Industry Insight

BVRLA

Leasing Outlook

July 2025

Proceed with caution

Industry faces uncertain future in highly volatile market

Quarterly report
Deflationary pressures multiply on used BEV values

Industry outlook
Used car leasing achieves significant rise in volumes

Market spotlight
Law of unintended consequences disrupts the market

Opinion
How to overcome the challenges facing SMR garages

In association with: Autotrader, Solera Vehicle Solutions | cap hpi, fleet assist, asset finance connect

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Market Headlines

BVRLA fleet grows 4.1% year-on-year to 1,915,108 cars and vans (page 4)

Car fleet up 9.6% year-on-year to 1,452,532 cars (page 5)

BCH car fleet up 7.5% year-on-year; PCH down -3.6% YOY (page 5)

BEVs account for 51% of all new BCH cars (page 6)

70.6% of all new BCH car contracts and 66.5% of new van contracts include maintenance (page 7)

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LCV fleet declines 10% to 462,576 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 have cautiously grown their core business contract hire volumes in a highly uncertain market

Caution in boardrooms and caution among customers has applied a brake to business growth among leasing firms. While there are bright spots for the industry, most notably in salary sacrifice schemes and business contract hire for cars, leasing companies report having to work ever harder for new business. Nor can they arrest the decline in the light commercial vehicle sector.

Heavy discounting of electric cars, as OEMs battle for market share and struggle to meet their Zero Emission Vehicle Mandate obligations, has helped to keep a cap on lease rentals, but as the first significant wave of electric cars start to reach the end of their leases, residual values are underperforming their original forecasts by substantial sums.

This is leading to the ‘prudent’ pricing of new contracts, as risk teams identify a suite of deflationary pressures on future used BEV prices. Volumes are rising exponentially, while cheaper new vehicles supported by the new electric car grant could woo traditional used car buyers into new BEVs, reducing demand.

As a result, leasing firms appear more focused on maintaining their current portfolios than taking aggressive residual value positions to grow their fleets. They also report customers of all sizes negotiating much harder, as business costs rise. Profit share agreements that used to be the preserve of the very largest fleet customers are now routinely demanded by smaller clients.

The one growth area that continues unabated is salary sacrifice, although this quarter’s increase also reflects a refinement in the report’s data analysis. The recent arrival of lower-priced BEVs has opened the door for more employees to benefit from the lowest cost way to drive a zero emission car, with leasing companies reporting much greater interest from 20% tax payers. New entrant manufacturers are rapidly gaining a foothold here, although ensuring new players can provide adequate aftersales support remains a concern for operations departments.

Drivers and businesses on a budget are target markets for the mounting number of leases for secondhand BEVs. This is the first Leasing Outlook report to identify a marked jump in used car and van leasing. Early examples have been confined to vehicles under two years of age, but extending used vehicle leasing to standard end-of-contract three-years-old cars is now very much on the agenda. Whether these products provide a solution or merely a delay for BEV residual value losses remains to be seen, with widespread consensus that electric cars are likely to suffer steeper depreciation as they age than their petrol and diesel equivalents. Financially, it is also proving to be a challenge for leasing companies to offer used BEVs for lower rentals than new BEVs, given their residual value pessimism and the discounts available for new cars.

From a driver’s perspective, there is no tax incentive to opt for a secondhand BEV, given that benefit in kind tax for both salary sacrifice and company cars is based on the original P11D value. Leasing companies think a 0% BIK rate on three-year old (and older) BEVs, would boost demand, and therefore residual values, of used BEVs, especially in the salsac sector.

Across both its business and consumer customer bases, the BVRLA leasing sector far exceeds national levels of EV adoption, a badge of pride for the industry for its role in combatting climate change, but a source of anxiety that unless the private car market catches up, supply of used BEVs will continue to outstrip demand, undermining residual values in a perpetual spiral of losses.

It is too early to assess the impact of the relaxation of the Zero Emission Vehicle Mandate and the news that manufacturers will still be able to sell hybrid and plug-in hybrid cars until 2035, but leasing companies fear it will delay the transition to BEVs. It has certainly made forecasting more difficult, with modelling scenarios by New AutoMotive now showing a spread of up to 500,000 vehicles in the number of BEVs on UK roads by 2030.

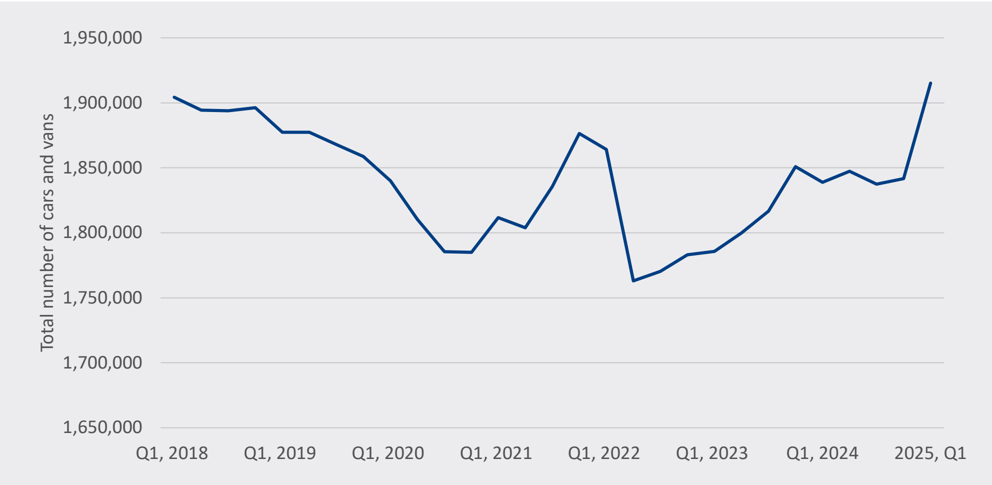
Leasing firms now expect PHEV sales to remain buoyant in both the fleet and private sectors, especially as OEMs engineer models with longer zero emission ranges. Moreover, the Government has indicated that it will introduce some kind of ‘easement’ to avoid benefit in kind tax for PHEVs rising sharply under the new Euro 6e-bis emission standard.

Light commercial vehicles capable of zero emission motoring continue to fall behind Government targets, and having missed the ZEV Mandate last year manufacturers look likely to undershoot their targets again in 2025. OEMs point to a raft of new battery-powered models, but leasing companies report minimal demand for them from fleet operators, with the familiar refrain of price, payload and range now being joined by complaints about the cost and timeframe to install depot charging infrastructure, and the unsuitability of many public charging stations for LCV use.

Even diesel LCV numbers are in decline, an indication of weak confidence in the national economy allied to businesses grappling with the cost impact of NIC increases.

