

Brussels, 10 May 2026

Leaseurope response to the EBA consultation on its discussion paper on the simplification and assessment of the credit risk framework

Leaseurope, the voice of leasing at European level, welcomes the opportunity to comment on the EBA consultation on its discussion paper on the simplification and assessment of the credit risk framework.

Executive Summary

- Leasing is a **key financing channel for Europe’s real economy**, with over €454 billion in new volumes annually (reaching more than 1 trillion EUR in outstandings at the end of the year) and strong relevance for European SMEs, where around 50% rely on it. Its asset-based model enables efficient access to productive, innovative and green investments, complementing traditional bank lending and supporting competitiveness.
- Despite this, the **prudential framework does not reflect leasing’s low-risk profile**. Because lessors retain ownership of assets and can recover value in case of default, loss rates are structurally low. However, current Basel III / CRR III rules overstate risks, leading to disproportionately high capital requirements and disincentivising leasing activity. A more risk-sensitive approach is needed, including differentiated risk weights and better recognition of physical collateral.
- Finally, **leasing providers are impacted by the definition of default**. This is because leasing companies provide services with specific characteristics that differentiate them from traditional bank lending. This significant impact leads to artificial high Non-Performing Exposures (NPE) rates that are not triggered by financial problems but due to the way the counting of the days are defined in the final guidelines as well as the way the obligors make their monthly payments. **This issue can be fixed if leasing is treated similarly to factoring where the backstop rule of the 90 days-past due counter is triggered but none of the individual lease obligations of a debtor is past due for more than 90 days.**

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1. LEASING AS A KEY ENABLER OF SUSTAINABLE GROWTH

1.1 The Strategic Role of Leasing in Financing Europe’s Real Economy

In 2024, leasing firms represented through Leaseurope’s Member Associations granted **new leasing volumes worth 454 billion EUR**, reaching **more than 1 trillion EUR** in outstandings at the end of the year¹. Leasing is the most preferred financing option among SMEs, particularly among high-growth, innovative, and export-oriented enterprises. More than 50% of SMEs view leasing as relevant (50%)². The majority of leasing in Europe is provided through regulated credit institutions (either directly or indirectly through their parent banks) which makes this consultation particularly relevant for our sector.

Leasing is a financing instrument oriented towards productive and innovative investments. Through asset-based finance, it enables companies to access machinery, technology, and other productive assets in an efficient manner, supporting capital renewal and enhancing business competitiveness.

Overall, the leasing sector contributes to the competitiveness of the European economy by offering specialised financing solutions focused on productive investment. Leasing enables companies—particularly SMEs—to access essential assets efficiently, supporting the renewal of productive capital. Thanks to its asset-based structure, leasing represents a flexible financing solution that complements traditional bank lending and improves the overall efficiency of corporate and households financing in Europe.

In the financing of business investments, competition takes place among different financial instruments and intermediaries, including traditional bank lending, leasing, factoring and other forms of structured finance. Leasing represents one of the main tools for financing productive assets and equipment, providing companies with a flexible solution that complements traditional bank credit.

1.2 Leasing is Particularly Well Suited to Supporting SME Competitiveness

Leasing has proven to be a **reliable and resilient form of finance for European SMEs**, especially during periods when traditional credit was constrained. An **Oxford Economics study (2015)** showed that, compared with bank loans—which faced significant tightening during the most recent economic crisis—leasing remained robust and accessible.

More recent evidence from the **European Commission, Survey on the Access to Finance of Enterprises (SAFE), Analytical Report 2024** confirms the ongoing relevance of leasing for SMEs. According to the **SAFE 2024 survey, leasing was a relevant source of finance for 50%**

¹ Leaseurope 2024 Annual Statistical Enquiry

² European Commission, Survey on the Access to Finance of Enterprises, Analytical Report 2024

of EU SMEs³, underlining its importance alongside traditional bank financing. This figure illustrates that leasing has remained a **key financing instrument for a large share of European SMEs over time**.

Market data continue to show the importance of leasing in supporting SMEs' investment in productive assets, including investment in environmental and digital technologies—areas crucial for competitiveness and sustainability.

Given the **demonstrated importance of leasing**—both for SME investment and for long-term sustainable growth in Europe—we call on the **European Banking Authority to ensure a prudential regulatory framework that reflects the true risk profile of leasing**. Specifically:

- The regulatory framework should not **disincentivise credit institutions from offering leasing**, especially given its proven role in supporting SME financing.
- Prudential rules should **recognise the low-risk nature of leasing** for entities subject to capital requirements, ensuring that leasing remains an attractive and viable financing option across the EU.

