

ING Lease's German broker strategy on test

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By Brian Rogerson

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ING Lease's reported plan to introduce UK-style broking into Germany has raised some eyebrows in the European leasing industry. Many observers point to the fact that locally-based finance brokers are largely a UK phenomenon - and that German lessors have traditionally preferred other routes to market.

John Howland-Jackson, chief executive of ING Wholesale Banking UK and the Middle East, has described the creation of an intermediary-led business in Germany as "a huge opportunity" which will come about as a result of "fundamental change in the German market" caused by funding constraints and "increased administrative demands due to new regulations".

Some ducked out

The decision comes after ING Lease loyally stood by its UK brokers whilst most other funders ducked out of the sector during the height of the current recession. As result of this continued support, ING Lease in the UK will be uniquely placed to source new business when the upturn comes, whilst its erstwhile competitors will struggle to regain the confidence of the broking sector.

However, in Germany broker activity has been limited by the very structure of the leasing industry. There are around 1,000 lessors in the country, mainly small in size, with the 190-member German leasing Association (BDL) contributing around 90% of all German leasing business. As a result, German lessors and lessees make little use of finance brokers although intermediation by brokers does play some role in the German middle-ticket market. One notable exception, however, is Suedleasing which customarily uses brokers as a new business source.

Experienced professionals

Historically UK finance brokers evolved from the market need to place new business proposals that initially were rejected by prime lenders. They were, and still are for that matter, staffed and invariably led by experienced ex-finance company professionals in possession of a sound entrepreneurial spirit. Once established, they became fleet of foot and were often able to out manoeuvre the far larger, less nimble, captives and bank-owned independents in terms of decision making and payment



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enabled certain volumes of prime business to be obtained – some of which was written on their own books. But at the end of the day they always depended upon the availability and support of their funding sources.

During the decade prior to the current recession, the trend was for UK lenders to reduce their branch networks in more or less direct proportion to their recruitment of locally-based brokers. As a result the broker model flourished and expanded.

A chance of success

One German lessor, however, believes that ING Lease has a fair chance of success in the broker arena. He told Asset Finance Europe: that although brokers traditionally play a small role in overall lending, and are often viewed as low-credit players (except where they have a definable specialist market niche such as in medical equipment), this could be about to change.

“The new regulations will have some impact on smaller lenders,” he said, “with the result that many will struggle to comply and will possibly stop lending. At the end of 2008 there was virtually no regulation for German lenders – but by 2009 this had changed and BAFIIN (the German Regulator) had introduced many changes including the increased need for reporting and greater attention to risk management.”

He added: “At the same time, funding is still a crucial issue for German lenders and the smaller ones are finding it difficult to leverage sufficient funds. These two elements, taken together, will possibly cause structural changes to German leasing. It has, however, yet to happen.”

What has happened recently is that some German lessors are reported to be using broker-introduced business to augment their lending volumes. This had led to a changing, more accepting, view towards brokers. At the same time, as in the UK, many large German lessors have shed staff during the recession and some of these are likely to try their hand at starting their own broking operations.

“Although German brokers have not traditionally been particularly relevant so far as lessors have been concerned,” the lessor concluded, “the time may have come for this to change and for ING Lease’s strategy to succeed.”



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