BVRLA Fleet Focus Q1 2025

Vehicles operated by BVRLA members

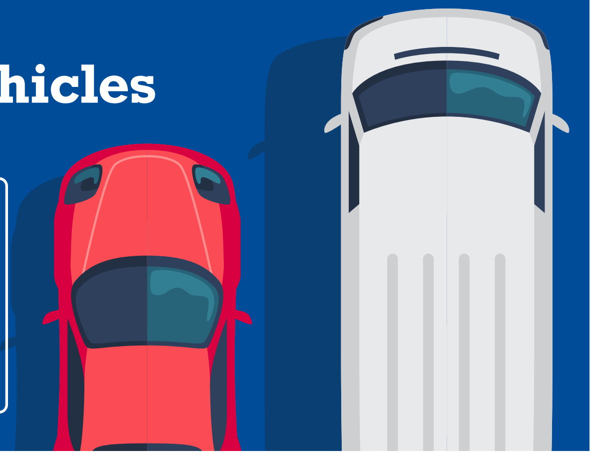


Overall fleet

Total fleet
1,915,108 vehicles
(+4.14%, Q1 2025 VS Q1 2024)

Share of total fleet

	Q1 2024	Q1 2025
Cars	73%	76%
Vans	27%	24%



Cars drive growth, but vans struggle

The BVRLA lease fleet maintained its steady progression towards the 2 million vehicle mark, with a 4.1% year-on-year increase in Q1, 2025. The rise is the seventh increase in the last eight quarters, as the industry maintains its recovery from pandemic supply shortages.

Cars are delivering the growth, increasing their number by 9.6% year-on-year, with business contract hire, fleet management and salary sacrifice all performing strongly.

But trading conditions for light commercial vehicles are much tougher, with volumes falling 10% year-on-year in Q1, mirroring the decline in new van sales recorded by the SMMT over the same period.

TREND
+63,932
YEAR-ON-YEAR INCREASE IN BCH CAR FLEET

Cars take greater share of lease fleet

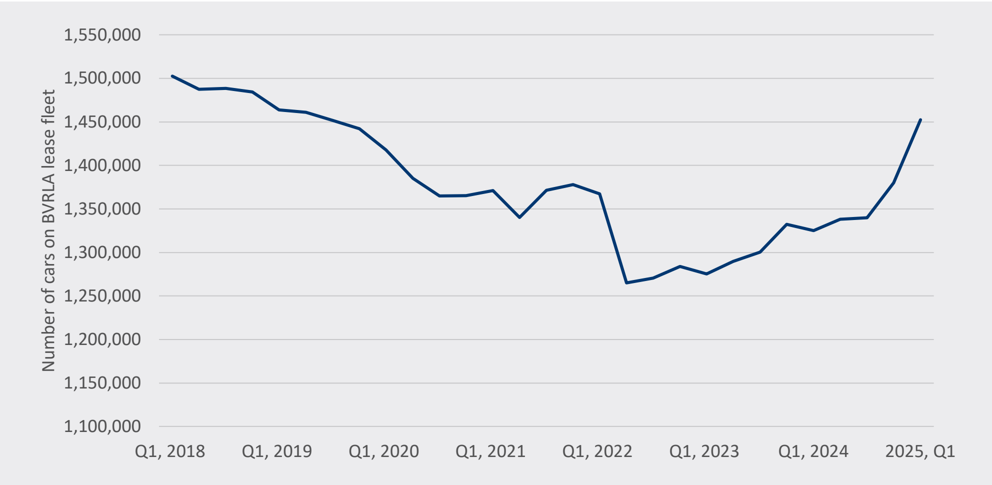
Cars are steadily accounting for a greater share of BVRLA members' leasing fleets as light commercial vehicle numbers decline. Van numbers have slipped in every quarter since the start of last year, and show no signs of arresting this slide. The SMMT has recorded falling van sales in every month of 2025. Leasing companies report that the heavier van sector, especially 3.5-tonne vehicles, has been particularly hard hit. Steep price inflation for diesel models, and the high cost and operational compromises of electric vans have led operators to extend rather than replace contracts. On the car side, the combination of fierce competition for market share between manufacturers and abundant availability has lifted volumes, although a number of leasing firms have prioritised a year of consolidation rather than growth as they take cautious positions on their residual value forecasts for BEVs.

TREND
1,452,532
(+9.6% YEAR-ON-YEAR) CARS ON BVRLA LEASE FLEET.

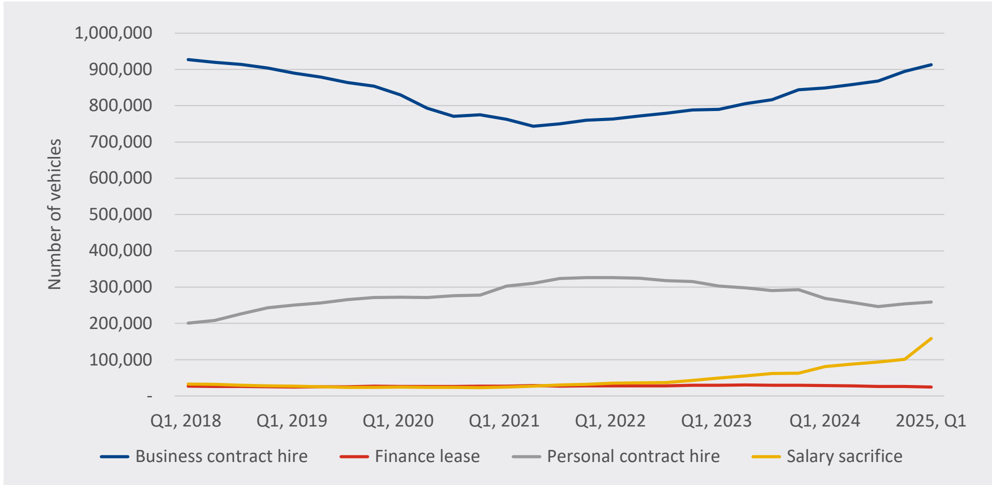
TREND
462,576
(-10% YEAR-ON-YEAR) LCVS ON BVRLA LEASE FLEET

BVRLA Fleet Focus Q1 2025

Total car fleet



Vehicle funding alternatives



Business sales up, private sales down

BVRLA members outperformed the fleet market and underperformed the private market during the first quarter of 2025. Between January and March, business contract hire (which accounts for the lion's share of members' lease fleets) rose 7.5% year on year in a new car market that saw fleet sales increase by 4.6%. BCH has now risen quarter on quarter, without interruption, since the first three months of 2022, when it started to recover from the pandemic's lockdowns.

But in the consumer sector, SMMT data shows that private sales rose by 9.5% year on year in the first quarter of 2025, while personal contract hire volumes declined -3.6%. This continues a trend that has seen PCH fall quarter on quarter every three months since Q3, 2022. This 'lost' business may be due to manufacturer captives offering particularly competitive PCP finance plans.