By doing so, the EU will support not only SME competitiveness but also the broader goals of investment, innovation, and sustainable development.

1.3 Leasing Supports Investment in Greener and Less Polluting Assets

Leasing plays a **crucial role in promoting sustainable growth in Europe** by enabling businesses to access productive and greener assets. It allows companies to manage working capital efficiently by spreading payments over the lease period and facilitates **asset upgrades to the latest technologies**, helping businesses remain competitive. Leasing is often more affordable and quicker to obtain than other forms of finance and provides greater operational flexibility compared with outright asset purchase.

Leasing is well-suited to finance investment across a wide range of sectors and activities—including **R&D, innovation, infrastructure, industrial technology, capital-intensive projects, healthcare, and environmental technologies**—and can support firms at all stages of development, from start-ups to mature companies. It is also a useful instrument for the **public sector**, e.g., leasing for schools or hospitals.

As Europe moves to reduce its carbon footprint in line with the **Paris Agreement**, demand for energy-efficient assets is rising. Leasing helps businesses acquire these assets, for example:

- Uptake of **clean vehicle technology**, leading to a reduction of overall fleet emissions
- Modernization of commercial vehicle and bus fleets, adopting fuel-saving and safety technologies

Leasing also addresses a key barrier to sustainable energy production: **access to capital**. It facilitates financing for wind turbines, biofuel processing plants, photovoltaic panels, and long-lasting battery cells, enabling cleaner and more sustainable energy production in Europe.

³ European Commission, Survey on the Access to Finance of Enterprises, Analytical Report 2024.

Beyond environmental benefits, leasing encourages **efficient use of natural resources**. Because lessors retain ownership of the assets, they are incentivised to:

- Ensure high-quality materials and production standards
- Enable refurbishment, reuse, and recycling of asset components
- Apply sophisticated asset management practices

By allowing **asset use without ownership**, leasing can foster a shift toward **circular economy models**, creating economic value while conserving scarce resources—an approach increasingly recognised at European and international levels.

1.4 Leasing Fosters Europe’s Energy Resilience

Europe is heavily exposed to energy imports from outside its borders, therefore its international competitiveness is materially dependent on how efficiently its economy can create value by using these scarce resources.

For that reason, **leasing is of strategic importance** for all segments of the European economy in order **to give access to the latest technology of energy efficient industrial and agricultural machinery, transportation and passenger vehicles**. Furthermore, lease-financing of renewable energy projects such as solar, wind and biofuel plants could improve Europe’s energy-shock absorbing capacity and long-term competitiveness.

2. SUITABILITY AND IMPACT OF THE CREDIT RISK FRAMEWORK FOR LEASING

2.1 Adequate Prudential Treatment of Leasing Reflecting its Low Profile

We call on the European Banking Authority to support leasing as a form of finance that has proven to be both **low-risk and sustainable**, playing a critical role in Europe’s growth and competitiveness—particularly for European SMEs—and in advancing Europe’s energy autonomy and environmental goals. We welcome the **CRR III mandate (Article 495c) to the European Banking Authority (EBA)** to assess the **risk profile of leasing and its prudential treatment**. We are confident that the EBA report will confirm leasing’s low-risk nature and trust that the European Commission and the EBA will adjust the prudential treatment accordingly.

2.1.1. Impact of the finalisation of Basel III (CRR III in Europe) on leasing

The impact of the **finalisation of Basel III (CRR III in Europe)** on leasing companies varies depending on the approach used to calculate capital requirements—**Standardised Approach (SA), Foundation Internal Ratings-Based (F-IRB), or Advanced Internal Ratings-Based (A-IRB)**—as well as geography and product specialisation. Industry reports indicate that **low-risk activities are often disproportionately penalised** under the new rules, which is clearly the case for leasing.

Leasing companies using the **SA** are less affected, as **the current framework is already restrictive for them**. However, for **A-IRB leasing companies**, the impact of Basel III finalisation is even more acute than for the banking sector overall. The new rules **do not adequately reflect the low-risk nature of leasing**, particularly because:

- The **output floor** is based on SA calculations, which are overly conservative for low-risk assets
- The **input floors** fail to properly account for the value and security of the physical assets being leased

In this context, we **welcome the European Commission’s transitional arrangements under CRR III – Article 495c**, which reduce haircuts for leasing and have helped mitigate the impact of Basel III finalisation.

Leasing demonstrated low risk is not recognised by the prudential framework which hampers its ability to facilitate business competitiveness

As we reported to the Commission and the EBA in previous consultations, credit risk weights under prudential standards (i.e. Basel III and CRR) should reflect the real underlying risks. Failure in this is leading to healthy, beneficial lending being disincentivised in terms of capital allocation and cost of funding. We believe there is a strong case to be made for differentiating lease finance (where the asset is owned by the finance company during the life of the agreement) with a specific SA risk weight. We also advocate for a better recognition of leasing finance as physical collateral for credit risk mitigation purposes.

