BVRLA fleet CO_2 emissions



EVs dominate BCH market, but PCH lags behind

The transformation in powertrains of BVRLA members' car fleets has been dramatic. Over a four-year replacement cycle, electric cars have increased their market share to 65% in Q3 2024, from 17% in 2020. The improvement is testament to the supportive benefit in kind tax regime for ultra-low and zero emission cars. Battery electric models now constitute 37% of the total fleet, 53% of new business contract hire orders and 87% of new salary sacrifice orders. Plug-in hybrids represent 19% of the total fleet, and 17% of new orders, while hybrids have a 9% share of the total car fleet and account for 7% of new orders.

In the consumer market, however, BEVs represent just 16% of new orders,down from 21% last quarter, despite OEM offers and discounts. Without buoyant retail demand for new EVs, leasing companies are deeply worried about the future values of used EVs.

53%

SHARE OF BEVS IN NEW ADDITIONS TO BUSINESS CONTRACT HIRE FLEET

16%

SHARE OF BEVS IN NEW ADDITIONS TO PERSONAL CONTRACT HIRE FLEET

Emissions rise due to private drivers

An uptick in the average emissions of new additions to the BVRLA car fleet rings a cautionary alarm bell for climate watchers. If the figures included only business contract hire customers, they would show a continuation of the inexorable drive to net zero, with the average emissions now just 61.8g/km.

Instead, the car fleet average is 83.2g/km due to the personal contract hire market, where the emissions of new cars are actually rising. With SUVs representing six of the top 10 best selling models in the first three quarters of 2024, and only one of them available as a battery electric powertrain, it's clear that private drivers are not prioritising low emission cars, but instead selecting models and offers that most appeal, and the switch from diesel to petrol has pushed up tailpipe CO_2 further.

