BUNDESVERBAND DEUTSCHER
LEASING-UNTERNEHMEN

Bundesverband Deutscher
Leasing-Unternehmen e.V.

Comments of the Bundesverband Deutscher Leasing-Unternehmen to the EBA Draft guidelines amending Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013

Berlin, 14. Oktober 2025

Bundesverband Deutscher
Leasing-Unternehmen e.V.

Linkstraße 2
10785 Berlin
Tel. +49 (0) 30 / 20 63 37-21
E-Mail: marcel.rosteck@leasingverband.de

LobbyR R001688
EU-Transparenz-Register 84917875724-73

The Leasing Industry

As the Federal Association of German Leasing Companies (BDL), we represent the interests of the German Leasing Industry.

Germany's leasing companies enable their mostly medium-sized customers to make new investments of over €80 billion annually. A good quarter of all investments in equipment, as well as investments in operating and office equipment, are made through leasing. Leasing as a financing solution thus makes a significant contribution to overall economic investment, especially for German SMEs. At the same time, the leasing companies themselves are predominantly SMEs. Over three-quarters of all German leasing companies have fewer than 50 employees.

Comments to the EBA Draft guidelines amending Guidelines on the application of the definition of default under Article 178 CRR

First of all, we welcome the opportunity to comment on the EBA Draft guidelines amending Guidelines on the application of the definition of default under Article 178 CRR. We would like to take this opportunity to convey our position on the proposals contained in the EBA Guidelines regarding the definition of default in leasing.

General comments:

In our opinion, the draft EBA guidelines on payment defaults do not sufficiently take into account the specific characteristics of the leasing business. This often leads to lessees with very good to good credit ratings being classified as defaulted in accordance with Article 178(1) sentence 1 letter b) CRR due to technically induced payment delays and thus as non-performing in accordance with Article 47a(3) letter a) CRR.

The incorrect classification of these lessees in terms of risk profile leads to significantly higher capital requirements and an inappropriately high reporting of defaulted/non-performing loans under COREP and FINREP.

For leasing companies that belong to a group subject to CRD/CRR regulation, the problem is exacerbated by the fact that the consequences of a purely technical payment default affect the lending of other lending companies (e.g., credit institutions) in the same supervised group. In cases where customers are both lessees and borrowers from a credit institution belonging to the group (receipt of credit facilities), the technically caused default classification at the leasing company meant that the credit institution also had to treat these customers, who otherwise had impeccable credit ratings (without payment delays or overdrafts), as defaulted or non-performing.

However, when developing and validating rating systems, it is generally not possible to take into account the reason for a payment delay of more than 90 days. The vast majority of lessees meet their payment obligations within the agreed term. Payment delays usually result from the special features of the leasing business, which we will discuss in more detail below.

In our opinion, these special features make it urgently necessary to introduce exemptions not only for the factoring business but also for leasing.

Special comments/examples:

In the fleet business, payment delays of more than 30 days are regularly the result of internal processes at the lessee. In the case of payment arrears of more than 90 days, fleet leasing contracts must regularly be treated as contracts in default, even though there are sufficient, mostly procedural reasons for the payment delays.

In the fleet business, payment delays occur particularly frequently at the beginning and end of a leasing contract. For fleet customers with vehicle leasing contracts, some of which comprise more than 1,000 individual leasing contracts, these delays result, for example, from the fact that, unlike traditional loans, the lessees' leasing contracts are not concluded by the finance department, but by the purchasing department or fleet management. During the internal coordination processes at the lessee's end, which usually take more than 30 days, the leasing contracts are not usually serviced – with the lessor's knowledge. However, according to the draft EBA guidelines on payment defaults, a payment delay would have to be reported here, even though there is actually no payment delay.