Losses within the leasing activity are low⁴ because the lessor is funding a physical asset crucial to the client’s core business activities. As the asset is a key working tool for the lessee, many defaulted leases regrade back to a healthy situation with zero loss. In cases where is not possible, the lessor can then sell or re-lease the asset in order to decrease any losses on the default, resulting in low loss rates.

A report prepared for Leaseurope by the University of Cologne in December 2019⁵, which is based on a dataset of detailed contract-level information by twelve major European leasing companies operating across 25 countries, demonstrates that leasing is unjustifiably penalised by the current prudential regulatory framework. The research shows what would be an adequate calibration for leasing exposures compared to its real risk profile. The research is based on the current CRR rules.

Table 1 below presents the main results of the Cologne University research calculations for the current CRR. For all three regulatory credit risk approaches, capital requirements are much higher than the unexpected losses in a simulation of a downturn. As expected, the Standardised Approach yields the highest regulatory capital requirements followed by the F-IRB approach, with the A-IRB approach leading to the lowest regulatory capital requirements⁶. However even the A-IRB approach requirements are still almost five times higher than the unexpected losses in the simulation.

The realised losses were never higher than the regulatory capital requirements in any of the simulations performed (10,000 per year). Note that the realised losses include expected as well as unexpected losses, whereas capital requirements are designed to cover only unexpected losses. In this respect, the comparison of realised losses and capital requirements is extremely

⁴ The risk profile of leasing in Europe: the role of the leased asset”, Deloitte, October 2013.

⁵ Capital requirements for leasing: A proposal adjusting for low risk”, University of Cologne, December 2019.

⁶ The results, presented in the following table ignore any output floor.

conservative. This result underpins the main conclusion that current regulatory capital requirements do not account for the low risk profile of leasing exposures in an appropriate way. Therefore, introducing even more conservative changes in the prudential framework will have a significant negative impact for the leasing industry.

Table 1: Comparison of regulatory capital requirements and unexpected losses split by years

	2007	2008	2009	2010	2011	Total
Standardised	8.17%	7.97%	8.33%	8.44%	8.50%	8.31%
IRB-Foundation	5.29%	5.41%	5.92%	5.94%	5.92%	5.76%
IRB-Advanced	4.03%	4.57%	5.56%	6.12%	6.50%	5.55%
Unexpected loss	1.03%	1.45%	1.29%	0.65%	0.52%	1.09%

For the reasons expressed above we are convinced that leasing should have a differentiated prudential treatment as its business model and risks are completely different than other types of lending. To adjust the prudential framework to the real risk of leasing we would propose the following:

Table 2: Leaseurope proposals for better recognition of leasing's low risk

a) STANDARDISED APPROACH	
Amend Art. 122 & 123 CRR to include new leasing risk weights	Proposed risk weights for leasing exposures: 50% Retail leasing / 65% Corporate leasing
IRB-FOUNDATION	IRB-ADVANCED
b) Add specific haircut for leasing collateral of 20% OR equivalent overcollateralization of 125%	
c) Specific leasing collateral in Art. 230(2) Table 5 CRR: 20% leasing LGD	d) Specific LGD input floors for leasing portfolios (both Corporate & Retail): 10% secured leasing / 20% unsecured leasing

Against this background, **we welcome the European Commission's proposal for an EBA report on the prudential treatment of leasing.** We are confident that its findings will confirm the low-risk profile of leasing, and we count on the Commission to propose the necessary adjustments to ensure this is properly reflected in European prudential regulation.

2.1.2 CRR III and leasing credit risk treatment

i. STANDARDISED APPROACH (SA-CR)