TREND

61.3g/km

AVERAGE CO_2 EMISSIONS OF NEW ADDITIONS TO BCH FLEET

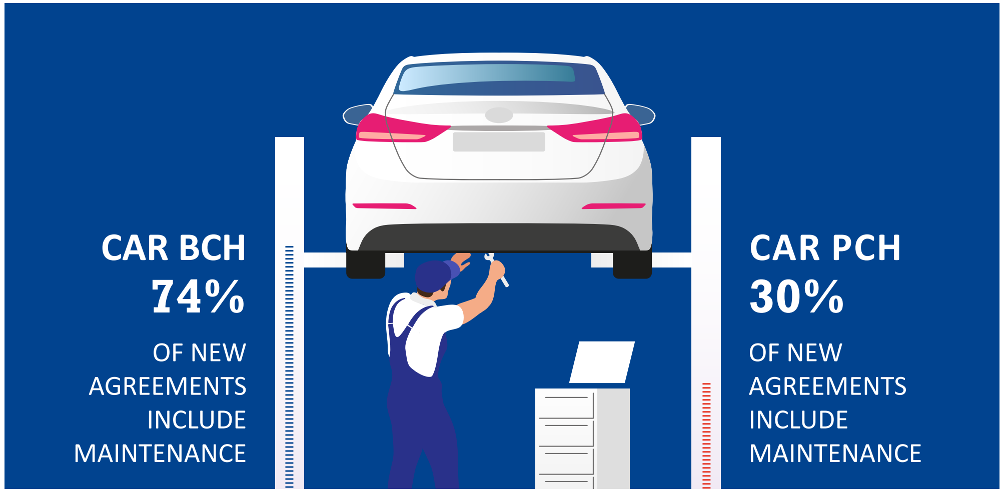
TREND

129.7g/km

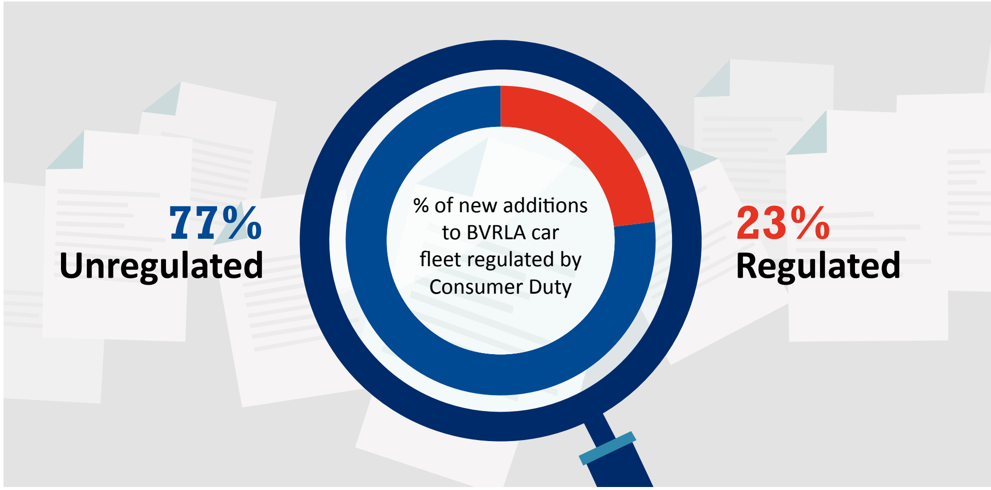
AVERAGE CO_2 EMISSIONS OF NEW ADDITIONS TO PCH FLEET

BVRLA Fleet Focus Q3 2024

Maintenance contracts - proportion of maintained fleet by funding method



Regulated contracts



Customers consider unbundling to cut costs

The cost of keeping cars on the road is under the microscope as leasing customers consider unbundling maintenance to save money. Few are yet to take this step, but the rising uptake of EVs might accelerate it. Initial indications suggest EVs are cheaper to service and maintain than their petrol and diesel predecessors and require fewer trips to the workshop, although their appointment times are longer due to safety protocols associated with high voltage batteries.

The cost of tyres across all vehicles is an area of concern in maintenance-inclusive contracts, with data from epyx showing the percentage of company cars fitted with larger, 18 inch-plus tyres has increased by a third in three years as drivers opt for SUVs.

64%

OF NEW VAN BCH CONTRACTS INCLUDE MAINTENANCE

100%

OF SALARY SACRIFICE CONTRACTS INCLUDE MAINTENANCE

Commission disclosure dominates compliance issues

Uncertainty swirls around the Court of Appeal's recent verdict regarding commission disclosure by car dealers. Will the Supreme Court uphold the ruling, how long will it take to decide after the March hearing, and what are the ramifications for any commissions paid to leasing brokers?

The FCA has confirmed the extended freeze on new motor finance complaints concerning discretionary commission arrangements, which now includes PCH as part of the review of other commission-related complaints. Leasing is core to motor finance and companies need certainty as soon as possible. The only certainty is that any eventual outcome that involved reimbursing customers for a decade's worth of commission payments would be financially crippling for the industry.

