Innovation in the age of disruption and uncertainty

Unlock expert insights on how to make capital work harder in asset finance

FIS®, Anglo Scottish Finance,
Scania Financial Services, Virgin Money,
Ricoh Capital, Allica Bank

February 5, 2025

With 2025 shaping up to be a year of unprecedented challenges, the leasing industry finds itself navigating a perfect storm of regulatory overhauls, macro- economic turbulence and looming trade tariffs from the U.S. So, how are industry leaders planning to weather this tempest and keep their capital hard at work? To find out, we've invited a panel of top executives from U.K. bank-owned, independent and captive lessors to share their strategies for thriving in uncertain times.

The panel

Dave Foster
Managing Director,
Anglo Scottish
Asset Finance,
United Kingdom

Karima Haji
Managing Director,
Scania Financial
Services,
United Kingdom

Stuart Graham
Head of Asset
Based Lending,
Virgin Money,
United Kingdom

Rachael Woods
Vice President,
Ricoh Capital
& Partners,
Ricoh Europe

Conrad Ford
Chief Product and
Strategy Officer,
Allica Bank,
United Kingdom

Macro and industry dynamics

What are the top macroeconomic, regulatory and political trends you foresee impacting your segment over the next 12 months, and how is your organization preparing for them?

Dave Foster:

The asset finance sector faces significant challenges in 2025. With economic uncertainty at the forefront, firms are under pressure to make their capital work harder by accelerating financing between borrowers and lenders.

Dave Foster says, "While we now appear to have some government stability, we do not yet have economic stability, and we shall need to support our SME customers in the navigation of an uncertain economic landscape for some time to come."

The implementation of Basel 3.1 standards was set to create additional hurdles for SMEs that are looking to access capital. So, it is pleasing to see that the Bank of England has delayed implementation until January 2027 (perhaps also to find out how or if the U.S. implements the new rules).