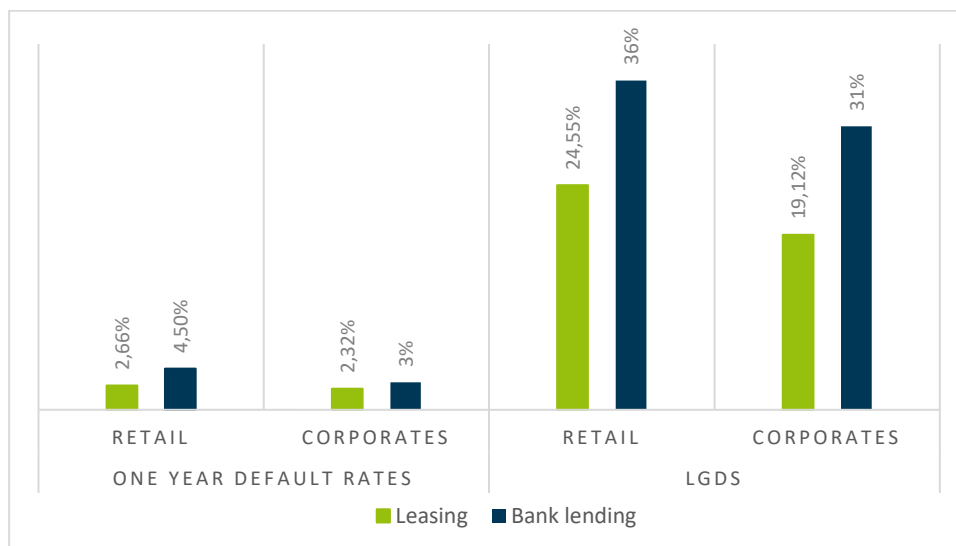
A differentiated prudential capital treatment for leasing

Credit risk weightings under prudential standards should reflect the real underlying risks, without adding undue complexity. Failure in this could lead to otherwise healthy, beneficial lending being disincentivised in terms of capital allocation and cost of funding. With this in mind, we suggest there is a strong case to be made for differentiating lease finance (where the asset is owned by the finance company during the life of the agreement) with a specific risk weight.

The unique feature of a lease is the lessor’s ownership of the leased asset. These ownership rights provide lessors with a valuable and efficient form of in-built security which makes leasing extremely low-risk. Asset ownership represents a major advantage for lessors compared to other financial products such as traditional loans, which are typically not secured on physical assets but rather with financial collateral or personal guarantees.

Loss rates within the leasing activity are low⁷ because the lessor is funding a physical asset crucial to the client’s core business activities. Businesses therefore prioritise lease payments because they need these assets to run their business. As the asset is a key working tool for the lessee, many defaulted leases regrade back to a healthy situation with a zero loss. Additionally, ownership of the asset makes repossession relatively fast and straightforward for the lessor (if it is necessary at all). The lessor can then sell or re-lease the asset in order to decrease any losses on the default, resulting in low loss rates. If the value of the asset exceeds the amount outstanding at default, the lessor can actually make a gain in the case of a default.

In Europe, Deloitte undertook extensive research on our behalf which demonstrates that the leasing business model leads to significantly lower risk compared to traditional lending.⁸ The graph below shows the results of the research, which was based on a portfolio of 3.3 million lease contracts in 15 European countries. The graph below shows that default rates and LGDs for leasing Retail and Corporate exposures are significantly lower compared to bank lending averages. These leasing LGD figures are for stressed conditions, average loss rate figures are even lower. European capital requirements under the SA are also shown to be 10 times higher than the real risks for SME leases within the Retail class.



This result is consistent with data for other equipment finance markets, for example in the US and Canada, confirming that businesses across any jurisdictions will prioritise paying for equipment finance because they need these assets to continue to run their businesses.

⁷See “The risk profile of leasing in Europe: the role of the leased asset”, Deloitte, October 2013.

⁸See “Implicit risk weights for SME leasing in Europe”, September 2013 and “The risk profile of leasing in Europe: the role of the leased asset”, Deloitte, October 2013.

As far as international standards are concerned, we think that attention should be paid to the appropriate calibration of capital requirements and to the need for implementing international standards in a way that makes sense for Europe’s diverse financial landscape.

We believe that the risk sensitivity of the prudential regulatory framework in Europe can be further increased without introducing unnecessary complexity. As the Basel Agreement does not properly reflect the real risks of leasing exposures in Europe and does not recognise physical collateral for credit risk mitigation, we call on the European Commission to increase the risk sensitivity of the framework in Europe.

LEASEUROPE PROPOSAL

Table 3 presents leasing risk weights for the total portfolio analysed by the University of Cologne. These risk weights are sufficiently conservative in the sense that they lead to regulatory capital requirements far above unexpected losses. In addition, these risk weights ensure that on average the capital requirements under the SA are at least 5% above the capital requirements under the A-IRB approach.

These leasing risk weights are derived from a leasing factor calculated as a multiplier that equalises capital requirements under the SA to capital requirements under the A-IRB approach.

Based on the outcome of the research the table below shows the regulatory risk weights that would reflect the real risk of leasing:

Table 3: Adequate leasing specific risk weights under the Standardised Approach:

Leasing risk weights	
Retail	Corporate
50%	65%

ii. INTERNAL RATINGS BASED APPROACHES (IRBA)

Our experience in Europe is that credit risk models have proven to be reliable and supervisory authorities have invested years of hard work and careful consideration into controlling and validating them. Constraints on the use of the A-IRB to some types of exposures, and the introduction of parameter floors, lead to less risk sensitivity, not increased comparability.