TREND

1,023,044

(+6.3% YEAR-ON-YEAR) CARS IN BUSINESS FLEET

TREND

429,488

(+18.5% YEAR-ON-YEAR) CARS IN CONSUMER FLEET

Salsac volumes double in a year

The number of vehicles supplied on salary sacrifice arrangements almost doubled, year-on-year in Q1, 2025. The 96.2% growth reflects both market growth and improved categorisation, following an adjustment in the sample data in line with a broader market data set to ensure accuracy and consistency in our reporting. As part of this detailed analysis, a number or BCH cars have been reallocated to the salsac market where the end-user aligns.

A new wave of cheaper electric cars has extended the affordability of salsac schemes – leasing companies report an ever-rising number of 20% tax payers among their customers.

The challenge is maintaining the momentum of schemes after their initial introduction, with leasing firms supplementing self-service portals with telesales teams to explain the structure and benefits of salary sacrifice to new customers, as well as educating drivers about life with a BEV.

TREND

912,589

(+7.5% YEAR-ON-YEAR) BCH CAR FLEET

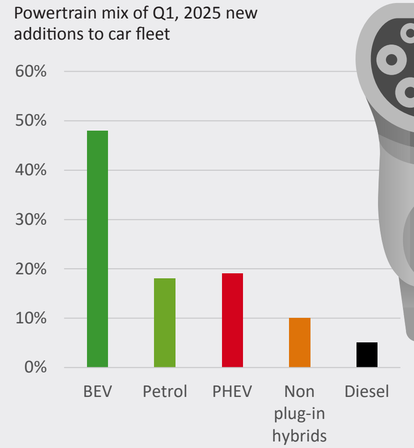
TREND

158,173

(+96.2% YEAR-ON-YEAR) SALARY SACRIFICE FLEET (NB TOTAL BASED ON RE-ANALYSIS OF DATA)

BVRLA Fleet Focus Q1 2025

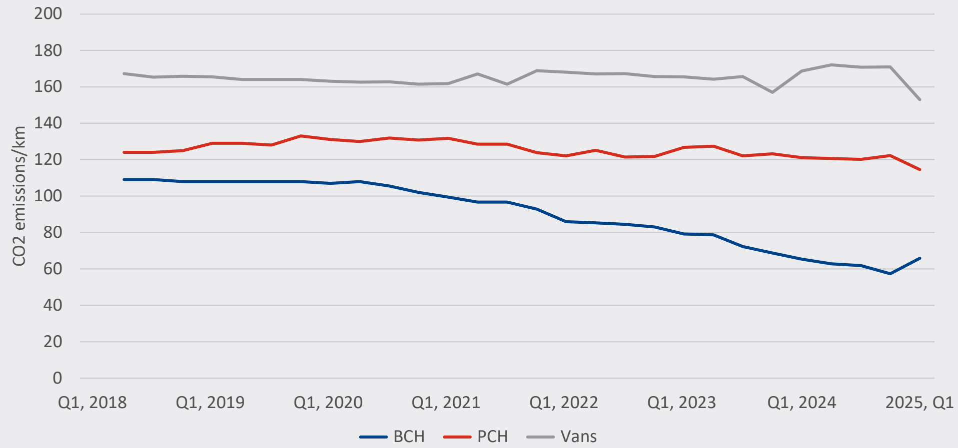
Car fuel choices



Powertrain mix of total BVRLA car fleet

	2020 Q1	2021 Q1	2022 Q1	2023 Q1	2024 Q1	2025 Q1
BEV	2%	6%	14%	24%	33%	44%
PHEV	3%	7%	12%	14%	17%	19%
Petrol	37%	36%	35%	32%	28%	22%
Non Plug-in Hybrids	8%	10%	9%	10%	10%	7%
Diesel	52%	41%	29%	20%	12%	7%

BVRLA fleet CO_2 emissions



Leasing drives UK's BEV adoption

Almost half (48%) of the cars that joined the BVRLA fleet in the first quarter of 2025 were battery electric models, compared to BEV's 20.7% share of national new car sales during the same period. These zero emission cars now account for more than half of new business contract hire orders and 90% of cars supplied via salary sacrifice schemes, evidence of the success of the supportive benefit in kind tax treatment of zero emission cars. But in the consumer market, petrol still accounts for 61% of personal contract hire cars and 46% of PCH orders in Q1, 2025. The impact of the new electric car grants won't be seen until Q3 at the earliest, and even then, leasing executives indicate that their cautious approach to used BEV values means rentals are unlikely to fall significantly, with the aggressive pricing of new entrant OEMs bringing further volatility to the market.

51%

OF NEW BUSINESS CONTRACT HIRE ORDERS IN Q1 WERE FOR BEVS

46%

OF NEW PERSONAL CONTRACT HIRE ORDERS IN Q1 WERE FOR PETROL CARS

Surprise uptick in CO_2 emissions

A slight quarter-on-quarter uptick in the CO_2 emissions of BVRLA members' business contract hire car fleet highlights the jeopardy surrounding momentum towards zero emission motoring. The long-term downward trend is clear, with new BCH additions averaging 43.3g/km, but the cost of transitioning to battery power while leasing companies adopt cautious residual value positions on BEVs, and the difficulties some drivers still face in recharging at cost effective prices if they cannot plug in at home or work, mean other engine technologies are still in play. Hybrid motors, for example, increased their share of the BCH fleet from 5% in Q4 2024 to 8% in Q1 2025. More encouraging from an environmental perspective is the first significant drop in van emissions. SMMT figures show BEV vans achieved a 7.6% market share in Q1, up 31.4% year-on-year, but still less than half the 16% of new van sales demanded by the ZEV Mandate for 2025.

TREND

65.9g/km

(+1% YEAR-ON-YEAR) AVERAGE CO_2 EMISSIONS OF BCH CAR FLEET

TREND

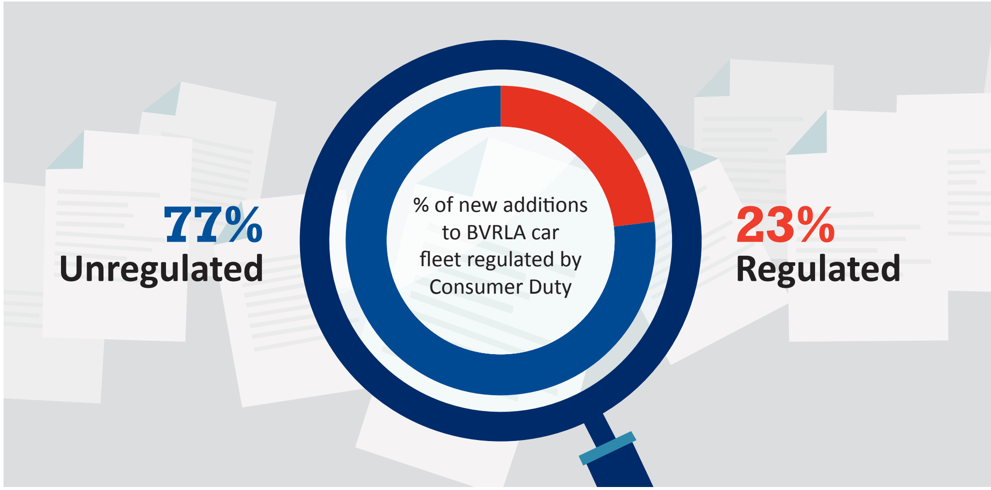
152.9g/km

(-9% YEAR-ON-YEAR) AVERAGE CO_2 EMISSIONS OF VAN FLEET

BVRLA Fleet Focus Q1 2025

Maintenance contracts - proportion of maintained fleet by funding method

Regulated contracts



Focus on fleet and maintenance management

Delivering fleet and maintenance management services has become an increasingly important commercial line for leasing companies, offering revenue and profit opportunities without the risk that accompanies residual value forecasting.