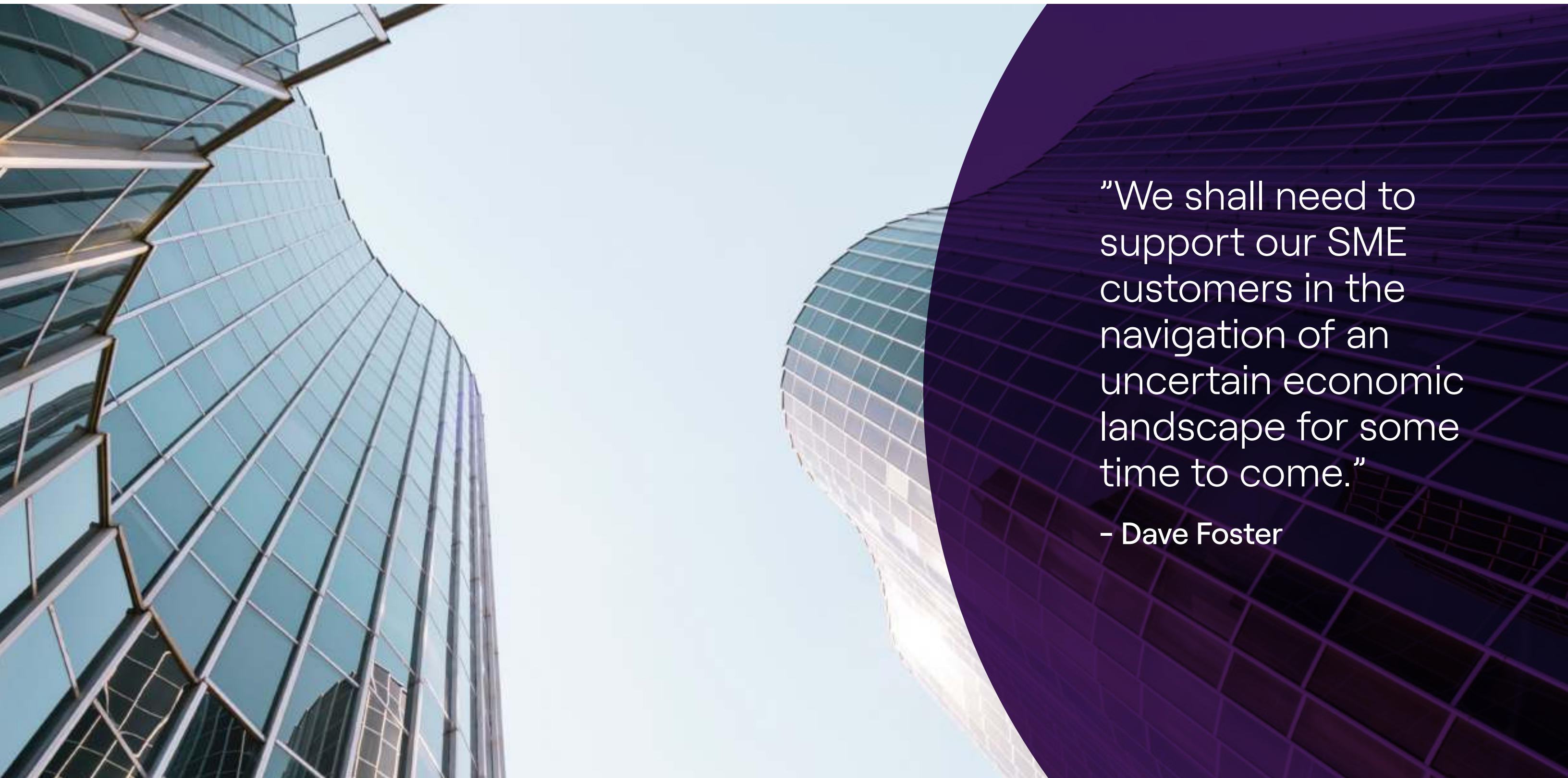
Foster says, "We are acutely aware that it will be more challenging for SMEs to access capital and put it to work, so we shall continue to match our customers' requirements with our extensive funding panel. This is one of core competencies."

Karima Haji:

"Interest rates and the volatility we've seen over the last 9-12 months will continue to influence borrowing costs. Interest rates are much higher than we've seen for a number of years. This will affect asset financing and investment decisions by our customers and potentially our customers' customers going forward."