LGD – Input floors under A-IRBA

The Basel Agreement proposes applying floors to PDs, LGDs and the credit conversion factors (CCFs) used to determine Exposure at Default (EAD) for off-balance sheet items. The floors are to reduce the impact of outliers/exceptions/ the ‘tail observations’, but the one-size-fits-all

approach is penalising for real low risk (LGD) products like leasing, therefore artificially raising capital requirements unduly, rather than encouraging comparability.

However, if floors cannot be removed they should take into account the risk profiles of various different business models and should not unduly penalise low risk forms of lending such as leasing. Failure in this leads to otherwise healthy, beneficial lending being disincentivised in terms of capital allocation and cost of funding.

LGD floors for corporate and retail under A-IRB

The LGD floor for A-IRB does not take into account the strong expertise leasing companies have in assessing the risk in the asset based finance, where the financed amount is related to the estimated value of an asset during its economic lifetime.

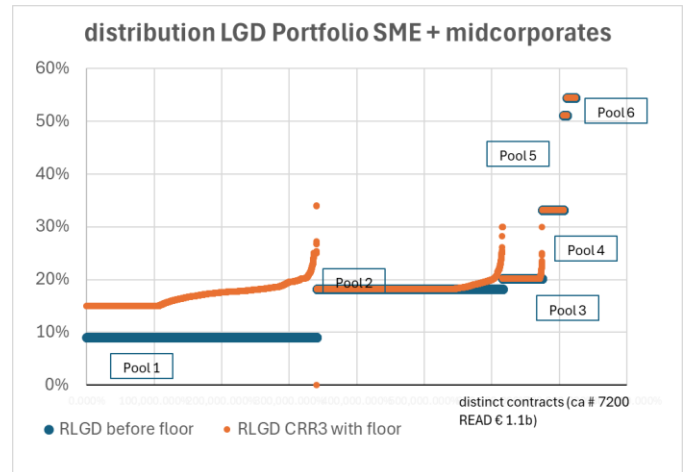
This issue could be mitigated by introducing a separate floor for the full leasing exposure, which have a completely different risk profile and business model compared to bank lending secured by physical collateral, both for secured and unsecured retail and corporate exposures - of 15% for leasing exposures - or alternatively a 10% and 20% floor for the secured and unsecured part respectively would also better reflect the risk profile of leasing. As the objective in introducing the floors is to eliminate low value outliers, and not to prejudice entire low risk forms of lending, this recommendation would make the regulation in Europe better fit for purpose.

The effect of the floors, if not adjusted, is illustrated in the two examples below. The first example relates to a behavioural model, where approximately 60% of exposures are subject to floors, resulting in an estimated 29% increase in risk-weighted assets (RWA). The second example is based on a haircut model, where the introduction of a floor is shown to overestimate the actual risk profile by 37%.

1 Behaviour model:

The customer's behaviour establishes the risk drivers in the LGD model. All facilities are assigned to an LGD-pool based on this behaviour. The distribution of the LGD per facility is illustrated in the next graph and table. About 60% of the portfolio is floored, with an increase of RWA of 29%, the impact is mitigated by the transitional haircut level of 20%. The CRR currently prescribes 40% after 2029.

floored Y/N	POOL	Sum of READ	# of facilities	Δ RWA due to floor
TRUE	Pool 1	53%	47%	99%
	Pool 2	10%	11%	12%
	Pool 3	3%	1%	6%
FALSE	Pool 2	16%	27%	0%
	Pool 3	11%	8%	0%
	Pool 4	3%	4%	0%
	Pool 5	1%	1%	0%
	Pool 6	4%	2%	0%
Total		100%	100%	29%



2 Haircut LGD model, where the recovered amount is a function of the asset value. Assuming the following LGD model and parameters:

$$\text{LGD} = \frac{(1 - \text{no loss rate}) * (\text{EAD} - (\text{secured recovery} + \text{unsecured recovery})) + \text{costs}}{\text{EAD}}$$

- No-loss rate 50% (includes cured cases and (early) full repayments)