It's also an area that a growing number of fleet customers seem keen to outsource, an administrative headache that is better dealt with by a specialist. Connected car data is presenting new possibilities for predictive and preventative maintenance, with operations departments able to intervene before a fault develops into a breakdown. However, leasing companies report that some manufacturers are more interested in sharing or selling this data than others, which is problematic if companies are to provide a fleet-wide service to clients, and not simply for certain brands.

66.5%

OF NEW VAN BCH CONTRACTS INCLUDE MAINTENANCE

99.7%

OF NEW SALARY SACRIFICE CONTRACTS INCLUDE MAINTENANCE

Compliance comes at a cost

Compliance has become a costly area for leasing companies that deal with private consumers. As this report went to press, the sector was bracing itself for a Supreme Court ruling on commission disclosure practices, which threatens to send shockwaves throughout the industry.

The majority of BVRLA leasing business is unregulated, but many firms belong to groups that are heavily invested in consumer motor finance. Plus, brokers that sell personal contract hire products face the uncertainty of whether they or the original funder would be liable for paying any compensation to customers.

In the meantime, contracts have been re-examined and staff retrained, all of which involve expense at a time when margins are getting tighter. No companies report that more transparent commission disclosure has lost them any business, but they want to see absolute clarity in the regulatory requirements they have to meet.

9.2%

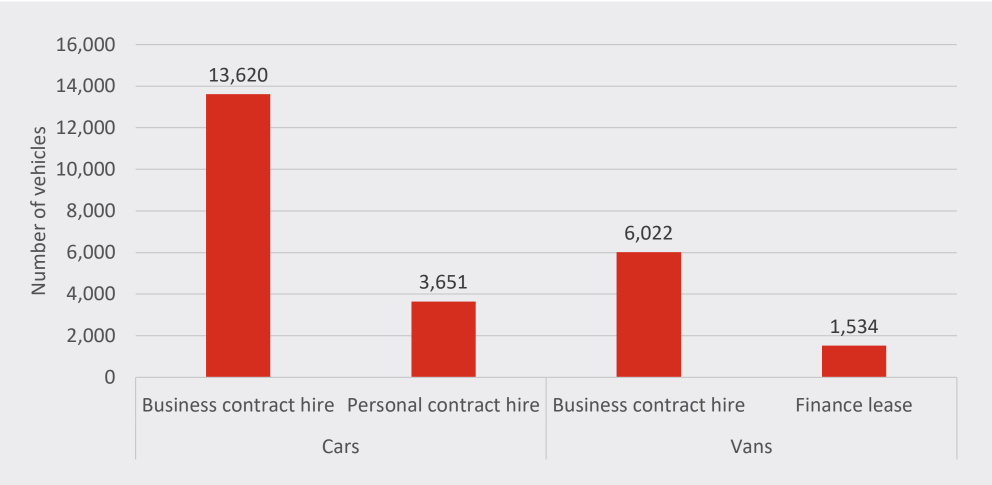
OF NEW FINANCE LEASES FOR VANS ARE REGULATED

2.2%

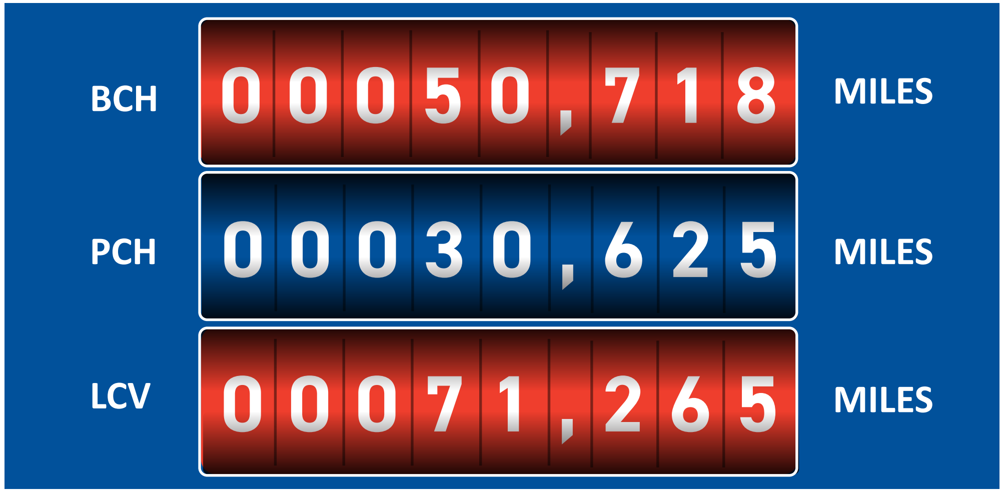
OF NEW BCH AGREEMENTS FOR CARS ARE REGULATED

BVRLA Fleet Focus Q1 2025

Used vehicle leasing



Contract mileage



Second-life leasing soars

A 16% year-on-year rise in used car leasing showcases the energy that leasing companies are expending in order to mitigate depreciation losses on electric cars. The volumes are still tiny compared to new vehicle leases, but leasing companies report keen interest from business and private customers eager to access lower monthly rentals.

The difference between rentals for new and used BEVs is meaningful, but less than drivers might expect. Where the used values of petrol and diesel models start to plateau after three to four years, leasing companies forecast BEVs continuing to depreciate, limiting the opportunity to reduce rentals further, whether for lease or salary sacrifice agreements.

In the LCV sector, used vehicle leasing is starting to offer a welcome way for businesses to access lower cost vans at a time when new van prices are rising.

TREND

+45%

THE QUARTER-ON-QUARTER INCREASE IN USED CAR LEASING

TREND

1.3%

THE SHARE OF USED CARS AMONG NEW CONTRACTS IN Q1

Contract mileages shrink

Changing work patterns and lifestyles are shortening the average mileage components of leasing contracts. Business contract hire mileages for new agreements have fallen by almost 6% since 2022, after the pandemic accelerated hybrid home-office working. Leasing companies now report the disappearance of traditional 40,000 miles-per-year ‘repmobiles’ from their books.