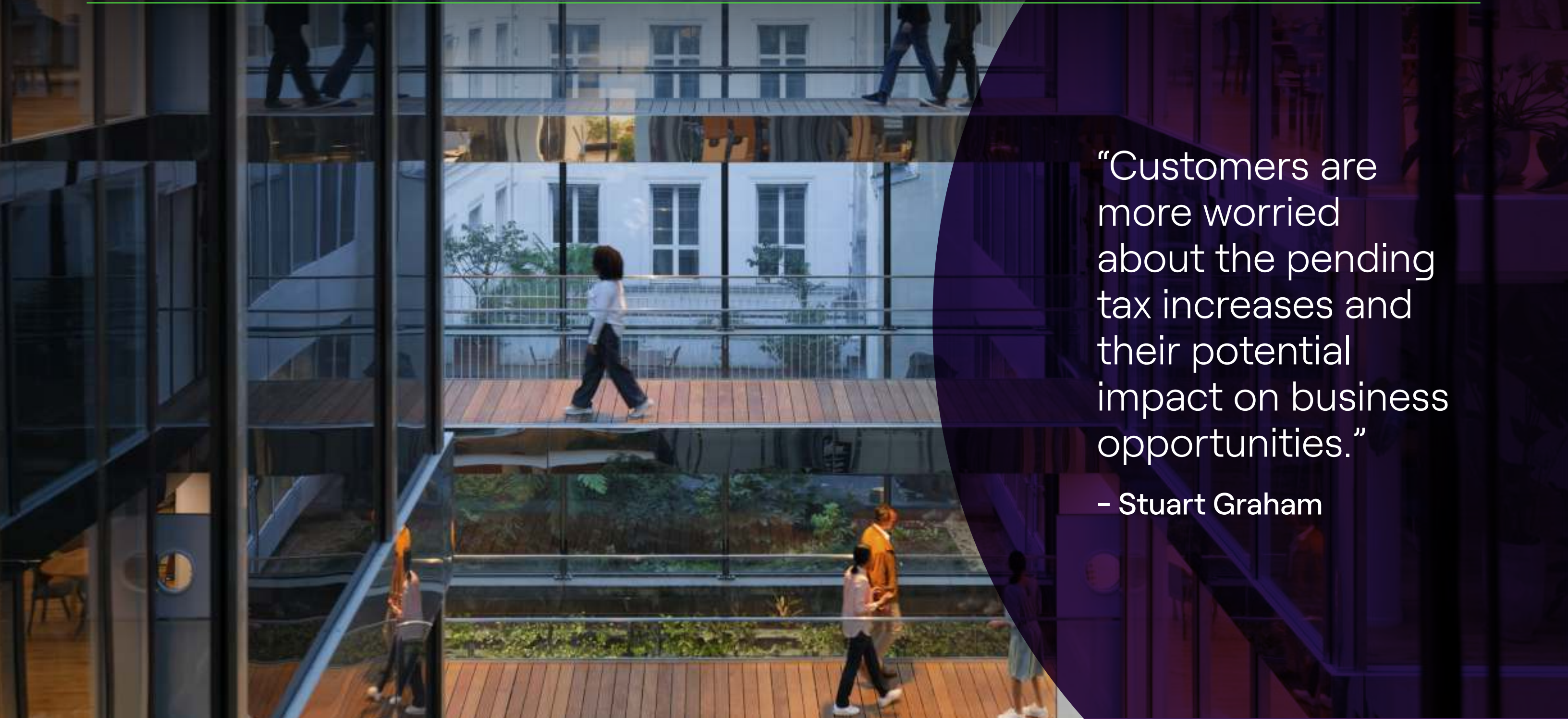
The U.K. economy presents particular challenges. As Haji says: "With the new Labour government, we were expecting significant growth plans to kick-start the economy, but GDP growth in the U.K. hasn't really come to fruition yet."

This economic uncertainty is creating nervousness among customers, particularly sectors such as construction. Haji says, "Looking ahead, I predict, 2025 will be quite a challenging year." This forecast underscores the need for asset finance companies to be agile and responsive to changing market conditions in the drive to put capital to work.



"We shall need to support our SME customers in the navigation of an uncertain economic landscape for some time to come."

- Dave Foster



> "Customers are more worried about the pending tax increases and their potential impact on business opportunities."
>
> **– Stuart Graham**

Stuart Graham:

"As a clearing bank, we're slightly more sheltered from the increasing cost of funds due to our big deposit base. I think the big shift that customers have had to navigate moving from a sub-1% Bank of England Base Rate to 5% has been successfully navigated. So, if money costs rise, I think there's been a paradigm shift in people's minds that finance is just going to be more expensive now than it's been for the last 15 years.

"However, customers are more worried about the pending tax increases and their potential impact on business opportunities. There's uncertainty about how much of these costs customers can absorb, how much can be passed on and what is available for investment.

"From a regulatory perspective, the FCA is now under the microscope after the motor finance issue. Big banks are also resigning from the Lending Standards Board (LSB), so the whole regulatory landscape suddenly looks very uncertain. At the same time, the government is asking the regulator about innovation. But fundamentally, banks are still safe. The PRA ensures that the system is robust."