2.5%

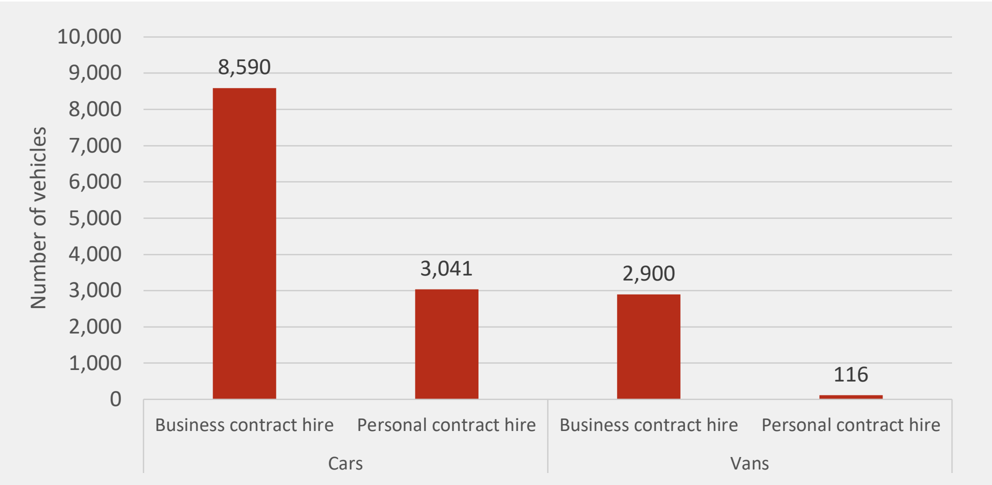
OF NEW BUSINESS CAR CONTRACTS ARE REGULATED

2.3%

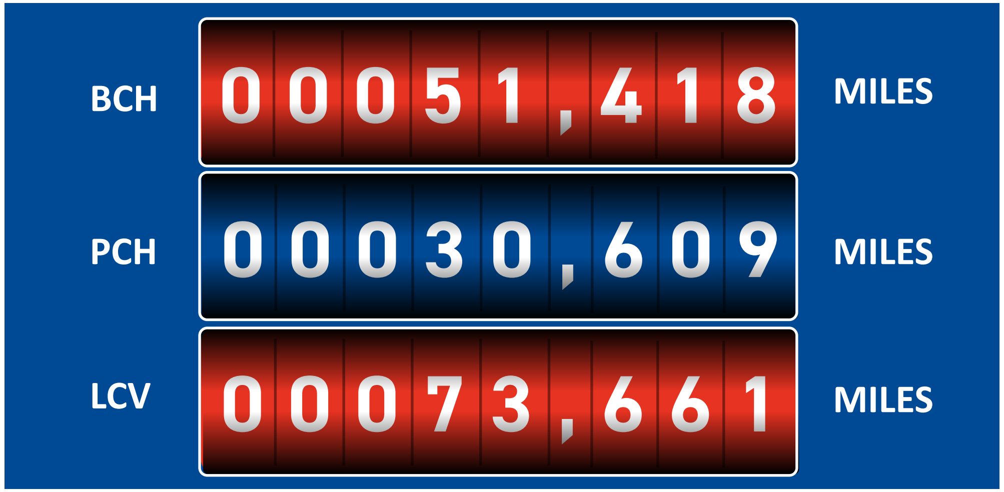
OF NEW BUSINESS VAN CONTRACTS ARE REGULATED

BVRLA Fleet Focus Q3 2024

Used vehicle leasing



Contract mileage



Second-life leasing expands

The law of unintended consequences is about to apply to EV sales as leasing companies devote considerable resources to contract extensions and second-life leasing. The sharp decline in electric vehicle residual values is forcing firms to keep hold of vehicles, mitigating depreciation over a longer period (while hoping the used EV market picks up).

This development will restrict the capacity of leasing companies to absorb the volumes of new EVs that manufacturers need to sell to comply with the ZEV Mandate. Corporate, salary sacrifice and personal contract hire customers are all reported to be keen on extended contracts and used EVs if this allows them to pay rentals well below the cost of new replacement cars.

Volumes remain modest, but the investment by leasing firms in this area indicates that numbers will rise sharply as more EVs reach the end of their first contracts.

TREND

12,481

THE NUMBER OF USED CAR CONTRACTS ON THE BVRLA FLEET.

TREND

1.37%

THE SHARE OF USED CARS AMONG NEW ADDITIONS TO THE BVRLA FLEET.

Lease terms shorten

The average mileage of leasing contracts continues to shorten as hybrid working practices embed themselves in employment culture. In the three years since this quarterly report started measuring contract terms, the average business contract hire mileage has fallen by about 6%, and the personal contract hire mileage is down by about 3%.

There are industry conversations about extending the first term of contracts, due to shorter mileages and the cheaper maintenance of EVs, but the data shows a relatively consistent 39 to 40 months. It will be interesting to monitor whether this shortens as leasing companies calculate the optimum age and mileage to start a second-life lease, with firms planning to remarket EVs with at least two years' warranty on their battery packs.

39 months / 47,840 miles

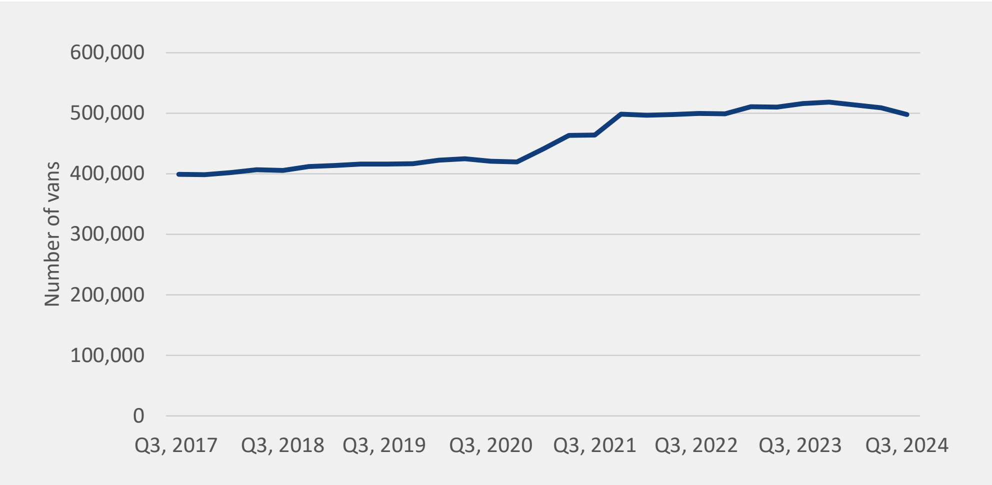
THE AVERAGE TERM OF NEW BCH CAR CONTRACTS