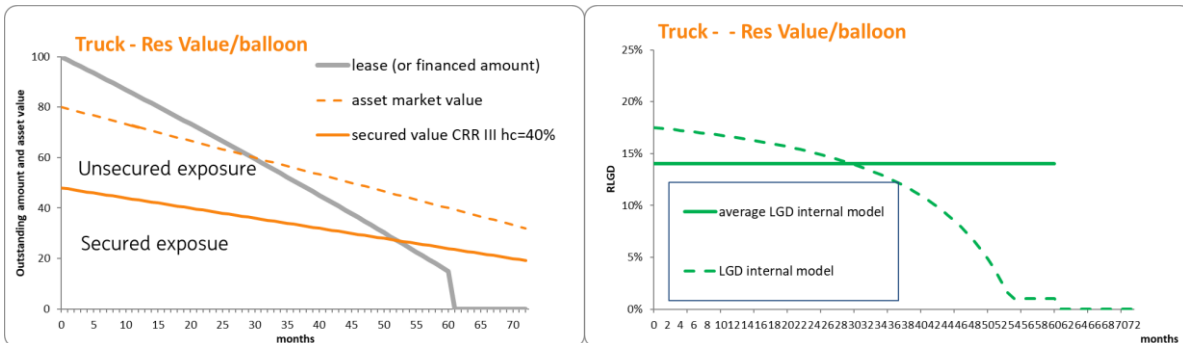
For the litigated cases:

- Unsecured recovery rate 25% (includes all proceeds repaid by lessee or receiver after default). Unsecured part of outstanding is the remaining part of the outstanding amount during the lease, minus the secured exposure. The 25% recovery rate is applied to the unsecured part only.
- Secured exposure is minimum of the actual outstanding amount and estimated market value of the asset during lease, after haircut. This amount is usually (at least) recovered in a liquidation process.
- Haircut on asset market value 30%⁹, where asset market value depreciates on average from 80% of the initial value to 0 in 8 years. (e.g. a truck). At t = day 1, the market value is 80% of the investment value or purchase price of the asset. After 4 years, the asset has a value of 40% of the initial value. After application of the 30% haircut, the secured exposure at day 1 is (1-30%)*80% = 56%. After 4 years the secured value is capped at (1-30%)*40% = 28% of the initial investment/lease amount. (no down payment)
- Costs 1% of EAD

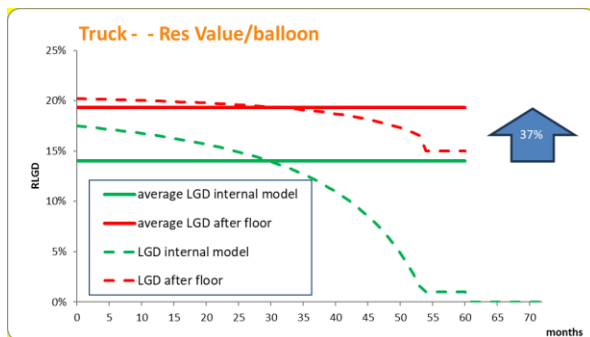
Assuming a lease of 5 years (starting at 100, equal to the investment in the leased asset), no down payment and a residual value/balloon of 15%. Based on the model estimates, LGD

⁹ Basel III finalised agreement introduced a higher haircut of 40%, illustrating the very conservative approach for the floors, on top of the prescribed LGD parameters.

diminishes over time from 17.4% to a minimum level of 1% at the end. During the transaction LGD without the floors results in an estimated exposure weighted average of 14% on average, as shown below:



If we now introduce the floors, the secured exposure, during the lease is represented by the area below the orange line, being the estimated market value during the lease, after haircut. This part obtains a minimum LGD of 15%. The rest is unsecured and gets a minimum LGD of 25%. This increases the exposure weighted average LGD in this conservative example with 37% from 14% to 19.3%.



The LGD floor under A-IRB and the prescribed F-IRB parameters for large corporates has a significant negative impact on a low risk form of financing, which is critical for promoting sustainable growth in Europe. Given the relevance of leasing for SMEs and the expertise within leasing on estimating the risk on asset based finance, the LGD floor does not consider the expertise of leasing companies following the A-IRB. Also for large companies, the increase of assigned risk weights under the F-IRB approach has a substantial impact (it doubled or even tripled, due to obligatory switch to the prescribed LGD of 25% for secured and 40% for the unsecured part).

iii. CREDIT RISK MITIGATION – SA-CR

Exposures secured by durable goods should be recognised as collateral

We also advocate for the recognition of leasing for credit risk mitigation purposes because the assets on which the lending is secured exist in liquid markets with transparent pricing and can be realised quickly, when deemed necessary.

Given the demonstrated importance of leasing for European SMEs as well as the demonstrated relatively low risk profile of leasing in Europe, we invite the European Commission to promote a better recognition of physical collateral (other than real estate) as far as leasing transactions are concerned.

