Industry Insight

BVRLA

Leasing Outlook

Oct 2025

Discounts, depreciation and CO_2 deadlines

Quarterly report
Record fleet expansion as cars drive growth and vans stall

Industry outlook
EV residual values and market pressures test leasing resilience

Market spotlight
Used car leasing accelerates sharply

Opinion
Affordable new and used BEVs now a reality

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

Contents

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Market Headlines

- BVRLA lease fleet grows **5.9%** year-on-year to 1,956,594 cars and vans (page 4)
- Car fleet up **10.7%** year-on-year; van fleet down **-6.7%** (page 5&9)
- BCH car fleet up **7.8%** year-on-year; salsac up **118%** YOY; PCH down **-7.6%** YOY (page 5)
- The average CO_2 emissions of new BCH cars is **41.7g/km** (page 6)
- **71.1%** of all new BCH car contracts and **26.9%** of new PCH contracts include maintenance (page 7)
- **166%** YOY increase in used car leasing to reach 42,598 contracts (page 8)
- LCV fleet declines by **-6.7%** YOY to 475,111 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 companies grew their car fleets in Q2, despite challenging trading conditions

The BVRLA lease fleet reached record numbers during Q2, 2025, following a 5.9% year-on-year increase to 1,956,594 cars and light commercial vehicles. If the fleet maintains this growth trajectory it will exceed 2 million vehicles for the first time in the next quarter.

Cars are driving the rise in volumes, with both business contract hire (BCH) and salary sacrifice recording a strong quarter. Fierce competition between manufacturers, both established and new entrant brands, has led to a sharp focus on the leasing sector as a valuable channel to market and positioned leasing companies at the forefront of funding battery electric vehicles (BEVs).

The penetration of battery-powered models in core leasing products, such as BCH and salary sacrifice (where employees benefit from the supportive benefit in kind tax treatment of zero emission cars), continues to outstrip EV uptake in other sectors of the new car market.

Data released by the SMMT shows that fewer than one in four new BEVs are acquired by private buyers, which means BEVs accounted for less than 14% of private new car sales in the first half of 2025.

At a time when retail buyers are shying away from new BEVs, the prospect of used car buyers going electric seems unlikely, presenting deeply concerning residual value risks for leasing companies. They have changed their forecasts for new leases, which has pushed up rental costs for customers, but some companies still have large volumes of BEVs to defleet over the next couple of years that will not achieve their original residual value predictions. Disposal experts warn that newer models with better range and more modern technology are proving more desirable to BEV drivers than early-gen stock, particularly when OEMs are supporting the sale of new EVs so heavily. The SMMT estimates that manufacturers have spent £6.5 billion in the last 18 months on discounts for BEVs as they fight to meet their Zero Emission Vehicle Mandate targets and protect or win market share.

On a more positive note, Autotrader reports that one third of all independent used car retailers have advertised a BEV for sale in the last two years, joining franchised dealers and supermarkets. Two in fived used BEVs now cost less than £20,000, which is good news for buyers, but troubling for funders, given than the majority of first generation EVs hit the road at well over £40,000.

An alternative to this end-of-contract cliff edge for leasing companies is to re-lease rather than dispose of cars. A number of firms are now putting significant resource behind used vehicle leasing products. The uptake is still modest, but the growth rate is phenomenal, indicating that if the rental price is right customers will snap them up. The prospect of at least two lease lives from a BEV is now distinctly possible.

The influence of price is also clearly evident in customer decisions to include or exclude maintenance from contracts. This report has found a widening gap between business and private customers, the former opting for the peace of mind of known budgets, whereas the latter are seeking the lowest monthly rental. There has also been a move towards longer contracts with shorter mileages to find the sweet spot of lower rentals.

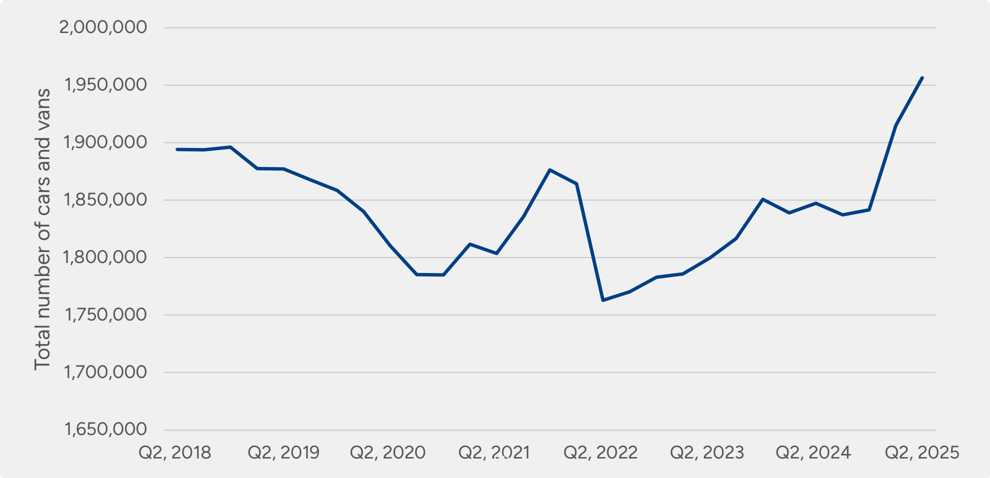
Price sensitivity is being even more keenly felt in the light commercial vehicle market, where monthly rentals for new vans are significantly higher than those of the vehicles they replace. Macroeconomic factors such as vehicle price rises, higher interest rates and more expensive service and maintenance costs are largely to blame, but the impact has stymied demand and led to contract extensions.

Nor is there any indication of LCV operators following the decarbonisation journey of car fleets. Each quarter, this report brings a step-change fall in the average carbon dioxide emissions of the car fleet, down -5% between Q1 and Q2, and -10% lower year-on-year at 68g/km. The emissions of new BCH cars, the heart of the company car market, are even lower at just 42g/km. Yet the average emissions of the van lease fleet have risen fractionally over the last 12 months, to 173g/km from 172g/km, and the average emissions of new additions are virtually the same at 171g/km.

Major leasing companies now have large teams tasked with guiding LCV customers through the electrification process, addressing duty cycles and recharging strategies, but beyond truly climate-committed customers they report that eLCVs are no more wanted by their clients than their internal risk departments. The Zero Emission Vehicle Mandate's target of 16% of new van registrations being electric this year is unlikely to be met.