Rachael Woods:

"We see an impact on business confidence and investment across EMEA due to the current economic and political climate. While growth may be challenging, we remain positive as we look to maximize our extensive customer portfolio across our captive in EMEA. Like many leasing businesses, we're facing headwinds from insolvencies, persistent inflation and increased borrowing costs, which we expect will continue this year.

"We're closely monitoring inflation trends and GDP forecasts, as these influence central bank decisions on interest rates. To mitigate risks, we've tightened our already robust underwriting systems and processes. Despite these challenges, we hope to continue growing while minimizing any impact on our portfolio."

Conrad Ford:

"Uncertainty has been a significant dampener on our market over the past few years. In times of uncertainty, the established SME population often feels hesitant to invest in assets they see as optional rather than obligatory. This hesitation is particularly evident among businesses that rely heavily on asset financing, such as haulage companies. They can extend the life of their assets, delaying investments due to perceived risks.

"The backdrop of global events—COVID-19, Brexit and current recession fears — adds to this uncertainty. The interest rate environment also plays a crucial role; higher rates discourage marginal investment decisions.

"Regulatory challenges have further complicated lending decisions. The prolonged uncertainty about Basel 3.1 bank capital requirements has dampened lending appetites among banks. This scenario creates a golden opportunity for non-bank lenders to thrive as they navigate the complexities more nimbly."

Opportunities for differentiation

Where do you see the most significant opportunity for your company to differentiate itself in the market — whether through product innovation, service delivery or customer experience?

Dave Foster identifies several key areas where his organization has differentiated itself in the market to improve the flow of asset finance and make capital work harder:

1. **Personalized service:** Striking the right balance between digitalization and personal service.
2. **Diverse funding options:** Offering a range of financing products, including trade finance and working capital facilities.
3. **Niche funding capabilities:** Being able to both fund mainstream assets and meet complex funding requirements or provide specialist assets.
4. **Sustainable finance for SMEs:** Creating a team with specialist knowledge on funding green asset projects.
5. **Agricultural financing:** Building on an existing arrangement with the National Farmers' Union to support the farming community, with specialist knowledge of the industry and its unique funding requirements.
6. **Market education:** Increasing awareness of asset finance products, as according to Foster, "Research suggests that only 45% of business owners are aware of the breadth and depth of asset finance products."
7. **Sourcing and procurement:** Expanding existing OEM, dealer and supplier relationships to source assets ranging from cars and commercial vehicles to agricultural equipment and technology.

Karima Haji:

"I see significant potential in evolving our business model to meet changing customer needs. Vehicle-as-a-service has been discussed for a very long time, at least five to six years, if not more. But we really see an opportunity in that space to allow customers to trial and get comfortable with new powertrains without making large investment commitments during uncertain times.

"I believe this will give us opportunities to support our customers while complementing traditional financing. It's about creating the right solution, based on the need of our customers."

> "Adaptability is key, allowing us to maintain our competitive edge."
>
> – Conrad Ford

Stuart Graham:

"My business is all direct sales, focusing primarily on mid-market and small corporates. We specialize in understanding and addressing the unique financial challenges these businesses face. One of our key differentiators is our invoice finance book. This product has become increasingly important in the current economic climate. Invoice finance steps in to help with cash flow, allowing businesses to remain profitable even when they're paying wages before cash comes in from sales.

"We've seen the power of invoice finance in action, particularly during periods of economic volatility. For instance, when commodity prices shot up, many of our food producer customers were hit hard by pay raises, fuel cost increases and rising raw material costs. These businesses were selling to supermarkets, but there was a lag between negotiating price increases and seeing that reflected in their cash flow.

"We had customers who went from borrowing nothing for two years to suddenly needing tens of millions of pounds overnight. Invoice finance got them through that period where they had to deal with a big inflationary factor that was compromising their cash flows. They were then able to trade out of it. Looking ahead, we anticipate that tax increases could create similar cash flow pressures, and invoice finance could be a solution.