Real estate leasing

Regarding real estate leasing, we have, in several letters and consultation responses to both the EBA and the European Commission, requested **confirmation that the category *Acquisition, Development and Construction (ADC)* does not apply to exposures to entities financing the acquisition of land and/or the construction of real estate intended for own use, where the repayment of the loan does not materially depend on cash flows generated by the property (through sale or rental to third unrelated parties).**

A 150% RW of leasing exposure on non-residential buildings under construction would penalise those SMEs which ask for new finance to enlarge their activity and production to adequately compete in the national and international market.

iv. CREDIT RISK MITIGATION – IRBA

The main articles within the CRR that leasing companies need to meet for collateral recognition are articles 199(6), 210 and 211. Lessors normally meet articles 210 and 211 due to the nature of our business. Lessors would normally also meet the requirements of Article 199(6), however the burden in terms of time and resources to prove that this is the case is often excessive as the rules are not structured well for this type of collateral. In particular, showing that the realised proceeds of the collateral shall not be below 70% of the collateral value in more than 10% of all liquidations for a given type of collateral does not have a clear rationale in the case of lessors managing physical assets, as opposed to financial assets where the value can be assessed on a daily basis. Also, the restriction that only liquidation cases are to be used, ignores the fact that in the majority of cases, especially under large corporates, liquidations are a minority, as most work-outs are restructuring case or early repayments.

The second hand market for leased assets is very diverse, including re-leasing in house, return or resale deals directly with manufacturers, partnerships with dealer networks or brokers, global auctions etc. This requires a great deal of asset specialisation, knowledge and networks, which lessors have. The requirements of article 199(6) have been designed with financial markets in mind, with abundant external availability of information on current prices. Lease assets are to be used in a production process or provision of services. Lessors are service providers, focusing on providing assets to be used. If a bank sells financial collateral, the business process will not be hampered. Selling a leased asset will have direct consequences on a customer's ability to run his business.

The EBA was mandated to publish a list of types of physical assets for which institutions can automatically assume that they qualify as liquid markets with publicly available prices.¹⁰ Currently the EBA has chosen to recommend that no assets automatically qualify, despite some sectors like vehicle leasing being ideal candidates meeting these criteria. Therefore, we respectfully request to the EBA that this exercise is revisited.

¹⁰ See Art. 199(8) CRR.

3. DEFINITION OF DEFAULT

Leasing providers are impacted by the definition of default. This is because leasing companies provide services with specific characteristics that differentiate them from traditional bank lending. This significant impact leads to artificial high Non-Performing Exposures (NPE) rates that are not triggered by financial problems but due to the way the counting of the days are defined in the final guidelines as well as the way the obligors make their monthly payments.

Causes of the problem for leasing:

1. Collection process in leasing different from lending (invoice driven)

A lessor cannot offset instalments due against the current account of the customer (lessors do not offer current accounts). Direct debit is widely used but does not provide the same assurance, and is not accepted by all customers (especially the larger ones) as well as not available in all our markets. All lease obligations have to be invoiced independently and will only become due when invoiced. Subsequently, the invoices are processed by usually the debtor's procurement department. After receipt, the institutions must allocate the collected amounts to open (VAT bearing) invoices in line with the payment instructions from the payer; received amounts cannot by default be allocated to the oldest open amounts as can be done in other activities.

2. Leasing treated as a commercial activity

Lease transaction obligations are often treated by the obligor as supplier obligations (handled out by procurement departments) rather than financial obligations (that are exclusively in the realm of the treasury department).

2a) Leasing as a service

In many cases the financing component of a lease is combined with ancillary services (provided by the asset supplier or third parties). This hybrid character of lease obligations further blurs the line between a financial obligation and a supplier obligation, often resulting in leases being treated as regular commercial invoices, much akin to payments made by companies to other service providers such as utilities or telecom operators, rather than as pure bank lending obligations.

2b) Automotive leasing

It is not self-evident that car leasing, which provides a service for managing a customer's vehicle fleet (invoices related to goods and services and not to debt/credit and loan products), should be classified as a purely financial activity.

Whereas the general monthly instalment could be paid timely by the customer, one-off charges related to damages, fines and end of contract costs are also invoiced on a regular basis. As these costs are not always understood directly by the client and again their complex internal invoice-to-payment process has to be followed, these non-recurring invoices tend to be paid after the invoice due date more frequently, which bear no relation with a customers not able or willing to pay.