More surprising are the price differentials between shorter and longer term contracts, with a cocktail of deals, distress discounts and residual value uncertainty creating a kaleidoscope of outcomes where, depending on make, model and lender, monthly rentals for two-year contracts can be cheaper than those of four-year arrangements. At present, both customers and leasing companies are keen to extend existing contracts for at least a year to avoid the inflation that has hit new rentals, so initial contract terms and mileages are little more than guidelines.

39 months / 47,000 miles

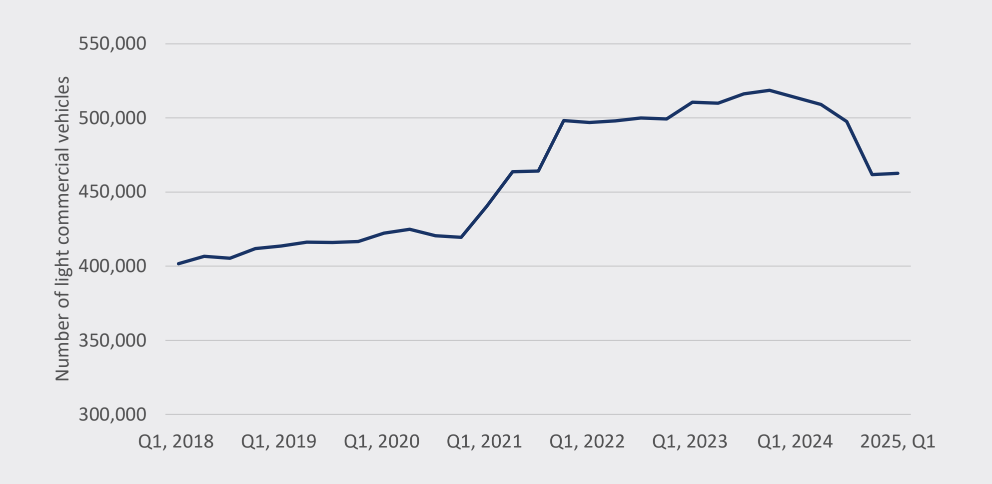
THE AVERAGE TERM OF NEW BCH CONTRACTS

36 months / 27,300 miles

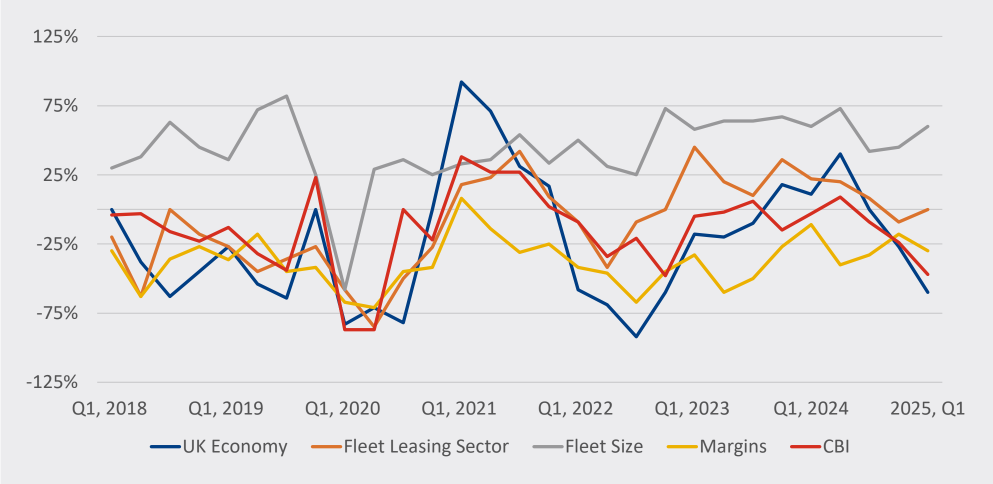
THE AVERAGE TERM OF NEW PCH CONTRACTS

BVRLA Fleet Focus Q1 2025

Van fleet



Industry confidence



Double-digit decline in van numbers

A slight uptick between Q4, 2024 and Q1, 2025 in BVRLA members' van fleet size was insufficient to offset a 10% year-on-year decline.

The downturn follows a similar trajectory to the SMMT's LCV sales figures, which the organisation attributed to weak business confidence in the wider economy. Anecdotal accounts suggest that companies have delayed investments in new vehicles until they have worked out how to absorb or mitigate the impact of the increase in employer National Insurance Contributions.

Larger fleets have also wrestled with the pressure from manufacturers to include a percentage of electric vans within their orders that matches the ZEV Mandate thresholds, with range, payload, cost and charging all conspiring against eLCV adoption.

TREND

462,576

(-10% YEAR-ON-YEAR) VANS ON BVRLA FLEET

TREND

-8.6%

YEAR-ON-YEAR DECLINE IN VAN BCH NUMBERS

Margins and UK economy under pressure

Leasing companies see some glimmers of hope for the industry, despite flatlining growth in the wider economy, rising business costs and trade uncertainty. Revenues are increasing, thanks in part to vehicle price inflation, and customers cannot extend contracts indefinitely.

However, while companies see cause for optimism for the sector and for fleet growth, their outlook for margins is more downbeat. The weakness of BEV residual values consumes the majority of boardroom bandwidth, with leasing firms facing a loss on every electric car that ends its lease this year.

Companies want to see no increases in business taxes and hope the Bank of England will continue its steady cuts in interest rates.

TREND

+60%

BVRLA MEMBERS' CONFIDENCE IN FLEET GROWTH

TREND

-30%

BVRLA MEMBERS' CONFIDENCE IN FUTURE MARGINS

BVRLA Member Outlook

The vehicle leasing industry is suffering from the law of unintended consequences.

Coined in 1936 by the American sociologist Robert Merton, the law of unintended consequences describes how actions, especially those of governments, can produce outcomes that are unforeseen and often undesirable. A change in one area creates ripple effects throughout an entire ecosystem, the results of which are fiendishly difficult to predict.

All of which leads neatly to the Government's efforts to support the rapid adoption of BEVs and accelerate the decarbonisation of the UK's road fleet.

The most significant of these initiatives is the supportive benefit in kind tax for company car drivers, which has placed fleets and leasing companies in the vanguard of BEV adoption. But there have been other programmes, too, including grants for new electric cars and vans, grants for charging infrastructure, exemptions from Vehicle Excise Duty, and the Zero Emission Vehicle Mandate.

"Everywhere you look, there are levers being pulled that are corrupting normal market forces," said one leasing director.

The difficulty for the industry is that levers can be moved forwards and backwards. The Plug-In Car Grant was introduced, subsequently withdrawn, and has now been reintroduced as the Electric Car Grant. Although it is not yet clear which models will qualify. Similarly, VED was re-applied in April. The original ZEV Mandate, which set a clear figure for the percentage of electric cars and vans that OEMs had to sell, was adjusted to introduce new flexibilities.