BVRLA Fleet Focus Q2 2025

Vehicles operated by BVRLA members



Overall fleet

Total fleet
1,956,594 vehicles

Share of total fleet

	Q2 2024	Q2 2025
Cars	72%	76%
Vans	28%	24%

Lease fleet expansion masks difficult trading conditions

The positive growth figures for BVRLA leasing members belie how tough trading conditions have become. As the total fleet size reaches its highest ever level, up almost 6% year on year at close to 1.96 million vehicles, one executive encapsulated the mood of many, "Our numbers are up, but it feels very difficult." Corporate customers are pushing harder than ever for extra savings or enhanced terms on new vehicles, while economic uncertainty and price inflation are leading clients to extend existing contracts, especially light commercial vehicle operators. Business contract hire and salary sacrifice car schemes are leading the growth, but intense competition between leasing companies for new business means firms with growth ambitions are having to take residual value positions on new electric cars that leave them feeling uncomfortable.

TREND

+5.9%
YEAR-ON-YEAR INCREASE IN BVRLA LEASE FLEET

Cars surge forward, but LCVs go into reverse

Cars are accelerating the BVRLA lease fleet's progress towards the two million vehicles mark. Their share of members' lease fleets has risen from 72% in the second quarter of 2024 to 76% in Q2, 2025, increasing their numbers at a time when the volume of light commercial vehicles continues to fall. This mirrors the SMMT's official new vehicle sales for the first half of this year, when car sales rose by 3.5%, whereas LCV sales fell by -12.1%, having suffered their seventh consecutive months of decline. Ferocious competition between car manufacturers, fuelled by new entrants bidding for market share, has generated significant discounts, although many are 'commit-to-purchase' agreements that expose leasing companies to the risk of finding customers for hundreds and even thousands of cars in a market where prices are highly volatile.

TREND

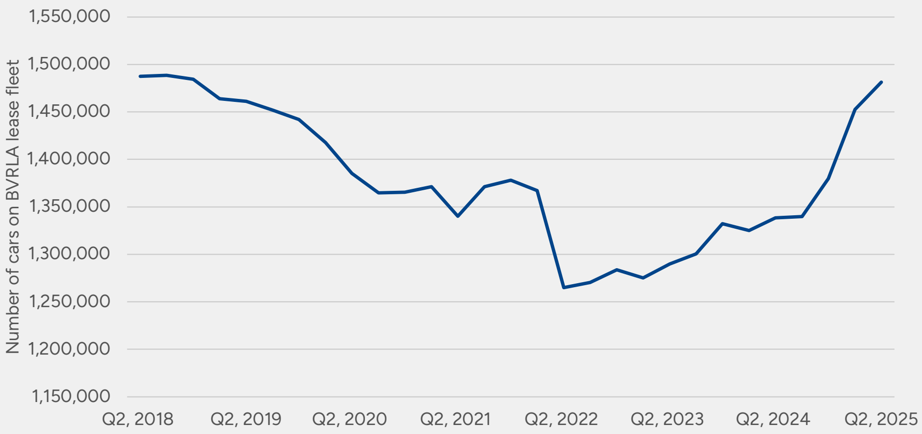
1,481,483
(+10.7% YEAR-ON-YEAR) CARS ON BVRLA LEASE FLEET

TREND

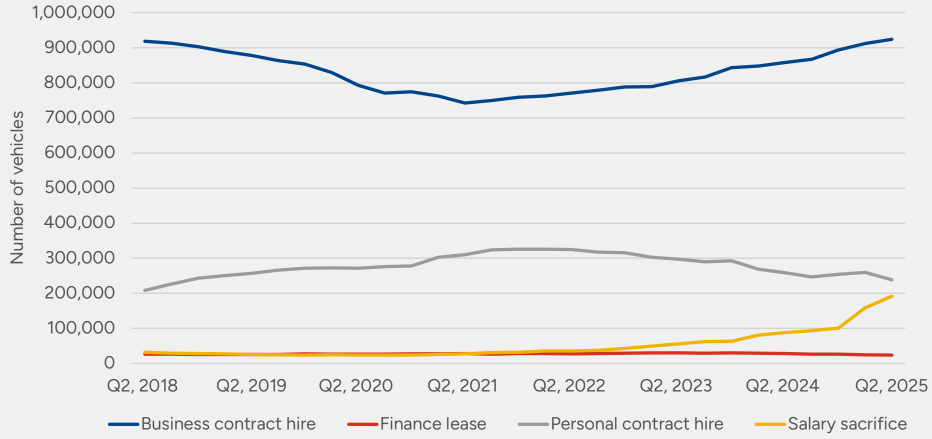
475,111
(-6.7%) LCVS ON BVRLA LEASE FLEET

BVRLA Fleet Focus Q2 2025

Total car fleet



Vehicle funding alternatives



Salsac and BCH drive growth of lease car fleet

Strong demand from the consumer sector has propelled the BVRLA car fleet to volumes not seen since the aftermath of the bumper new car market of 2016. If this trajectory continues, the car fleet will breach the 1.5 million vehicles threshold for the first time since Q1, 2018. Consumer contracts are the driving force of this growth, up 20.5% in the second quarter of the year, due to the continued phenomenal growth of salary sacrifice schemes. While the record numbers reflect in part a more accurate capture of the salsac data, some leasing executives are starting to suspect that these schemes may be cannibalising personal contract hire volumes (down -7.6%).

Business contract hire enjoyed a very positive quarter, up 7.8% year-on-year in Q2, its best growth rate for at least a decade.

TREND

1,039,849

(+7% YEAR-ON-YEAR) BUSINESS CARS ON BVRLA LEASE FLEET

TREND

441,634

(+20.5% YEAR-ON-YEAR) CONSUMER CARS ON BVRLA LEASE FLEET

Salary sacrifice schemes on course to overtake personal leasing

Market growth and improved data capture lie behind the continued success of salary sacrifice schemes. Employees have an ever-expanding choice of lower-priced electric cars, bringing more drivers into schemes, including a rising number of lower rate tax payers. Employers, meanwhile, benefit from a cost effective way to provide a highly valued recruitment and retention tool. By the end of 2025, it is feasible that salary sacrifice numbers (191,297 cars) could overtake personal contract hire (238,779 cars). In the light commercial vehicle sector, business contract hire accounts for almost 70% of funding, but executives forecast an uplift in finance lease figures. They consider finance leasing to be a more suitable option for industries that work their vehicles hard, such as construction trades, and anticipate more activity in this area.

