

# The Business Finance Guide



## Leasing & hire purchase

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Leasing and hire purchase are very popular financing options, and account for nearly a third of business equipment investment in the UK.

The application process is very straightforward. You can get asset finance directly from a finance provider, or from the provider of the equipment you are interested in acquiring, or from a broker.

A small business that is looking for advice on finance options and is thinking about leasing or hire purchase can get advice from a wide range of sources, including their accountant but also equipment providers, banks and the finance providers themselves.

We can't think of any asset that cannot be financed in principle through leasing or hire purchase, and certainly the vast majority of business assets – from telephones and computers to delivery vans and machine tools – can all be financed by leasing or hire purchase.

A business that is considering financing a new assets will first of all need to consider what their cash flow situation is, and what kind of finance would suit them best. Secondly they need to consider whether at the end of the contract they want to own the equipment – or just lease it. And then there are options available to suit all those needs depending on what they want.

The main different between a financing lease and an operating lease is that if you take out a financing lease, you will be responsible for paying for more or less the whole cost of the asset over the course of its life. You'll be responsible for maintaining and ensuring that it continues to work as though you owned it. Under an operating lease, you will probably not pay the full cost of the item over its life. You will effectively be renting it, and the leaser will be responsible for maintaining it and ensuring it is kept in good working condition.

Asset finance is offered by a wide range of banks and non-bank finance providers directly, or through equipment manufacturers – or through thousands of brokers and dealers across the country.

Asset finance is a term used to cover leasing and hire purchase of new assets that you are bringing into the business for the first time, in contrast to asset-based finance which means that you are using assets that you already have in order to raise new finance.

Leasing and hire purchase are quite simply a form of finance that businesses will use to acquire new assets for the business and – for one reason or another - do not want to have to find the whole purchase price up front.