46 months / 75,280 miles

THE AVERAGE TERM OF NEW BCH VAN CONTRACTS

BVRLA Fleet Focus Q3 2024

Van fleet



Van fleet shrinks

The size of BVRLA members' van fleet shrank for the third consecutive quarter, falling below 500,000 vehicles for the first time since 2022. The -3.6% year-on-year decline to 497,634 vehicles came against the wider market backdrop of new LCV sales rising by 3.6% in the first nine months of the year, suggesting that leasing is losing share in the funding market. Electric van uptake remains extremely limited, and even leasing companies with eLCV penetrations above the ZEV Mandate attribute demand to a handful of major fleets trying to make the technology work. Closer analysis suggests this is limited to the smaller van sector, with regulations and capabilities making larger 4.25t eLCVs operationally unsuitable for the majority of applications. Government is now consulting on fully aligning 3.5t diesel and 4.25t eLCV regulations, a welcome move that could shift demand. Moreover, the Government's decision to start taxing double-cab pick-ups as cars for benefit in kind purposes is unlikely to help demand for this sector of the LCV market.

TREND

497,634

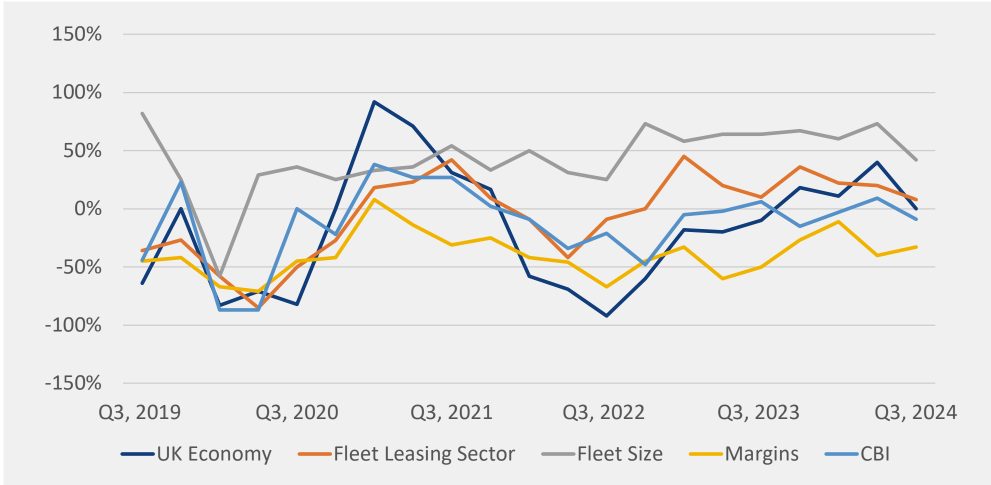
(-3.6% YEAR-ON-YEAR) LCVS ON BVRLA FLEET

TREND

-2.9%

YEAR-ON-YEAR FALL IN LCV BUSINESS CONTRACT HIRE

Industry confidence



Leasing firms lose confidence

Leasing industry confidence took a dive in Q3,2024, with the outlook for fleet size, the leasing sector and the wider UK economy all less optimistic than the previous quarter. The only uplift was in the forecast for margins, as residual values appear to have stabilised after months of decline, although even here companies have a negative outlook – just not as negative as before. With new vehicle lease rentals typically 30% to 40% higher than those of the vehicles they are replacing, leasing companies are under extreme pressure from customers to lower their prices.

The Bank of England expects to make four rate cuts in 2025, but borrowing costs have risen recently, despite its latest cut. Cheaper finance would help leasing companies to reduce lease rentals of new vehicles, and make borrowing cheaper for used car buyers, which would boost residual values, although it is still weak RVs and higher depreciation driving up lease costs.

TREND

+42%

BVRLA MEMBERS' CONFIDENCE IN FUTURE FLEET SIZE

TREND

-33%

BVRLA MEMBERS' CONFIDENCE IN FUTURE MARGINS

BVRLA Member Outlook

Like meteorologists tracking hurricanes, leasing companies are staring at the horizon and not liking what they see. There's a named storm coming, and its name is electric vehicle residual values.

So far, leasing firms have been able to weather the impact of the 60% decline in used EV prices since 2022 by offsetting the disposal losses with the proceeds of healthy prices for end of contract petrol and diesel vehicles. But this has only been possible because EVs constitute barely 10% of their defleeted vehicles.

Looking ahead, EVs now represent 37% of BVRLA members' total lease fleets and 44% of new additions, with some companies already well above the 50% threshold. The concentration of EV residual value risk in the business contract hire and salary sacrifice sectors is extreme, with leasing companies keen to see private motorists account for a greater share of the new EV market. But with Auto Trader reporting that new EVs cost on average 27% more than their ICE counterparts, and no incentives for private buyers to go electric, it appears as if the business sector will continue to consume the lion's share of EVs.

On the green side of their balance sheets, leasing companies can point to the dynamic role they have played in accelerating the decarbonisation of the UK vehicle parc. The average CO2 emissions of the BVRLA members' total leasing fleet continues to tumble, spurred on by the supportive benefit in kind tax treatment of zero emission cars.