TREND

924,855

(+7.8% YEAR-ON-YEAR) BUSINESS CONTRACT HIRE CARS ON BVRLA LEASE FLEET

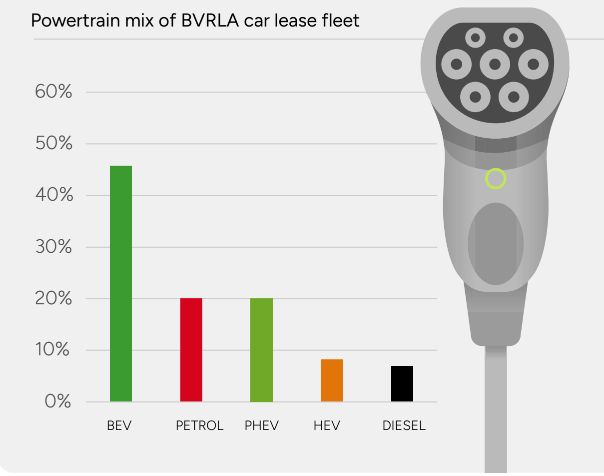
TREND

191,297

(+118.2% YEAR-ON-YEAR) SALARY SACRIFICE FLEET (BASED ON RE-ANALYSIS OF DATA)

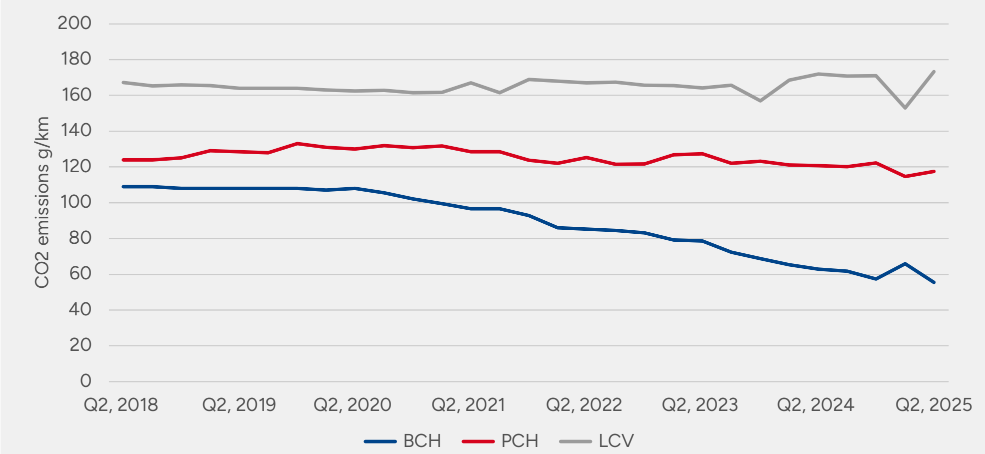
BVRLA Fleet Focus Q2 2025

Car fuel choices



	% of car lease fleet	Q2 2025 vs Q2 2024
BEV	46%	10%
PETROL	20%	-6%
PHEV	20%	2%
HEV	8%	-20%
DIESEL	7%	-4%

BVRLA fleet CO_2 emissions



Two-thirds of leased cars now have a plug

BVRLA member companies are at the vanguard of the UK's decarbonisation efforts. Almost half (46%) of their car fleet is now battery electric, and among certain customer segments the percentage is much higher. Virtually all salary sacrifice cars are BEV, and upwards of 70% of company car orders are pure electric, too, both cohorts supported by the benefit in kind tax treatment of zero emission cars. But their climate-friendly choices are undone by private motorists, for whom the Electric Car Grant is limited in scope and restricted to cheaper cars. The SMMT estimates that BEVs account for fewer than 14% of private new car sales. Unless the retail sector massively increases its appetite for BEVs, the rising number of BEVs due to be remarketed over the next couple of years risks exacerbating the residual value losses already suffered by leasing companies.

46%

OF THE BVRLA CAR LEASE FLEET IS BATTERY ELECTRIC

20%

OF THE BVRLA CAR LEASE FLEET IS PLUG-IN HYBRID

BCH cars 2.5 times cleaner than PCH cars

The CO_2 emissions of the BVRLA car fleet reached a record low in Q2 2025 at just 67.6g/km, with the emissions of new additions to the fleet even lower at 56g/km. These figures would be substantially lower still if they were confined to business contract hire customers, where new additions to the fleet emitted only 41.7g/km. The emissions of new personal contract hire cars were two and half times higher, at 107g/km, with drivers switching from petrol to hybrid and plug-in hybrid cars rather than BEV. The relaxation of rules in the spring that will extend the sale of new PHEVs from 2030 to 2035, allied to PHEVs with a longer zero emission range, and OEMs resuming PHEV manufacture after the EU softened its own emission (CAFÉ) targets, has given new life to the technology.