The lack of sufficient retail demand for used BEVs to shore up residual values is the industry's primary concern. Used BEV values have fallen by 67% since September 2022, and if the market appears occasionally to stabilise, prices soon slip again as supply increases month on month. Leasing executives point out that the fleet market's rapid transition to BEVs has taken the average list price of company cars well above £40,000, but the budgets of used car buyers have remained static without the tax incentives that made these cars affordable to fleets and company car and salary sacrifice drivers.

As a result, used BEVs now fetch the same (and frequently less) than their ICE equivalents at trade, despite having cost up to 50% more when new three years ago, leading to five-figure depreciation losses on some higher priced BEVs.

"And I'm not convinced that we haven't got more pain to come," said one director with considerable understatement. Used BEV volumes are rising, and pricing in the new BEV market is highly volatile, with OEMs discounting to meet their ZEV Mandate obligations and to match the competition from aggressively-priced new entrants. Both actions trigger a domino effect that undermines nearly-new BEV prices and cascades down through the market.

In some instances, leasing companies say they can now buy a new BEV for less than the price they are trying to sell the same car at three years old, such is the disorderly discounting in the market.

This is fuelling huge uncertainty, with the monthly rentals of some two-year leases now cheaper than four-year contracts for the same car, due to lenders' jitters about longer-term used values.

The longer-term consequence, warn directors, is a slow down in BEV uptake, as firms increase lease and salary sacrifice rentals to a level that gives them security in terms of future residual values, but which becomes unaffordable to both business and private customers.

Second-life leasing solutions offer a way to postpone depreciation pain, and this report is the first to record a sizeable uplift in numbers, with volumes 45% higher in

Car and van fleet forecast

	Q1 2025	Q2 2025 forecast	Q3 2025 forecast	Q4 2025 forecast	Q1 2026 forecast	Forecast change Q1 2025 to Q1 2026
Cars	1,452,532	1,480,813	1,487,916	1,495,310	1,517,238	3%
LCVs	462,576	458,428	455,528	452,170	451,162	-2%
Total	1,915,108	1,939,241	1,943,444	1,947,480	1,968,400	2%

Car fleet forecast by fuel type

	Q1 2025	Q2 2025 forecast	Q3 2025 forecast	Q4 2025 forecast	Q1 2026 forecast	Forecast change Q1 2025 to Q1 2026
Petrol	325,367	319,954	314,382	308,196	301,693	-7%
Diesel	106,035	100,582	95,139	89,704	84,284	-21%
BEV	640,567	668,217	705,927	748,072	795,323	24%
PHEV	273,076	283,962	294,163	305,210	316,418	16%

BVRLA Member Outlook

Q1, 2025 than the previous quarter. However, pessimistic residual value forecasts mean re-leased cars are not as cheap as customers might expect. Where the price of a three or four-year old ICE model starts to plateau through to six or seven years, risk teams expect BEVs to maintain their steep decline. Experts see supply increasing, the range and technology of new models improving, and a new wave of cheaper BEVs arriving, with the introduction of the Electric Car Grant bringing further deflationary pressures as it risks leading customers away from the secondhand market and into a new car.

Consequently, most re-lease BEV schemes are still for early-terminated models and on shorter contracts, although there are a handful of three-year secondlife leases on three-year old BEVs.

The ZEV Mandate led to a rash of discounts at the end of last year, as manufacturers bid to meet their mandate targets, creating a disorderly market where supply was forced, and raising fears over future residual values.

Subsequently, leasing directors say the flexibilities introduced to the revised mandate earlier this year not only sent a signal to used car buyers that an investment in a BEV was premature, but also prompted some OEMs to change approach. Firms that buy batches of vehicles for the personal contract hire and salary sacrifice markets report that manufacturers have cancelled some large BEV orders because their factories have pivoted back to PHEV and hybrid production.

For risk teams, the revised mandate has removed the certainty of knowing how many BEVs will be sold in the next few years. Manufacturers may have missed their target for last year, but only by a couple of percentage points. Now, however, a car or van maker “could basically freeze its BEV production until 2028 or 2029 if it uses all of the flexibilities,” said one leasing director.

The diluted mandate is also impacting the procurement discounts available for BEVs, with some manufacturers reported to be taking their foot off the ‘gas’, now that their targets are less urgent. One leasing executive argued that legacy OEMs have signed their own death warrant in campaigning to weaken the mandate, given the general industry consensus that sooner or later all cars will be battery powered.

“If you are five to seven years behind Chinese models already, you need to put your foot down, not lift off. If you could keep within touching distance of the Chinese cars in terms of price point, then you would still have an advantage in terms of brand loyalty, but you need to stay in the game.”

Chinese OEMs have already introduced their own grants, anticipating that they might not qualify for the Government’s electric car grant, and appear to have margins that could further fuel a brutal price war.

Rewind a few years, and most new entrants would have struggled to compete with the smooth engines and driving dynamics of established manufacturers, but there’s precious little differentiation in the performance of battery powertrains, and cabin interiors are easy to copy. New car choice has become a technology rather than an engineering decision, with traditional brand loyalties fast disappearing, say executives.

Car and LCV fleet forecasts by funding method

Finance product	Q1 2025	Q2 2025 forecast	Q3 2025 forecast	Q4 2025 forecast	Q1 2026 forecast	Forecast change Q1 2025 to Q1 2026
BCH CARS	912,589	927,630	941,527	954,661	968,047	6%
PCH CARS	259,176	259,167	260,700	261,572	263,253	2%
BCH LCVs	320,033	318,326	318,299	318,495	318,900	0%
PCH LCVs	3,804	3,666	3,534	3,419	3,309	-13%

BVRLA Member Outlook

They are united in the view that some form of Government intervention in the used car market is imperative to stabilise prices and keep BEV leases affordable for new company cars and vans. Without this protection, they say, rentals will rise, volumes will fall and the UK will delay its transition to zero emission motoring. One forecaster suggests that used BEV prices will remain under pressure until batteries become the dominant mode of propulsion for the UK vehicle parc, which is unlikely to happen before 2035.

"In those 10 years, we'll have technology changes, we'll have chemistry changes and solid-state batteries. Vehicles will be doing longer ranges and be able to charge much more quickly. What's that going to do to the values of the current crop of BEVs?"

Until the used BEV market stabilises, a price floor or insurance backstop has supporters, and all firms are keen to see a raft of minor policy changes to change the attitude of the retail sector towards BEVs. Used BEV grants; half-price VAT on used EVs; 0% benefit in kind tax on used BEVs; an equalisation of VAT on public and private charging; VED exemption for zero emission cars; and tougher low emission zone entry requirements for ICE vehicles would all find favour.

Yet current policy levers appear to be working in the opposite direction. The Government has scrapped the £950 million rapid charging fund and replaced it with £400 million for on-street charging points. This may be a more practical way to support BEV drivers, but the maths generated gloomy headlines.

