

The attractions of asset finance

MIKE OXBY EXPLAINS WHY THE MARKET HAS PROVED RESILIENT IN CHALLENGING TIMES.

“Banks have been under scrutiny since the onset of the credit crunch four years ago for their perceived reluctance to lend to smaller businesses. However, in the prevailing tough economic conditions asset finance – using credit or leasing facilities to finance the purchase of assets ranging from plant and machinery to construction equipment and vehicles – is proving a resilient alternative.

Asset finance enables treasurers to keep their company's borrowing options open without affecting credit ratings. Payments can be structured to match the working life of the assets, with repayments fixed or made over a defined period, which will greatly ease the task of budget management.

Asset finance is adaptable for all types of business. Like other major banking groups, Santander Corporate Banking actively supports businesses ranging from major multinationals to small, family-owned firms. While individual requirements vary significantly, each shares the basic need to expand, protect their business against competition and regularly invest in assets to ensure their product offerings remain modern and relevant. We also recognise that public sector organisations can benefit just as much from asset finance as those in the private sector. The task for the bank is to fully understand the specific challenges faced by each business client and to match its solution accordingly.

Businesses must invest in the future to survive, so while the revival in the asset finance market has been modest and patchy, 2011 witnessed a resumption of growth. At the same time most bank-owned providers of asset finance have been adept enough to fine-tune their strategy in response to changes in the market. While they continue to dominate, they have

been joined by a handful of independent players.

Although the outlook for 2012 remains frustratingly opaque in the wake of the euro zone's mounting problems, another challenging year clearly lies ahead for treasurers. Any business growth will be modest at best, with the avoidance of double-dip recession appearing to be the best that can be hoped for. But however unpromising the economy, businesses must continue to compete and be even more alert for any opportunities for growth that do emerge.

Accordingly Santander expects many companies that have never previously considered the option of asset finance to start doing so. For first-timers, we recommend fully reviewing and matching the anticipated benefits of any potential asset acquisition. What do they need to ensure that the business grows? Which specific assets will best help to achieve that growth?

A further important consideration is planning the lifecycle of any acquisition, up to and including eventual disposal. It is essential to go beyond the initial purchase and to manage the asset over its entire lifetime. We offer our services as an experienced partner to help companies in difficult times and our expertise in assisting

them in asset acquisition at every stage, from the financing through to the eventual disposal.

Fortunately, there is encouraging evidence of a new sense of realism. Santander Corporate Banking maintains regular dialogue with corporate clients, and shares their concerns over sluggish economies and challenging new regulation. There is a mutual determination that businesses can move forward and surmount the challenges.

The new realism is evident in mutual support and assistance. It is reflected in a new level of frankness in conversations that we have with all of our business clients. On our part this extends to a readiness to state clearly what we cannot provide, in addition to the many things that we can – a vital element in developing successful working relationships.

Helping businesses to grow is the fundamental ambition of our asset finance team. Companies are attempting to navigate a particularly challenging environment, so the duty of the bank is to offer stability and resilience. Regular consultation and conversation with treasurers can achieve this. It is also vital for companies and their banking partner to remain positive, confident that current problems will be overcome and we can move forward to more prosperous times.



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