TREND

42g/km

(-22% YEAR-ON-YEAR) AVERAGE EMISSIONS OF NEW BCH ADDITIONS

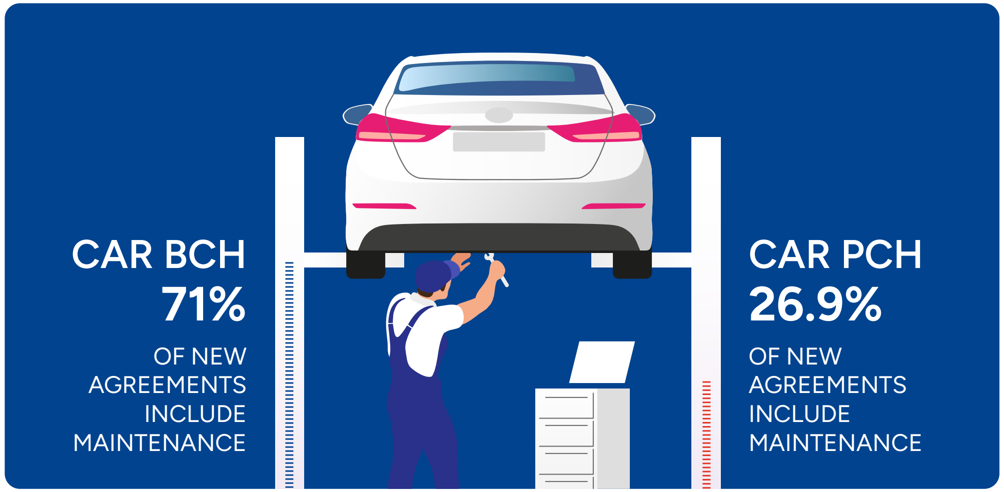
TREND

67.6g/km

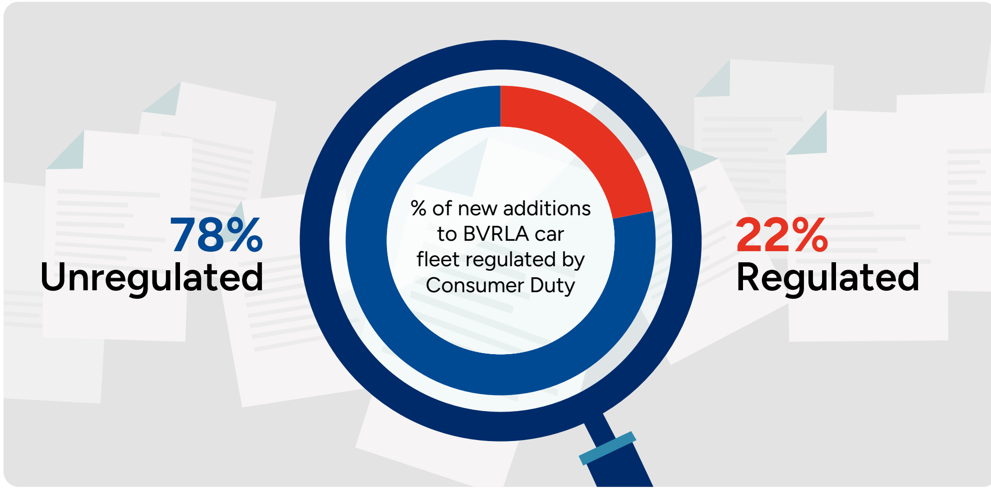
(-10% YEAR-ON-YEAR) AVERAGE EMISSIONS OF CAR FLEET

BVRLA Fleet Focus Q2 2025

Maintenance contracts - proportion of maintained fleet by funding method



Regulated contracts



Budget certainty vs lowest monthly rental – BCH and PCH divide

The gap is widening between attitudes towards including maintenance in leasing, between business and personal contract hire customers. A rising percentage of business customers are opting for maintenance-inclusive contracts, preferring known-cost budgeting. On the other hand, a declining percentage of private customers are including maintenance, preferring instead the lowest possible monthly rental. The lower maintenance requirements of electric cars compared to combustion engines suggests that maintenance might become a less important element of leasing contracts. But the advantage of having a leasing company in your corner should any reliability issues arise is a compelling argument in favour of including maintenance. Plus, leasing companies will price non-maintenance contracts slightly higher to cover the risk that a vehicle reaches the end of its contract without a full service history.

66.5%
OF NEW VAN BCH CONTRACTS INCLUDE MAINTENANCE

99.8%
OF SALARY SACRIFICE CONTRACTS INCLUDE MAINTENANCE

Industry wants 100% clarity on unregulated business

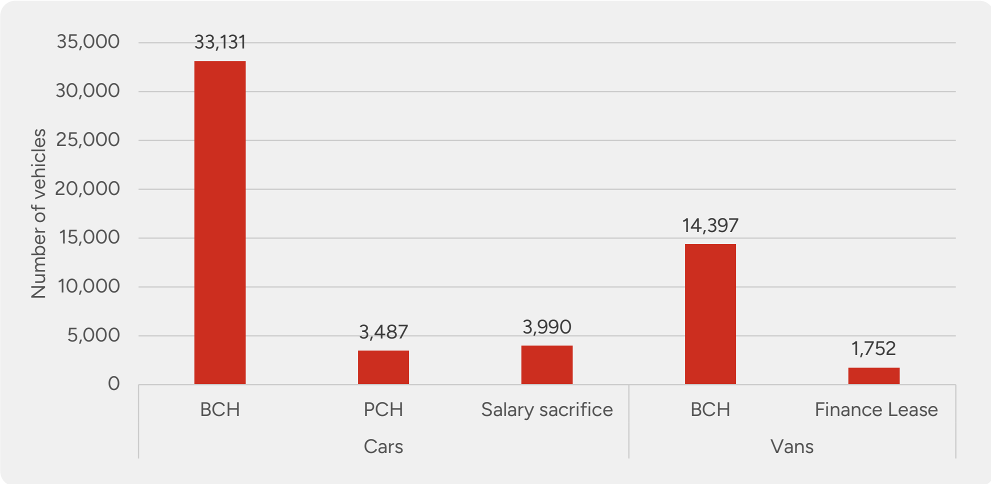
Leasing companies want regulators to seize the opportunity of the commission disclosure crisis to clarify exactly what is required from regulated and unregulated contracts. A year before the FCA began its new consultation on a redress scheme, leasing companies had reviewed and where necessary rewritten contracts to make it explicitly clear to customers when commission is included. None report that this transparency has lost any retail business – cars sourced through a broker are typically the cheapest available. However, there is uncertainty regarding commission disclosure in unregulated business, with some leasing companies insisting that brokers publish any payments involved, whereas others only require this information to be provided at the client's request. Leasing companies were not directly impacted by the Supreme Court cases, but some have sister operations that are making financial provisions for compensation payouts.

1.8%
OF NEW BCH AGREEMENTS ARE REGULATED

9.2%
OF NEW VAN FINANCE LEASES ARE REGULATED

BVRLA Fleet Focus Q2 2025

Used vehicle leasing



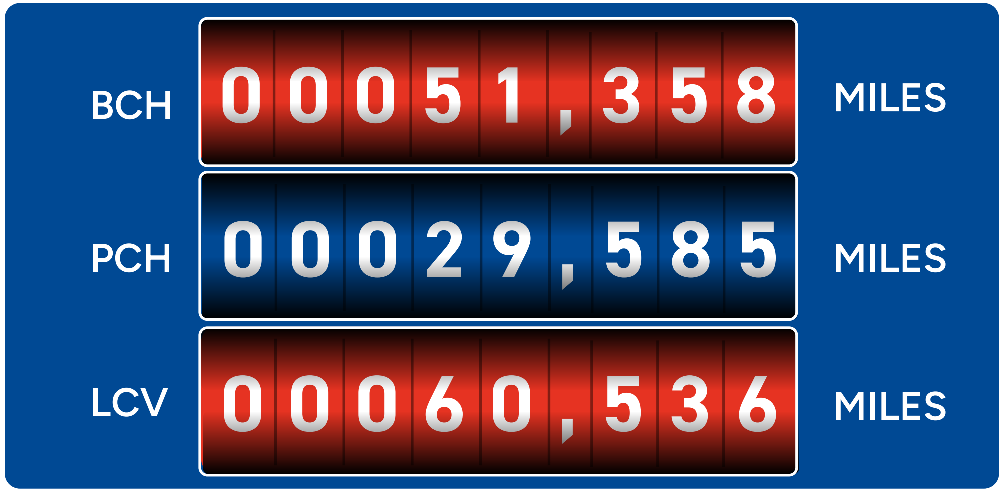
Used vehicle leasing takes major step forward