Treating this kind of lease obligations with (incidental) ancillary service elements similarly as financial obligations is very punitive for the automotive leasing industry, especially if there is a large fleet where the incidental charges have to be managed on contract/car level and with a

permanent stock of contracts with deviating elements to be clarified, which may lead to a permanent status of invoices not yet being settled for an operational or clarification reason, which do not qualify as being formally disputed. Also at the start of the contract, there may be issues with the scope of the contract if the end-user has added accessories to the lease object for his own account which must be arranged first before the issued lease invoice will be paid.

“In relation to non-recourse factoring, the EBA understands that institutions with big corporate-loan portfolios are hesitant to provide factoring facilities to clients (often SMEs) who wish to sell the receivables of a company for immediate liquidity, where this company is also a non-retail obligor of the institution (i.e., the institution has a direct exposure to this company). A typical example would be the one where an SME (client) has sold the receivables of a large company (debtor /obligor) to the institution (factor). The credit risk and therefore the definition of default is assessed toward this large company. Furthermore, if the credit institution also has other direct exposures to the debtor (on which the debtor is timely paying according to the payment schedule), these direct exposures would also have to be placed in default if the large company is consistently paying late on the factoring.”

The same is true for car leasing, where lease invoices may be processed less diligently by the large company’s procurement department than credit repayments by the large company’s treasury department. This implies a risk of default on the large company due to relatively low lease invoices and tends to make the institutions hesitant to get involved in this type of activity.

3. Vendor leasing

Vendor leasing is a tri-partite contractual agreement involving a debtor, a creditor and a supplier. The debtor (lessee) selects an asset from a supplier and this asset is then purchased by the creditor (lessor) and made available to the debtor to be used in its day to day operations in return for rentals. This tripartite nature makes it easy for the debtor to construe payment obligations that arise from leases as supplier obligations.

Vendors account for around 35% of the European lease distribution. The vendor lease channel is of specific importance for SMEs to obtain access to financing of their production assets. Vendors use leasing to facilitate access to assets needed by their customers in their day-to-day operations and to establish a long-term customer relationship that goes beyond the maintenance and servicing of the assets. Leasing companies fund these structures by purchasing leases written by vendors or by accepting direct referrals from vendors. It is quite common that the vendor writes the lease, sells the lease contract to the leasing company, whilst the lessee (customer of the vendor) remains unaware of such sale. The customer’s relationship with the vendor (asset supplier) is a commercial one and not primarily of a financial nature.

Leasing similar to factoring

As described above there are many similarities with factoring receivables, like not treated as a funding obligation, varying invoices and lengthy internal verification process with risks of operational delays.

This issue can be fixed if leasing is treated similarly to factoring where the backstop rule of the 90 days-past due counter is triggered but none of the individual lease obligations of a debtor is past due for more than 90 days. Then this default should qualify as technical.

Leaseurope Proposal to treat leasing similarly to factoring:

Delayed payments within leasing are not uncommon and have both a technical and an operational nature. Based on our experience, we estimate that 90 days should be sufficient to absorb the administrative delays in payment of lease obligations. **Therefore, we request the EBA to treat leasing in the same manner as factoring for the days past due.**

The Original EBA Guidelines 2017 are to be amended as follows:

23 (d) in the specific case [of leasing](#) or factoring arrangements where the purchased receivables are recorded on the balance sheet of the institution and 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 obligor is past due [more than 90 days](#).

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About us

Leaseurope brings together 46 member associations representing the leasing, long term and/or short term automotive rental industries in the 32 European countries. The scope of products covered by Leaseurope members' ranges from hire purchase and finance leases to operating leases of all asset categories, including automotive, equipment, machinery, ICT, and real estate. It also includes the short-term rental of cars, vans and trucks. Leaseurope is estimated to represent around 94% of the European leasing market. Collectively, its member associations represent more than 1,000 leasing firms and over 600 short-term rental companies.

Asset finance and leasing markets have evolved to meet both business investment and consumer needs, supporting the growth of local industrial production and distribution. The types of institutions represented by the Federation include specialised banks, bank-owned subsidiaries, manufacturers' financing arms, and other independently owned institutions.

In 2024, leasing firms represented through Leaseurope's Member Associations granted **new leasing volumes worth 454 billion EUR**, reaching **more than 1 trillion EUR in outstandings** at the end of the year¹¹. **Leasing is the most preferred financing option among SMEs**, particularly among high-growth, innovative, and export-oriented enterprises. It is also popular amongst larger corporates as well as useful to support the public sector (e.g. leasing to schools, hospitals, etc.). More than 50% of SMEs view leasing as relevant (50%)¹².

Leaseurope is entered into the European Transparency Register of Interest Representatives with ID n° 430010622057-05

¹¹ Leaseurope 2024 Annual Statistical Enquiry

¹² European Commission, Survey on the Access to Finance of Enterprises, Analytical Report 2024