In the case of newly concluded vehicle leasing contracts for company cars, there are also often queries and a need for clarification because the vehicle user (employee of the lessee) has contractually agreed on additional services (equipment features) that do not or do not fully comply with the lessee's company car policy. In such cases, approval by the lessee's purchasing department or fleet management first requires clarification between the vehicle user and the actual lessee as to who will bear the additional costs arising from the additional equipment features in the leasing rate. In such cases, the first payment by the lessee's fleet management/purchasing department is usually only approved once this clarification has been completed and the leasing rate, including all services, has been divided up and deemed justified in terms of amount.

Only after the payment has been approved by the purchasing department or fleet management does accounts payable post the payment and instruct it. This can also take several days to a few weeks, for example due to staff shortages in the lessee's accounts payable department, over which the lessor has no influence.

At the end of leasing contracts, too, there are regularly delays in payment due to reconciliation (*in the fleet business)*. While the monthly instalments were paid punctually by the lessee during the term of the contract, one-off costs invoiced in connection with damage, fines, and costs at the end of the contract also regularly lead to late payment of the final instalment. Since these costs cannot always be directly verified by the lessee, in many cases there are initially disagreements between the lessor and the lessee. This is particularly the case when damage to the leased object is discovered and there is initially disagreement as to whether it is normal wear and tear or damage. There is also often disagreement about the amount of damage determined by the appraiser. In many cases, lessees are initially unwilling to pay for the damage or the amount of damage. In order not to jeopardize the customer relationship, especially in fleet leasing, it is common practice to enter into negotiations to reach an agreement with the lessee. The negotiations in this regard are usually very granular, take place on the basis of the individual leased object, and cause corresponding delays.

Even though internal audit is not normally involved in this usually lengthy negotiation process, the reasons for the resulting delays in payment of the final instalment can be traced

back over several years thanks to the retention periods prescribed by commercial law, for example for email correspondence with the lessee. Accordingly, the reasons for a payment delay can be traced back at least six years after the end of the respective lease in the context of an internal or regulatory audit. Once an agreement has been reached with the lessee on the amount of damage to the leased asset, the lessee usually makes the remaining payment for the respective leased asset, which is treated as overdue due to the requirements of Article 178 CRR, within a few days.

In many cases, payment delays also occur in leasing contracts with government institutions and local authorities (public sector) throughout the EU. The reason for this is that government institutions and local authorities, which normally have an unquestionable credit rating, undergo extensive review and clarification processes before issuing payment orders, which leads to delayed payments and thus to a purely rule-based, technical payment delay without this being adequately taken into account in risk management.

For the reasons outlined above, even when dunning procedures have been initiated, more than 30 days, but often less than 60 days, often elapse between the due date of payment under a lease agreement and the actual payment. In order to take this circumstance into account appropriately, we consider it appropriate that a lessee with a payment arrears of more than 90 days should only be considered to be in default if the receivable from the lease agreement that has been reminded is also more than 60 days overdue and there are additional signs of a payment default.

In light of the procedural delays in payments by lessees that are not related to creditworthiness, we strongly advocate amending paragraph 19(b) of the EBA guidelines on payment delays. The current exemption is impractical and does not correspond to operational practice. In addition to an amendment to paragraph 19b) of the EBA guidelines on the definition of default, we consider an amendment to paragraph 23(g) to be necessary in order to take sufficient account of the payment delays resulting from the specific characteristics of the leasing business described above.

Proposed amendment

With this in mind, we propose the following wording:

Tz. 19 b) In the specific case of leasing, a formal complaint about the object of the contract was made to the institution and the validity of the complaint was confirmed by an independent internal audit, internal validation or another comparable independent auditing unit. There is disagreement regarding the object of the contract or the amount of the final payment of a leasing contract when the leased object is returned.

Additional proposal

Tz. 23. (g) In the specific case of leasing, where the materiality threshold set by the competent authority in accordance with point (d) of Article 178(2) of Regulation (EU) No 575/2013 is breached but none of the receivables to the lessee is past due more than 60 days.

***