The first signs of a significant uptake in used vehicle leasing appeared in Q2, 2025 with a dramatic year-on-year uplift for some funding categories. Leasing companies have increasingly regarded the re-lease of used electric vehicles as a potential solution to the desperate depreciation they have suffered.
Used volumes are still low compared to new vehicle contracts, and operational processes are far from industrialised, but supply is increasing and finding a customer base. In price sensitive salary sacrifice, for example, the data shows a 7,000% year-on-year rise to 3,990 cars, and even business contract hire is up 174% to 33,131 cars. This demand presents a dilemma to leasing companies – build the market by bringing back end of contract cars for re-lease, or avoid current residual value woes by extending existing contracts.

TREND
+166%
YEAR-ON-YEAR INCREASE IN USED CAR CONTRACTS

TREND
+83%
YEAR-ON-YEAR INCREASE IN USED VAN CONTRACTS

Contract mileage



Customers increase lease durations but cut mileages

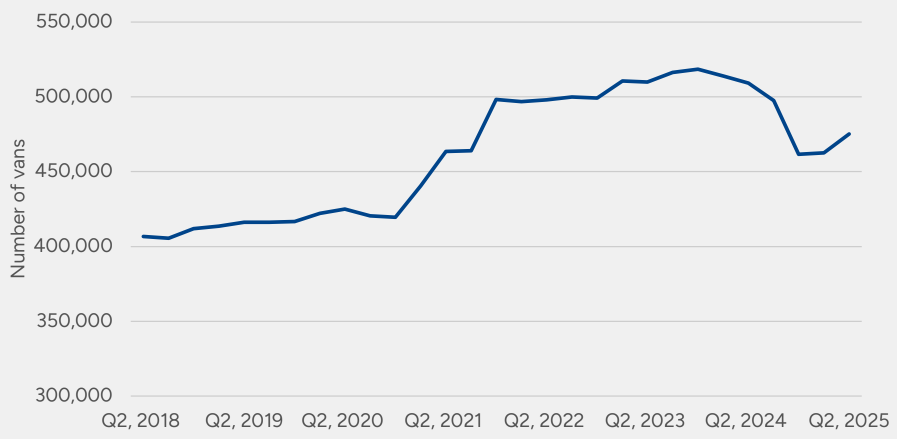
The duration of leases is extending, but mileage profiles are shortening as leasing companies work with customers to find the sweetspot for optimum pricing.
The average new car BCH contract in Q2, 2025 was for 45,600 miles, 10% fewer miles than in the same period of 2024, reflecting hybrid working practices. In the PCH market, leasing companies have been surprised to see demand for contracts as short as 6,000 miles per year, and even more surprised when these cars have been returned under-mileage at the end of contracts.
Standard three-year terms are still used as a pricing benchmark so customers can compare competing offers, but contract extensions are so common that few vehicles finish their leasing lives with their original duration and mileage profiles.

38 months / 45,600 miles
THE AVERAGE TERM OF NEW BCH CONTRACTS

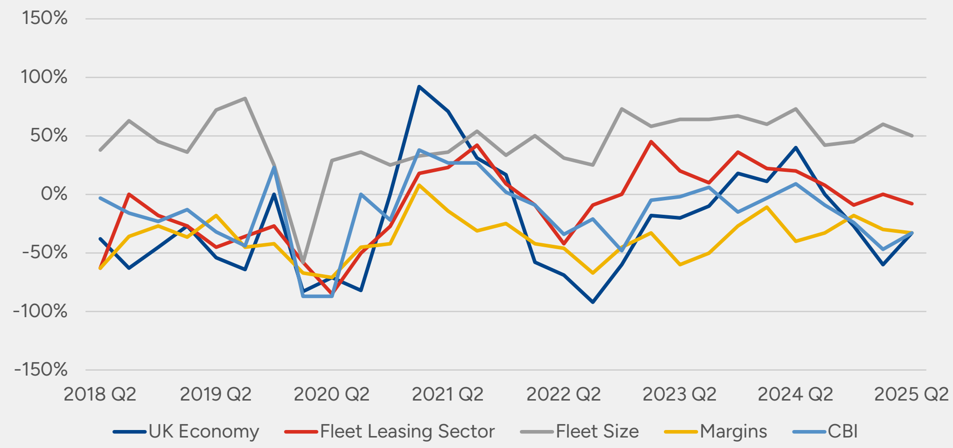
36 months / 28,500 miles
THE AVERAGE TERM OF NEW PCH CONTRACTS

BVRLA Fleet Focus Q2 2025

Van fleet



Industry confidence



LCV leasing falls as new van market struggles

The leasing sector has experienced the same downturn in demand for light commercial vehicles as manufacturers. Year-on-year the BVRLA LCV fleet shrunk by -6.7% in Q2 as customers extended rather than renewed contracts. New van sales were about 10% lower in the first half of 2025, compared to the same period last year, according to SMMT data. Inflation in the price of new vehicles, OEM pressure to include electric LCVs in large orders, and a lack of confidence in the UK economy have seen van customers run their current vehicles for longer. Delaying replacement cycles cannot continue indefinitely, with older LCVs starting to require costlier maintenance and experience more downtime, but leasing executives are concerned about how some customers will afford new vans, especially those still trying to mitigate their higher NI costs.