But the fact that the average emissions of new personal contract hire cars is more than double that of new company cars – 129.7g/km versus 61.3g/km – speaks volumes about the absence of reasons for private motorists to select a new or used EV. And if they are showing minimal interest in new EVs, there's little hope for an uptick in interest among used car buyers, who will soon be presented with significantly higher volumes of secondhand EVs, as well as a VED bill for an extra £410 per year from April if the EV costs more than £40,000 when new.

Beyond supply and demand, there are further deflationary pressures on used EV prices. New electric cars and vans boast longer ranges and better technology, increasing the risk of rendering current models obsolete.

New entrant manufacturers are offering lower priced models, while legacy OEMs are trying to stimulate the market to hit their ZEV Mandate targets by deploying discounts that are so large they are destabilising residual values, creating a vicious circle whereby they need to keep increasing discounts to offset ever weaker residual values. The SMMT estimates that discounts have cost manufacturers £4 billion across 2024, a figure it says is unsustainable.

A glance at the pre-tax profits of the country's top 50 leasing companies reveals an equally troubling outlook, with returns declining by almost a third (31.6%) year-on-year, according to the FN50. The financial stability of leasing companies has become an area of enquiry for some large fleet customers, with one supplier saying that it had won a couple of large tenders in 2024 due in part to the formidable balance sheet of its parent.

Leasing executives are united in their call for Government support for used EV buyers, in the form of grants or VAT reductions, an equalisation of the VAT rate between home and public charging, and a positive communication campaign to promote EVs and dispel negative myths about battery degradation.

In the meantime, they are busy encouraging customers to extend existing EV contracts and developing second-life leasing products. Both moves are proving popular with customers keen to minimise their costs.

Evidence from the salary sacrifice sector, where an increasing number of lower rate tax payers is swelling the ranks of drivers, shows that it is price, rather than range or charging infrastructure (a growing percentage of salsac EV

Car and van fleet forecast

	2020 Q3	2021 Q3	2022 Q3	2023 Q3	2024 Q3	2025 Q3 forecast	Forecast change Q3 2024 to Q3 2025
CAR	1,364,848	1,371,425	1,352,991	1,395,407	1,440,951	1,484,998	3%
LCV	420,520	464,056	499,548	516,253	497,634	506,085	2%
TOTAL	1,785,368	1,835,481	1,852,539	1,911,660	1,938,585	1,991,083	3%

Car fleet forecast by fuel type

	2018 Q3	2019 Q3	2020 Q3	2021 Q3	2022 Q3	2023 Q3	2024 Q3	Q3,2025 forecast	Forecast change Q3 2024 to Q3 2025
Diesel	1,034,522	852,208	668,776	507,427	377,652	223,998	134,867	112,925	-16%
Petrol	355,757	476,191	464,048	466,285	479,014	414,995	375,316	356,414	-5%
BEV	4,609	9,991	42,310	137,143	222,704	388,332	531,519	724,763	36%
PHEV	68,173	80,388	72,337	150,857	190,428	209,198	267,240	369,011	38%

BVRLA Member Outlook

drivers cannot charge at home), that drives demand. Any special offers that lower the price of EVs to below £300 per month on salary sacrifice sell out rapidly, said one supplier, so the Government's decision on whether to follow the EU in imposing tariffs on Chinese OEMs, or whether to help consumers access the cheapest possible EVs, could play a significant role in the speed of EV adoption.

The question troubling leasing firms is whether the discounts required to offer new EVs at ultra-competitive rates further undermine future residual values.

Moreover, by extending contracts and developing second-life leasing products, leasing companies are reducing their demand for new EVs. This in turn will lower their capacity to absorb the volumes of new EVs that vehicle manufacturers need to sell to comply with the ZEV Mandate.

OEMs are applying pressure on fleet customers to match the EV percentages in their orders with those of the mandate, although certain larger leasing companies are managing to push back on behalf of clients by showing that the orders across their portfolios exceed the terms of the mandate.

The Budget's announcement of a significantly wider gap opening between the benefit in kind tax treatment of EVs and plug-in hybrids and hybrids has not yet translated to changes in fleet policy. As one executive pointed out, taxing PHEVs that emit as little as 1g/km of CO_2 at 18% of their list price from 2028 is still low by historic company car tax levels, and much lower than the driver of an ICE car will pay.

To persuade business and private drivers to leave the anxiety-free security of a hybrid and go fully electric in the numbers required by Government policy would also benefit from a step-change in the availability and cost of charging infrastructure. Positive action is also needed to counter hostile social media clips that highlight queues at chargers and broken charge points.