The newly-announced electric car grant for cheaper (sub-£37,000) BEVs should bring some positivity to the narrative surrounding BEVs, and stimulate consumer interest in the technology, which leasing companies welcome, especially in the wake of the introduction of VED and the expensive car supplement for BEVs since April.

Given that the majority of BEVs cost more than the supplement's £40,000 threshold, leasing firms have had to pass on the additional £600 annual cost, increasing rentals by £50 per month, and have expressed concern that this will make the cars less attractive in the used car market.

The VED change brought a further unintended consequence, with manufacturers striving to have at least one model in their ranges officially priced under £40,000 by stripping back specification. This threatens to create a raft of low-spec models in solid paint, which are less likely to appeal to used car buyers when leasing companies come to remarket the cars.

Leasing companies disagree on the consequences of manufacturers reducing list prices, with some firms minimising the link between official prices and residual values, while others point to the destabilising effect of a leading OEM's price cuts at the start of 2023. Fleets would certainly like to see list prices closer to the discounted prices they pay, especially in the public sector where there is sensitivity about civil servants being seen in 'expensive' cars.

Despite the ZEV Mandate thresholds and the plug-in van grant, leasing companies continue to report little demand for electric light commercial vehicles. The dominance of diesel continues, with leasing companies relieved to supply dependable vehicles with dependable residual values. Few eLCVs have returned to the used market so far, but those that have, have required considerable effort to remarket, according to leasing firms.

With diesel LCVs providing a port in the BEV storm, maximising uptime has become a key area of focus for leasing companies. The ability of firms to minimise vehicle-off-road times is an important commercial differentiator, separating companies with dedicated commercial vehicle departments from more generalist providers.

Across both cars and vans, leasing companies are starting to grasp the opportunity for connected vehicles to transform fleet management by supporting predictive and preventative maintenance. Vehicles can signal impending faults, sometimes before a warning light illuminates on a dashboard, enabling maintenance teams to arrange a convenient time for a repair, and fore-warning workshops to order the right replacement parts before the vehicle rolls onto a ramp.

Some OEMs are reported to be keener than others to share or sell this data, which hinders the opportunity for leasing companies to offer preventative maintenance as a blanket service, but for large LCV fleets, the prospects are extremely promising. Such innovation is indicative of a leasing industry that is having to do so much more simply to stand still.

Opinion - service, maintenance and repair

Nikos Kotrozos – Supply Chain Director, Fleet Assist

The fleet industry's SMR shift continues to evolve says Nikos Kotrozos, Fleet Assist's supply chain director

With the automotive industry's focus on BEV vehicle sales and the used market, we might be excused for missing that the automotive SMR aftersales marketplace is transforming in real time in front of us. If you cast your mind back to 2020, it was all about garage workshop and technician availability during and post Covid.

Garages took advantage of the situation to gain market share and, in some cases, tried charging fees that we had never previously seen before.

As we enter a new era, the industry's outlook despite recent changes to the ZEV mandate deadline is going to be less SMR work and a reduction in garage revenue as BEV vehicles continue with typically 18% lower cost for a minor service and 32% for a major scheduled service being delivered into fleets.

	Parts are cheaper by:	Fluid costs are cheaper by:
Minor BEV service	-18%	-70%
Major BEV service	-58%	-63%

The table clearly indicates the difference between parts basket values when comparing BEV and ICE cars during both their minor and major services. +/- % variance compared against ICE - note although BEVs do not attract engine oil costs there are still fluids required.

This comes at the worst time possible for franchised dealers. Following recent years of significant profits, we are now witnessing an unprecedented reduction in profitability. In some cases that has already translated into losses and a number of profit warnings have been issued by garage providers. Recent data presented to the Vehicle Remarketing Association (VRA) indicate dealership aftersales gross profits will decline by 74% under a fully electric scenario.

This situation will only be further compounded by OEMs rolling out their agency programmes. These initiatives have further tightened the grip on aftermarket sales profitability whilst allowing space for new OEMs to enter the market with a restricted network presence.

Combine that with higher employment costs in the form of additional National Insurance contributions and a higher minimum wage, plus increased operating costs in the form of higher property rents and additional investment in equipment and innovative technology to cope with servicing the latest EVs.

Outlook

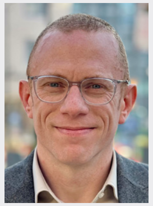
In a shrinking market, garages simply raising rates to counter the marketplace trends is not sustainable. Delivering exceptional service coupled with innovative smart pricing must be the way forward.

The trends and future forecasts highlight the requirements for garages to embrace and invest in solutions such as mobile service units which are gaining popularity and other 'technology led' solutions. The challenge remains to carefully consider the cost of onboarding these against extending their capabilities too widely and offering too many solutions.

The goal to optimise the experience for the customers whilst delivering the highest compliance levels remains key to managing drivers' expectations and costs.

The winners will be Fleet customers that optimise their garage network management driven through quality business intelligence and Garages within a managed network that embrace operational excellence and supply chain integration. When combined there will be quantifiable long term opportunities to manage costs , reduce lead times and improve job completion turnaround times.

Opinion - used EV market under pressure



Chris Plumb - Head of Current Car Valuations, cap hpi

The UK's used car market continues to face turbulence in the battery electric vehicle (BEV) segment, where residual values remain under sustained pressure. Despite growing volumes and increasing consumer awareness, BEVs are still the most volatile fuel type in the used market—an issue made clear by recent valuation trends.

SOLERA | cap hpi

The chart (right) illustrates the scale of the challenge. While other fuel types have all experienced value increases ranging from +12.2% to +17.1% since early 2021, BEVs have seen an average decline of 42.1%. However, this figure only tells part of the story. Since September 2022 alone, BEV values have dropped by nearly 68%, underscoring the unique and mounting pressures on electric vehicles in the used market.

This steep decline is not simply a result of oversupply. It reflects a complex mix of factors over a prolonged period of time: market uncertainty, adverse dealer experiences, consumer hesitation and operational barriers. Many independent retailers remain cautious about stocking BEVs, often citing a lack of trained technicians and infrastructure to support electric vehicle servicing. While franchised retailers and car supermarkets are more active in the segment, independents are returning to the market but lag significantly behind, with still only 20% having advertised at least one BEV in the past six months.