TREND

475,111

(-6.7% YEAR-ON-YEAR) VANS ON BVRLA FLEET

TREND

327,071

(-5.3% YEAR-ON-YEAR) BCH VANS

Confidence in leasing and the UK economy at a low ebb

Difficult trading conditions have knocked confidence within the vehicle industry, with all bar one measure in negative territory. The exception is fleet size, where executives still see opportunities for growth, albeit more slowly than in the last quarter. The Office for National Statistics measured a 0.3% growth in UK GDP in the second quarter of the year, having slowed from a 0.7% increase in Q1. The Institute of Directors' Economic Confidence Index, which measures business leader optimism in prospects for the UK economy, dropped to its worst reading on record in July. As used car values normalise, leasing firms have a negative outlook both for margins and for the industry as a whole, and they now await with trepidation the next Budget following the increases in employer NI contributions last year.

TREND

+50%

BVRLA MEMBERS' CONFIDENCE IN FLEET GROWTH

TREND

-33%

BVRLA MEMBERS' CONFIDENCE IN FUTURE MARGINS

BVRLA Member Outlook

The UK motor industry is fast approaching a crunch point. Manufacturers are massively subsidising electric vehicle sales, but still missing their Zero Emission Vehicle Mandate targets, and having to rely on flexibilities to avoid costly fines. Leasing companies are losing money on the first generation of electric vehicles, and having to raise rentals for new contracts. And customers are extending contracts where possible to avoid the higher costs of new leases.

The Government is phasing out the sale of new cars with a combustion engine from 2030, and someone will have to pay for it.

In reality, the deadline is earlier. Between 2027 and 2028 the percentage of an OEM's new car sales that have to be zero emission leaps to 52% from 38%, and credits from future sales or bought from rivals will no longer be sufficient to meet the terms of the mandate. The only solution will either be to sell many more electric cars or substantially reduce sales of fossil-fuelled cars.

Leasing companies are in the eye of this maelstrom. Having funded the lion's share of the UK's electric vehicles – the biggest EV market in Europe in 2024 – lessors are now grappling with levels of depreciation far greater than they forecast. EV residual values declined by 60% between September 2022 and September 2024, and have dropped a further 10% since then, leaving almost all of the first wave of EV contracts in the red.

This financial blow has been cushioned by the relative strength of used petrol and diesel prices, but it is requiring the sale of three or four ICE cars to offset the losses on a single EV.

Reacting to this market situation, leasing companies have done the only thing possible – adopt more realistic/pessimistic forecasts for used EVs, which inevitably increases lease costs.

Company car drivers are having to accept that their choice lists no longer offer access to the same grade of vehicle, but the pill is sweetened by the benefit in kind tax savings.

Private drivers, however, are simply sticking with combustion engine cars, delaying the UK's transition to net zero. The increase in lease rentals would be even greater if manufacturers were not discounting electric cars so heavily, but this in turn is creating a vicious circle.

"If the OEMs throw more money at discounts, that negatively impacts residual values, which puts lease rentals up," said one leasing executive. "It becomes a zero-sum game."

Another questioned how long these trading conditions can continue.

"With no tariffs and charging infrastructure getting better all the time, the UK is a good place for a car manufacturer to try and sell cars, but there are just a few too many of them here," he said. "It's hard to see

Car and van fleet forecast

	Q2, 2025	Q3, 2025	Q4, 2025	Q1, 2026	Q2, 2026	Forecast change Q2, 2025 to Q2, 2026
Cars	1,481,483	1,488,939	1,501,262	1,517,674	1,535,156	4%
LCVs	475,111	469,654	465,804	463,821	460,983	-3%
Total	1,956,594	1,958,593	1,967,066	1,981,495	1,996,138	2%

Car fleet forecast by fuel type

	Q2, 2025	Q3, 2025	Q4, 2025	Q1, 2026	Q2, 2026	Forecast change Q2, 2025 to Q2, 2026
Petrol	303,408	296,392	288,759	280,800	272,312	-10%
Diesel	98,519	93,610	88,692	83,764	78,830	-20%
BEV	674,667	711,687	752,817	798,632	850,677	26%
PHEV	292,741	304,735	312,058	323,442	336,988	15%

at this level of discounting and competition, how every brand continues to want to be in this market long term."

The danger of an OEM withdrawing from the market, as Fisker did, and the consequent residual value disaster of leasing companies being left with cars that lack dealer and parts support is keeping risk committees awake at night.

The only long-term solution, according to multiple industry leaders, is for intervention in the used EV market to stimulate demand. A first, free-of-charge step would be a concerted Government effort to counter the negative press surrounding EVs, and the construction of a positive narrative around the technology.

State-of-health tests by one major leasing company on over 8,000 used EVs found the average battery capacity to be 93%, yet public fears persist that EVs will degrade at a similar rate to mobile phones.

Data from the AA shows that only 1.85% of all EV breakdowns in 2024 were due to running out of charge, which is on a par with the 1% of ICE vehicle breakdowns due to running out of fuel, yet range and charging anxiety still regularly feature as obstacles to EV adoption.

But it's pure economics that will really turn the tide, say executives. The massive disparity between business and personal contract hire orders for EVs is due to the supportive benefit in kind tax regime for company car drivers far eclipsing the Electric Car Grant. And it's the same story in the used market.

When EVs cost the same or less than ICE counterparts, used car buyers consider them, yet there are no grants, subsidies or financial advantages to nudge them over the line. These drivers shop with a budget in mind, rather than a percentage of a new car's price, and their budgets have not remotely risen in line with the significantly higher acquisition prices of EVs. The result has baked higher depreciation into EV leases.

Second-life leasing offers one way for leasing companies to avoid the initial residual value hit on used EVs, and while the numbers are modest this is the first Leasing Outlook report to identify substantial growth. Price-sensitive smaller businesses as well as salary sacrifice scheme drivers are snapping up used EVs if, and it's a big if, the price is right.

The challenge for leasing companies is to collect, inspect, and refurbish used EVs, before forecasting a future residual value high enough to create an attractive lease rental. Their faith in battery electric powertrains is now seeing three-year leases offered on three-year old cars. But it's not an easy process. No two used vehicles are alike in terms of wear and tear, while a swathe of cheaper EVs and cutthroat pricing from new entrant OEMs can make it difficult to reach a lease rental for a used car that is meaningfully cheaper than a new model.

EV buyers are proving to be brand agnostic, and new players are seizing this opportunity.

"Their growth trajectories are amazing. Like nothing I've ever seen," said one executive.