The challenge is even more difficult for light commercial vehicle operators, which consistently report that electric vans are not yet ready to satisfy the operational needs of businesses.

A handful of large corporates as well as public sector bodies have made strides forward with the greening of their LCV fleets, but largely for duty cycles of short daily mileages from depots where charging infrastructure can be installed. The 3.5 tonne LCV sector and businesses where drivers take vehicles home are proving harder to crack.

Moreover, there is a considerable lack of confidence about the future residual values of eLCVs. Leasing directors say that, in theory, electric vans should be ideal for many used van buyers, such as local tradesmen, who drive modest mileages within a local area. But when a sole trader or small business's livelihood depends on its transport, why take the gamble of switching from diesel to electric when there are no incentives?

Uncertainty is percolating through another key area of leasing, too, following the Court of Appeal's verdict about commission disclosure, with the ruling finding in favour of customers and against lenders. The immediate aftermath of the court's decision saw leasing companies and their lawyers pause trading and take a fine-tooth comb to the wording of their contracts. It will be an anxious wait for the Supreme Court's verdict and how the FCA reacts.

Yet as 2025 dawns, leasing companies have a more optimistic view of the year ahead. Demand from business customers is steady, with the potential to rise if the economy does enter a growth phase, while residual values appear to be stabilising after several months of decline. But the twin risks of used EV prices falling further and a compensation-laden ruling from the Supreme Court continue to hang over the industry.

Car and LCV fleet forecasts by funding method

Finance Product	Q3, 2017	Q3, 2018	Q3, 2019	Q3, 2020	Q3, 2021	Q3, 2022	Q3, 2023	Q3, 2024	Q3, 2025 forecast	Forecast change, Q3, 2024 - Q3, 2025
BCH cars	929,962	913,563	863,500	770,856	750,196	779,064	816,753	867,985	898,448	4%
PCH cars	180,641	226,812	265,854	276,353	323,982	317,539	290,183	246,300	236,355	-4%
BCH vans	274,610	282,554	285,749	291,071	318,096	343,228	351,968	341,645	349,106	2%
PCH vans	4,438	4,591	4,790	6,049	7,998	7,829	6,987	5,425	5,261	-3%

Opinion - service, maintenance and repair

Vincent St Claire – Managing Director, Fleet Assist

Fleet Assist's MD Vincent St Claire is seeing continuing changes in its network, how customers use it as it continues to keep pace with BEV adoption and looks to 2025 with cautious optimism.

As we close on 2024, it's useful to reflect on what the current SMR fleet data is indicating. Rather than produce a long list of statistics supporting the view that electric cars are cheaper to operate than an ICE equivalent on standard terms and mileages, we have focussed this time on how the garage network and SMR buying trends continue to evolve.

Garage network development

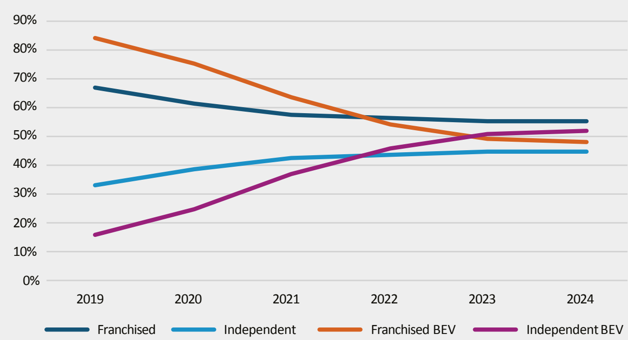
We are pleased to report that the garage network as whole seems to be continuing to keep pace with the transition to BEV. 83% of garages are reporting they are 'BEV ready', having invested in technician training, diagnostic upgrades, and more. Recruitment in the automotive sector remains a constant battle, but despite this backdrop, the Fleet Assist balanced score card reporting shows that service levels to fleet customers are generally improving.

Customer garage network usage

The trend of customers moving SMR work (excluding warranty) from franchised garages to other types, such as independents, and fast fits continues. However; this trend appears to have slowed recently with usage at approximately 55% franchised, and 45% other garage type. This is a far cry from the pre-Covid data, which reflected upwards of 75% in favour of franchised garages. With several OEMs publicly stating their dealer networks may have to reduce (or already has), we could see the mix continue to evolve.

Furthermore, our business intelligence reveals that non-franchised garages are seeing an even more pronounced growth in respect to BEV work, as shown in the graph below. For battery LCVs, the verdict remains open, as the data and fleet parc still remain too small to provide sufficient trends or insights.

Trends in garage network usage



Downtime

Downtime appears to be the nemesis that all fleets are dealing with, however when you split out warranty work - which remains a manual reporting challenge - our data suggests that actual job completion time has reduced by one day across all garage types since 2023.