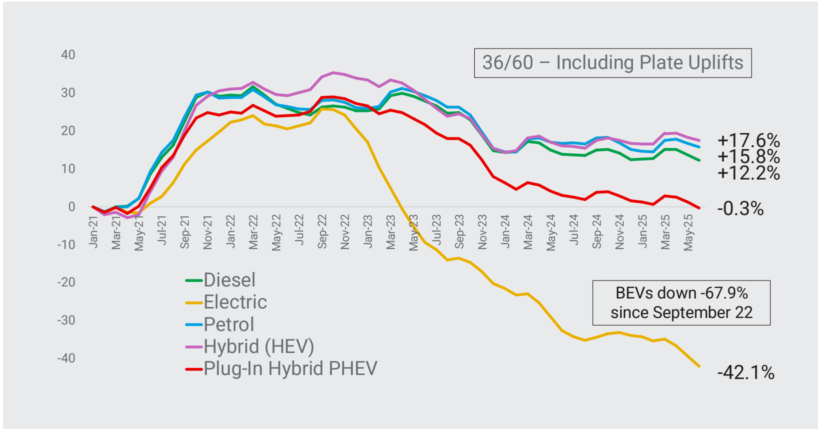
However, supply is undeniably a growing factor. There has been a sharp and consistent rise in used BEV transactions reported to cap hpi. From just 20,000 units in 2018, volumes have increased year-on-year, reaching approximately 70,000 by 2022. By mid-2025, trade volumes have already reached 60% of the total recorded in 2024.

The ongoing increase in supply is currently outpacing dealer demand, placing further downward pressure on trade values. Many electric vehicles continue to be sold below Cap Clean valuations, reinforcing a cycle of declining prices and eroding market confidence. Auction data shows BEVs now require an average of 1.7 sale attempts—more than any other fuel type. Buyers are increasingly selective, favouring retail-ready stock and avoiding vehicles with uncertain resale prospects.

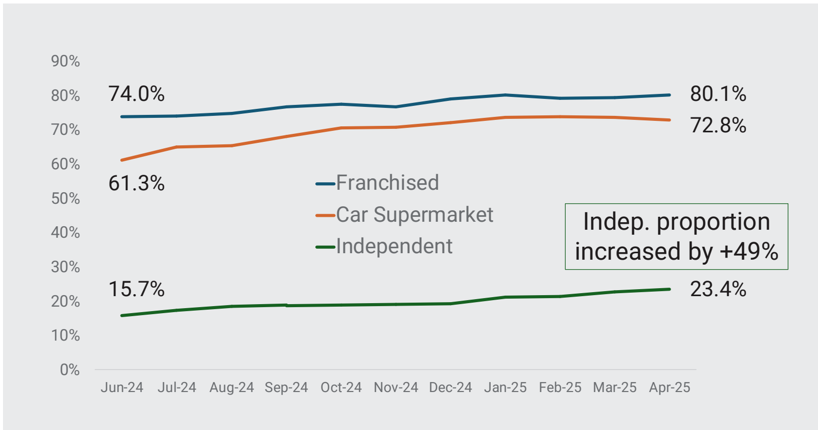
Adding to the complexity is the widening price gap between BEVs and their ICE counterparts. According to cap hpi's June 2025 data, trade values for electric cars at three years old are now, on average, £3,910 (-15.1%) lower than comparable petrol or diesel models. Nearly 80% of BEV models currently carry a pricing penalty. While this presents a significant opportunity, it also reflects ongoing concerns and lack of resale confidence.

However, it's crucial to challenge the outdated perception that BEVs are inherently more expensive than ICE vehicles—this is increasingly no longer the case, whether new or used. More must be done to educate consumers and shift this narrative, turning current market conditions into an opportunity for wider BEV adoption. Dispelling myths around battery degradation, servicing costs, and charging infrastructure is also essential to build trust. Additionally, fiscal incentives—such as revising the Expensive Car Supplement and aligning VAT rates for public and home charging—would help stimulate demand and support residual values.

Cap Clean used value movements by fuel type since 2021



% of retailers by type advertising BEVs (in the previous 6 months)



Opinion - UK car market

James Standing - Finance & Leasing Development Director & EV Lead, Autotrader

Over the last six months we've recorded over 510 million cross platform visits to our platform. Along with the more than 400,000 new and used cars listed daily, by private sellers, manufacturers and around 14,000 automotive retailers, we have a unique view of the market, which means we're often the first to see new trends and behaviours. As we enter the second half of the year, I wanted to share our latest market insights.

Used car market enters H2 with momentum behind it

The used car market has entered H2 in good health, with consumer demand, speed of sale, and transactions all stable. And thanks to a slightly less turbulent global economic and political backdrop, overall consumer confidence remains stable too: our research shows that nine out of 10 car buyers are at least as confident, if not more so, in their ability to afford their next car. And of more than 1,100 consumers surveyed, two thirds plan on buying in the next six months; two fifths intend to purchase within a fortnight.

This high intent is reflected in the record visits to our platform in June and in May, as well as the near record pace in which used cars are selling. The average car took just 29 days to leave forecourts in June, which is one day faster than last year and two days faster than in May. Most importantly, it's also translating into transactions; our data indicates the market grew around 3% year-on-year (YoY) in June.

A nuanced market

Although it supports our confident, albeit cautious, outlook for the months ahead, a more granular look at the data reveals a nuanced and complex picture. The 3 million new cars not sold during the pandemic has continued to flow through the parc, shifting from 1-3-year-old cars to the 3-5-year-old segment.

In 2019 there were circa 4.8 million 3-5-year-old cars in the parc, but by the end of 2024, it fell circa -37% to just 3 million, and by the end of this year, we predict it will have fallen to 2.9 million, making it the lowest level on record.

This shortfall is affecting consumer demand in younger stock (you can't want what you can't see!), which for those cars aged between 1-3-years and 3-5-years is currently down -2.1%, and -7.1% YoY respectively. Demand for older and more affordable stock, however, continues to climb; for cars aged 5-10 and 10-15-years old, it's currently up 3.4% and 8% YoY respectively.

Retail prices stable, but pressure on younger vehicles

Reflecting the current stability and underlying health of the used car market, June marked the third consecutive month prices have been flat YoY (-0.1%), following 19 months of contraction, whilst month-on-month, prices are in-line with seasonal norms. However, variations in supply and demand dynamics means there's also significant nuance in pricing trends, with younger stock feeling the most pressure. The average price of 1-3-year-old vehicles are currently down -1.4% YoY, whilst nearly new cars, which have been further impacted by the increasing push activity in the new car market, are down -3.4%. In contrast, 5-10-year-old cars are up 1.2% YoY, and those aged over a decade, have increased 4.1%.

New car interest surges thanks to electric

In the new car market, June's sales figures show a strong performance for the UK new car market, with registrations outperforming last year and a welcome rebound in retail demand.

On our new car platform visits rose 8% on May, and an even more significant 16% YoY. The standout story though is the surge in electric vehicle sales, which now make up 25% of all new car registrations, and being driven by the growing interest in more affordable, mass market EV models.

It's worth noting however, that new EV sales are still running below the 28% target for this year under the Zero Emissions Vehicle mandate. Moreover, on current trends, according to our latest Road to 2030 report we're likely to fall well short of the 80% target in five years' time. We can likely expect to see brands respond accordingly over coming months to entice more buyers to make the switch.

As ever, we'll continue to follow the market closely, and if anyone would like to discuss any of these insights in more detail, please don't hesitate to get in touch with me.

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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