"However, we're also aware of the challenges this presents for asset finance. In the current environment, businesses are reluctant to make discretionary investments. While increased automation could be a solution to rising labor costs, it requires significant upfront spending.

"Our approach is to understand these complex dynamics and provide flexible solutions. We recognize that most customers right now are trying to trade through the short term, seeing how much of the cost increases they can pass on before turning to major investments like automation. Our role is to support them through this process, offering financial products that address their immediate needs while helping them prepare for future challenges."

Rachael Woods:

"As a captive finance company, we distinguish ourselves through our deep understanding of both manufacturer and customer needs. This unique position allows us to offer solutions that go beyond what traditional bank-owned asset finance companies can provide. We're fully integrated with Ricoh's proposition, enabling us to deliver enhanced value for all our customers, through Ricoh Capital."

"Our captive status enables us to navigate market challenges more effectively than some competitors, leveraging our embedded position in the customer proposition. We're able to articulate our ESG initiatives effectively to our customers, which is crucial as strong ESG compliance is now a prerequisite for engaging with large corporate clients."

Conrad Ford:

"In our journey within asset finance, we have transformed from being an underdog to winning significant industry awards in just a couple of years. This success stems from cultivating a culture centered on execution and transparency. We prioritize doing what we commit to — both internally and externally — which is often lacking in traditional finance environments.

"Our approach is not solely about leveraging cutting-edge technology; it's about fostering a culture where open communication and accountability are paramount. By focusing on these foundational elements, we distinguish ourselves in a market where basic service levels are often unmet. Moving forward, we remain — to paraphrase Jeff Bezos of Amazon — stubborn on our vision yet flexible on the details. We understand that adaptability is key; we respond quickly to changes in tax regimes or government schemes, allowing us to maintain our competitive edge."

Sustainability and longevity

How is your organization addressing environmental and sustainability challenges, and what role do you see these initiatives playing in driving long-term business growth and helping capital work harder?

Dave Foster:

Foster recognizes the growing importance of sustainability: "With the government's renewed (excuse the pun) focus on net-zero objectives, SMEs will need to explore ways to contribute to this goal and potentially benefit from related incentives."

To address environmental challenges, Foster's organization is:

- Offering a wide range of green energy finance options for solar panels, heat pumps, wind turbines and other renewable energy projects
- Supporting SMEs with green investment initiatives
- Providing specialist knowledge on funding green asset projects
- Expanding partnerships with OEMs, vendors and dealers, including renewable energy providers
- Increasing digital marketing efforts to reach a broader SME audience
- Adapting service offerings to support SMEs in their own digital transformation

