

Brussels, 15 October 2025

Leaseurope comments to the EBA consultation on its draft Guidelines on the application of the definition of default under the Capital Requirements Regulation

Leaseurope, the voice of leasing and automotive rental at European level, welcomes the opportunity to comment on the EBA consultation on its draft Guidelines on the application of the definition of default under the Capital Requirements Regulation.

Payments in the leasing industry

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.

Disputed invoices

We also observe that the rules for marking a default as technical when triggered by a disputed invoice does not fit the regular practices within leasing. The industry already maintains a track record of complaints in individual invoices and to have an independent auditor being involved to mark a single invoice as disputed is creating a disproportionate administrative burden, which in our view does not add any additional value. To have these all submitted to an independent audit creates significant operational issues.

Against the backdrop of procedural delays in payment by lessees that are not related to creditworthiness, we request an amendment to paragraph 19 b) of the EBA guidelines on default, as the current relief is impracticable and does not correspond to operational practice, and we request an additional letter g) to paragraph 23 in order to take sufficient account of the specific characteristics of the leasing business resulting from overlapping payment delays.

Leaseurope Proposals

1. 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.**

2. Proposed amendment (Delete reference to independent internal auditor)

Paragraph 19 b) in the specific case of leasing, ~~a formal complaint has been directed to the institution about the object of the contract and the merit of the complaint has been confirmed by 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;

or alternatively:

Paragraph 19 b) in the specific case of leasing, ~~a formal complaint has been directed to the institution about the object of the contract and the merit of the complaint has been confirmed by independent internal audit, internal validation or another comparable independent auditing unit.~~ to prove the client complaint on a commercial disagreement of an invoice, an internal audit trail is enough which can be expressed through voice, mail or other means.

Contact Person

Rafael Alarcón Abeti
Senior Director,
Financial Services & Sustainability
Leaseurope
r.alarconabeti@leaseurope.org

About us

Leaseurope brings together 46 associations throughout Europe representing either the leasing, long term and/or short term automotive rental industries in the 32 European countries in which they are present. The scope of products covered by Leaseurope's members ranges from hire purchase and finance leases to operating leases of all asset types (automotive, equipment and real estate) and also includes the rental of cars, vans and trucks. It is estimated that Leaseurope represents approximately 94% of the European leasing market.

Asset finance and leasing markets have developed to respond to business investment and consumption needs as well as to accompany the development of local industrial production and distribution. The types of institutions represented by the Federation include specialised banks, bank-owned subsidiaries, the financing arms of manufacturers as well as other, independently-owned institutions.

In 2024, the leasing firms represented through Leaseurope's membership **helped European businesses and other customers invest in assets that is estimated worth 454 billion EUR, reaching more than 1 trillion EUR** of outstandings at the end of the year¹. **Leasing is the most relevant external financing source for SMEs** and is also popular amongst larger corporates². Leasing is also useful to support the public sector (e.g. leasing to schools, hospitals, etc.).

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

¹ Leaseurope 2024 Annual Statistical Enquiry.

² European Commission, Survey on the Access to Finance of Enterprises Apr. – Sept. 2024