Muddying the car supply waters is the tax change to Employee Car Ownership Schemes, typically run by manufacturers and dealer groups. The Treasury estimates that 76,000 individuals who currently receive tax-free cars through these schemes will

Car and LCV fleet forecasts by funding method

Finance product	Q2, 2025	Q3, 2025	Q4, 2025	Q1, 2026	Q2, 2026	Forecast change Q2, 2025 to Q2, 2026
BCH CARS	924,855	937,940	951,749	959,813	968,938	5%
PCH CARS	238,779	239,791	242,124	241,438	241,370	1%
BCH LCVs	327,071	323,189	320,434	319,180	305,852	-6%
PCH LCVs	4,573	4,444	4,329	4,221	4,119	-10%

BVRLA Member Outlook

become liable for benefit in kind tax. Supplied on a six to nine-month replacement cycle, ECOS cars offer a valued employee benefit, provide a route to market for OEM's excess stock, and create a useful channel of nearly new cars for dealers.

"We've had lots of requests for 12-month contract hire, but no leasing company is going to want to do that because the risks on the RVs are just too great, or you would end up with very expensive rentals because you're funding that first year's depreciation," said one executive.

Longer contracts that include a higher proportion of free-of-charge early terminations might provide a middle ground.

The light commercial vehicle market is proving to be just as problematic. New van lease contracts can be double the rentals for agreements that started in 2020, due to increases in van prices of up to 40% over the period, inflation in service and maintenance costs, and higher interest rates.

It's little wonder that operators are trying to extend contracts, and no coincidence that many leasing companies have brought their management of downtime to the fore as vehicles have aged.

Executives also point to the disproportionately heavy impact of employer National Insurance contributions on lower paid employees, a cohort that would include many van drivers, as a reason for customers to examine their budgets and avoid investments that increase their cost base.

Unfortunately, by keeping LCVs for longer, their mileage and condition is less attractive to used van buyers when they are sold.

The electrification of LCVs has stalled, with nationwide new van sales as well as new additions to the BVRLA lease fleet well below the thresholds of the ZEV Mandate.

Depot and home-based van operators with low mileage duty cycles can make eLCVs work, so long as they can secure sufficient power to their location without funding a grid upgrade, but leasing executives say higher mileage (40,000+ miles per year) profiles are finding the transition impossible from both a cost and productivity perspective due to public charging tariffs and charging downtime.

2025 is proving to be a very challenging year.

"The electrification of LCVs has stalled, with nationwide new van sales as well as new additions to the BVRLA lease fleet well below the thresholds of the ZEV Mandate."

Opinion - service, maintenance and repair

Fleet Assist's business development director Garry Winckley focuses on the SMR budget priorities for fleets in 2026.

Garry Winckley
Business Development Director, Fleet Assist

The UK fleet sector has navigated another challenging yet transitional year in 2025. Whilst certain indicators – such as reduced repair cycle times and improved use of predictive technologies – suggest areas of progress, the broader picture of SMR aftersales remains an environment where a critical balance is required, balancing cost, downtime, and compliance across a range of vehicles.

2025 has seen, in line with the general UK economy, a continuation of inflationary cost pressures across labour and parts, albeit at a slower rate than previous years, offset partially by improved hybrid and EV SMR maintenance costs compared to traditional ICE. Typically, a minor BEV service costs 18% less and 32% less for a major scheduled service, when compared to their ICE equivalent.

On a more positive note, SMR lead times have stabilised, but remain elevated compared to pre-pandemic norms, strategic work direction policies continue to deliver cost benefits of circa 15% and the use of integrated technology linked to downtime management, all remain key cost control and productivity levers.

2025 has seen increasing focus and ambition to develop and adopt AI-backed telematics and predictive maintenance tools – with the aim of streamlining ordering, scheduling, and repairs, while reducing downtime by scheduling maintenance proactively, before failures occur.

EV adoption across fleets continues to accelerate. However, this requires the garage SMR networks continuing to make significant investment in equipment, technology and workforce skill levels, not previously experienced.

As fleet managers turn their attention to 2026, they will need to account for several areas such as cost, workshop capacity, and the continued evolution of vehicle technology – particularly EVs, Advanced Driver Assistance Systems, and connected diagnostics which reshapes servicing requirements. These elements highlight the importance of a robust approach to garage network management.

With 2026 budgets in mind here are some areas of best practice that should be considered and planned for:

- Consider labour and parts costs may increase for more ADAS-related elements particularly BEV vehicles as typically they have the latest technology.
- Review garage work direction – do you have a rule set and how often is it reviewed? How do you measure its success?
- Factor in where appropriate reduced BEV average invoice values.
- Manage driver expectations and provide best practice advice, enabling routine service maintenance and repair to pivot away from a distress purchase to a scheduled event.
- Ensure you have access to a blend and cross section of repair garages to include main dealers, mobile, independents and specialists.
- Indirect costs of vehicle downtime, driver disruption and compliance should be considered.
- Investment in predictive maintenance tools to reduce unplanned downtime and focus on centralising scheduling, diagnostics, and repair tracking.
- Include SMR in risk reviews when looking to onboard new OEMs and models.

Ultimately, continued success in 2026 will hinge on the ability to manage costs, and onboard proactive strategic work direction polices. Fleets that focus on optimising these key levers rather than headline total SMR spend alone, will be best positioned to successfully navigate 2026.

Opinion – affordable new and used BEVs now a reality

You would be forgiven for thinking that it was the new Electric Car Grant, recently introduced by the UK government, which was heralding a dramatic increase in affordable, new electric cars. The truth is that the situation has been improving rapidly over the last 12 months.

Dylan Setterfield
Head of Forecast Strategy, cap hpi

SOLERA Vehicle Solutions cap hpi

Back in September last year, there were just 182 cap IDs which were battery electric cars with a list price under £37,000. A year later that has increased by more than 82% to 332 IDs and the proportion of all current vehicle IDs has almost doubled to 5.5%, meaning that one in 18 new cars available is now, by government standards, an affordable BEV.

Whilst there is an impact from the introduction of models into the smaller car sectors, there is also an element of cheaper vehicles being added to existing model ranges, often via the introduction of a smaller battery option.

So, what impact do we ultimately expect the Electric Car Grant to have? It was intended by government to improve the penetration of BEVs in the private retail sector, but we expect the final effect to be less than they had hoped; the grant has been made available to all customers, including fleets and there were already significant discounts available at dealers.

With the previous discounts in most cases already more than the -£1,500 available from the second tier of the ECG, some manufacturers have simply absorbed some or all of the new grant into existing offers, leaving retail purchase prices unchanged or only slightly different.