2024 has seen a plethora of connected vehicle solutions being offered either directly from OEMs or via several consolidators, and trials appear to be gaining pace as part of various Downtime solutions. These, we believe, have the potential to become the cornerstone of the technical revolution that will shape the future of SMR booking and work process in a garage, delivering a fully integrated journey from booking to vehicle return.

How vehicles get to garage

During 2024, we have seen customers explore alternative options to support their vehicle service requirements. Drop off, delivery, and courtesy vehicles remain the mainstay, but we are continuing to see mobile servicing requests grow. This has contributed to a gradual growth from 2022 to 2024, and more rapid adoption during the last quarter of 2024, culminating with a circa 300% growth of jobs requesting a mobile service unit. Consequently, mobile servicing is an increasingly valuable part of any garage network.

How customers interact with garages

Amidst all the technology advances, we are seeing that customers want a simple, understandable, and straightforward service. Customer trends point toward an increasing adoption of online services. With roughly 40% of our customer's drivers' bookings are now made online, it's clear that they want transparency without barriers. Voice calls should not be discarded, however, as 60% of events are still placed in this way with customers and suppliers having situations that require a real dialogue with a person "not a chat bot".

During 2024, our industry has seen vehicle technology further embracing AI and machine learning. Both AI and ML require expansive and carefully managed information data sources, and we should not underestimate the hidden costs, ranging from environmental impact to privacy risks as this technology is adopted.

2024 summary and 2025 outlook

2024 was a challenging year, which yet again clearly demonstrated the flexibility and innovation of the automotive industry. 2025 will be exciting and not without its operational and commercial challenges.

Opinion - Unintended consequences of ZEV Mandate

Dylan Setterfield - Head of Forecast Strategy, cap hpi

In a previous Leasing Outlook publication, we examined the UK Vehicle Emissions Trading Scheme (usually referred to as the ZEV Mandate), with a focus on how OEMs were achieving against this year's target of 22% of new car registrations being electric. It is still the case that many will be able to meet the criteria after availing themselves of the various "flexibilities" (including borrowing from the future) and DfT are not expecting anyone to pay any fines for 2024.

However, the progress comes at a price. Many manufacturers have chosen to discount their new cars heavily, in an attempt to maximise retail sales, with consumer offers of -30% or more below cost new not uncommon. Although this level of discount has often been applied to fleets, the leasing deal is largely invisible to the retail customer and to the used market, whereas a headline retail discount is there for all to see online.

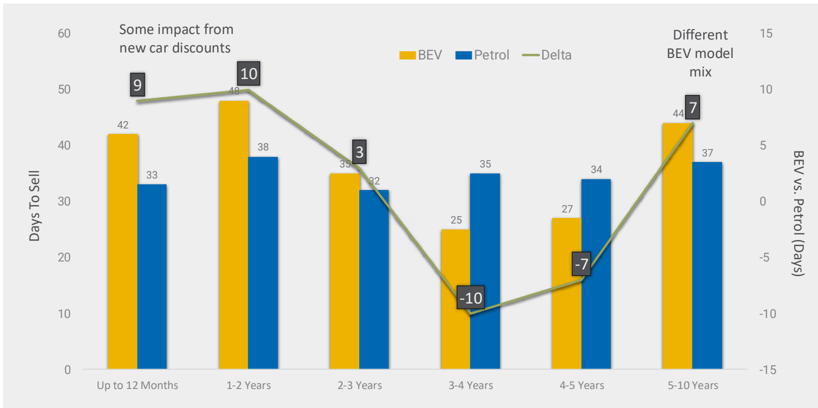
While used values for some BEV models have reduced so far that the new car discounting has little or no impact, there are others where the new car is too close in price to the used car, or is actually cheaper (especially when differential interest rates are taken into account). Part of the impact of this can be seen from the days to sell differences in the retail environment – cap hpi receive approximately 450,000 retail adverts daily, from which we are able to run a variety of reporting and analysis. Currently, we are observing a drastically different performance by age in terms of days to sell for electric cars: the considerable volume of ex-fleet BEVs at three years old are selling -10 days quicker than petrol, but cars up to 12 months old are now selling +9 days slower on average.

There is also an impact from previously registered cars, with many cars on 24 and 73 plates still being advertised with delivery mileage. This has the effect of slowing the sales of BEVs between 12 and 24 months old, which can look expensive in comparison and as a result are selling +10 days slower than petrol.