However, some HAVE passed the full discount on to customers. There are plenty of mainstream models which can now be picked up with -15% to -20% stripped from the list price. The question we are being asked most often now is whether there is likely to be any impact on used values.

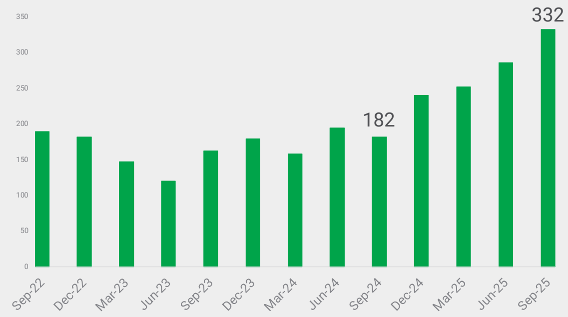
The key factor governing whether there will be any reductions to used values is how close the effective new car purchase price is to the used retail value on current plate cars with delivery mileage – if the new car is cheaper than used, then values obviously tend to drop quickly as the used cars become extremely difficult to sell.

However, it needs to be remembered that many battery electric models have already seen significant reductions in used values in recent years and there is often a substantial gap between the cost of a new car and the current price of the used car – in these cases we do not expect any impact at all on used values.

There are several ranges which have already seen forecast reductions and, for some models, it is not due to the official government grant, but instead the decreases are due to manufacturers' own 'grants' which could be applied immediately, without needing to go through the application process for the ECG.

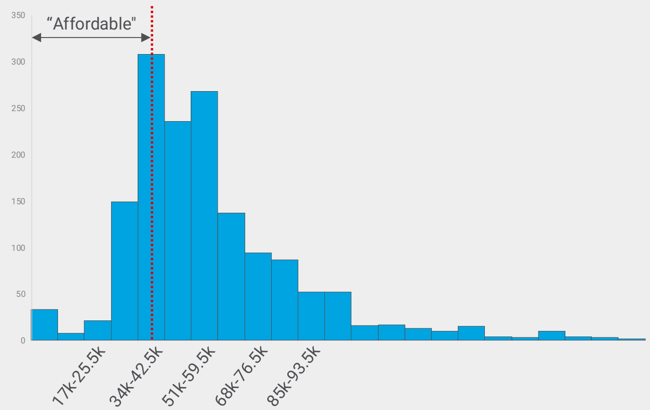
As is increasingly often the case, this is just one more situation on electric vehicles where we must go into each individual model in great detail.

Number of current BEV cap IDs <£37,000



Year over year increase of +82% in "affordable" BEVs

Distribution of list prices for current BEV cap IDs



Opinion - UK's electric vehicle revolution at a crossroads

The industry has a lot on its radar over the coming months, not least the redress scheme consultation that kicked off in October. However, as it's almost five years since the UK Government announced the ban on the sale of new petrol and diesel cars in 2030, for this edition of the Leasing Outlook Report, I thought I'd share some thoughts and insight of where we are at the halfway mark, what progress has been made, and what the next half of the decade may hold.

Rachael Jones
Director of Automotive Finance, Autotrader

Autotrader

First, it makes sense to start with some of the basic facts. The growth of EVs in the UK has been nothing short of extraordinary. Today, there are 1.6 million electric cars on the nation's roads—seven and half times more than in 2020. This surge is mirrored in the registration data: fully electric vehicles now account for about one in every four new cars sold, with the year-to-date market share more than triple what it was five years ago.

Alongside this rapid expansion, the range and diversity of available electric models have increased significantly. Where once consumers faced a limited set of options—typically high-priced, early-adopter vehicles—today's market offers a flourishing spectrum of choices: from compact city cars to practical family SUVs, high-performance vehicles to affordable entry-level models. This proliferation of options has enabled more people to find an EV that suits their individual needs, lifestyles, and budgets.

Just as importantly, falling prices—driven by improved battery technology, economies of scale, and healthy competition among manufacturers—are reshaping public perception and accelerating mainstream uptake. The average price gap between electric and petrol or diesel vehicles is shrinking (five years ago the average EV was 59% more expensive than the equivalent petrol car, but today that figure sits at 20%), and with government incentives and lower running costs, the total cost of ownership is becoming increasingly attractive. Consumers who might have hesitated before due to cost are now seeing EVs as a viable, even preferable, alternative.

Public charging infrastructure has also expanded dramatically, with 85,000 public chargepoints now available—four times the number in 2020—and more than a thousand being added each month.

This progress places the UK as the third largest market for electric vehicles globally, behind only China and the United States. It is evidence of both an industry and a public that, despite obstacles, are embracing the transition to cleaner transport.

Changing attitudes are visible everywhere: the early scepticism and cautious curiosity that greeted the first wave of EVs have given way to a sense of growing normality. Concerns about range anxiety are being addressed not just by more robust infrastructure, but by newer models offering substantially greater driving ranges (an average of 290 miles). Family buyers, urban commuters, and company car drivers are all finding reasons to make the switch. Conversations about EVs, once dominated by enthusiasts and environmentalists, now include everyday motorists keen to benefit from technological progress and long-term savings. Today, one in six used car enquiries sent to a retailer from Autotrader is for an electric car, up from one in 50 in 2020.

Yet the journey is far from over. In fact, as we pass what feels like 'half time' on the road to 2030, it's clear that we have reached a moment for reflection but not for rest. For every milestone met, new and steeper challenges await. The latter stages of this transition will demand even more from all of us: greater investment, faster innovation, and, critically, continued public trust.

In September 2025, the right question is not whether the EV transition is happening, but how we move forward most effectively. The story of the UK's EV revolution is, at its heart, about more than just technology. It is about adaptation—the willingness to update our infrastructure, retrain our workforces, and reconsider deeply held assumptions about mobility. It is about collaboration, as automakers, energy companies, governments, and consumers learn to work together in ways previously unimagined.

Over the next five years we must ensure that charging infrastructure keeps pace with demand, that the benefits of electrification are shared equitably, and that the UK retains its place as a global leader in green technology. The lessons of the past half-decade—innovation matched by pragmatism, ambition balanced by realism—must guide us forward.

At this pivotal midpoint, the EV transition remains both a technical and cultural challenge. But the progress to date proves that the UK is capable of remarkable change. If we continue to learn, to invest, and to work together, the summit of our journey—an electric, sustainable future—is within reach.

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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