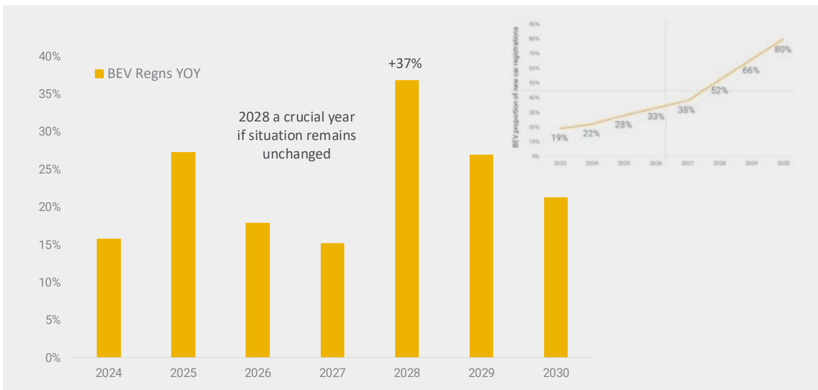
This year, the 22% registration target was relatively easy to achieve relative to the BEV penetration observed last year, but in future years this is likely to become problematic. Year to date, +17.9% more BEVs have been sold than last year, but by 2028 (assuming a constant new car market overall) a massive +37% more BEVs would need to be sold than in 2027. This also needs to happen while overall penetration is planned to move above 50% of the total market, requiring significant mainstream adoption from those currently not able to charge at home.

The government has recently announced a 'fast track consultation' on the VETS situation (in the face of proposed job losses at Vauxhall and Ford), but initial indications are that the target percentages are unlikely to change for passenger cars, although some hybrids may be allowed until 2035.

Battery Electric Vehicles – Retail Days To Sell By Age (Dec-24)



ZEV Mandate - Implied % Increase In New BEVs*



*If size of the total new car market remains unchanged

Opinion - UK car market in 2025

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

As we approach 2025, the UK car market is navigating a rapidly changing landscape with the automotive industry facing significant challenges and opportunities. Auto Trader's forecast paints a picture of modest growth in the new car market and continued resilience in the used car sector. However, factors such as commission disclosure, evolving regulations, and the shift towards zero-emission vehicles (ZEVs) will shape the market in critical ways.

AutoTrader

New car market: Modest growth and rising competition

In 2025, the UK's new car market is predicted to grow by 2% to 1.98 million units, still below the 2.3 million registrations in 2019. This modest growth is due to challenges like evolving consumer choices and achieving ZEV targets.

Manufacturers are focusing on electric and hybrid vehicles to meet government mandates, but also face competition and demand alignment issues.

The ZEV Mandate and BEV discounts add commercial pressures, with concerns about price erosion and profitability.

Balancing supply, profitability, and consumer trust in electric vehicles is crucial as the market moves toward full electrification by 2030.

Infrastructure improvements with the governments autumn budget, particularly the expansion of EV charging stations, will be crucial.

As more consumers switch to electric cars, accessible and affordable charging infrastructure becomes vital. Government investments in this area will be essential for wider EV adoption.

The future of leasing and the impact on the new car market

Second-life leasing, where vehicles that have been previously leased are reintroduced into the market, is also a growing trend as consumers seek more affordable options for vehicle ownership.

We'd expect this to become increasingly prevalent as the industry adjusts to a world of higher prices and more budget-conscious buyers.

As consumers opt for more flexible leasing arrangements or second-hand vehicles, new car sales could face downward pressure.

The knock-on effect will be felt throughout the industry, from manufacturers to retailers.

Commission disclosure

Recent developments have increased the focus on commission disclosure within the automotive industry. As regulatory scrutiny grows, manufacturers, funders, lenders, and retailers must disclose commission details to intermediaries involved in vehicle sales.

This push for transparency aims to enhance consumer trust and fair market practices but may also complicate operations for dealerships as they adapt to new regulations.

VED rates and market implications

As the UK moves closer to the 2030 deadline for the phase-out of petrol and diesel vehicles, there will be increasing pressure on both consumers and manufacturers. One significant aspect of this transition is the change in Vehicle Excise Duty (VED) rates, particularly for hybrid vehicles. The introduction of higher VED rates for older, less-efficient petrol and diesel cars will likely accelerate the shift towards electric vehicles.

Interest in hybrids may see disruption, as consumers adjust to the new financial landscape shaped by VED changes.

Conclusion: A complex but promising future for the uk car market

As the UK automotive market heads into 2025, it faces a complex and evolving set of challenges. While the new car market is expected to show growth, it will be impacted by increased competition, regulatory changes, and the drive towards zero-emission vehicles. The used car market remains resilient, but sourcing challenges—especially for younger used cars—will continue to affect in-stock vehicles.

The road to 2030 is shaping up to be a challenging but transformative journey for the UK's automotive sector.

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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