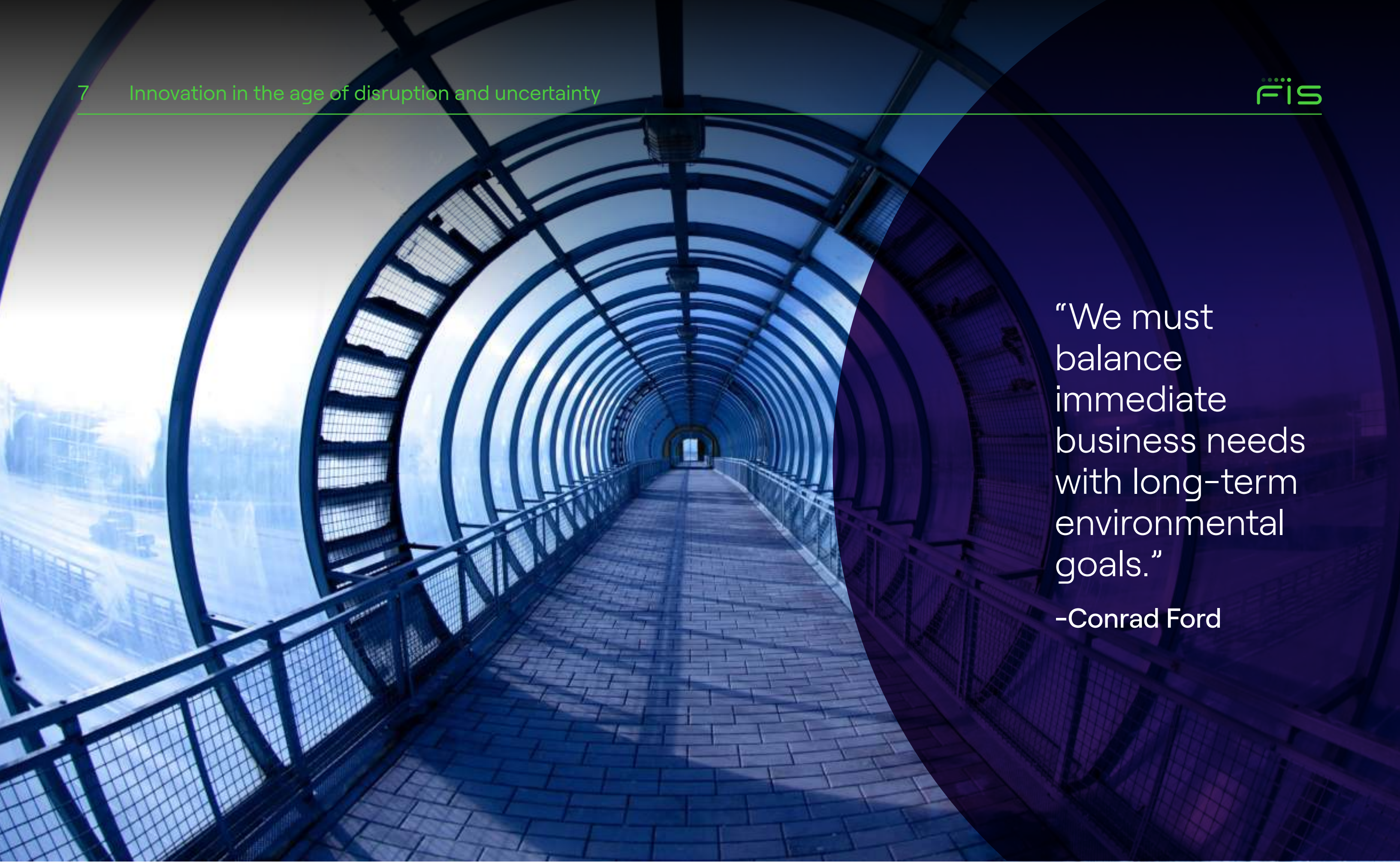
Karima Haji:

"Addressing environmental challenges is a key focus for our organization. We don't fully know which direction the new Labour government will take, or whether there will be subsidies available that other European markets have had the advantage of. Despite this, we're actively working on sustainable solutions. We work with our customers to understand their fleet and operations to identify which of our products would help support their sustainability agenda. This could be a combination of our powertrains to ensure that they can save the maximum CO2.

"However, not all customers have the opportunity to build a strong sustainability focus and demand for greener technologies is limited." This highlights the need for continued education and incentives to drive adoption of sustainable solutions in the asset finance industry while keeping capital hard at work.

"We work with our customers to identify which of our products would help support their sustainability agenda."

– Karima Haji



> "We must balance immediate business needs with long-term environmental goals."
>
> **-Conrad Ford**

Stuart Graham:

"When you're a high street bank, you've got no choice but to find the solution. Environmental sustainability quickly becomes part of your DNA because day-to-day, staff are very aware of what it means to be paperless, what it means to consume energy at home or in the office, and how to manage waste. There's good housekeeping in terms of how the bank operates, but we will also have products like green mortgage products which recognize where you've improved energy efficiency through adoption of solar panels on roofs or heat pumps for instance, and we'll find business funding solutions, which will include partnerships.

"For less proven assets or technologies, we know the part we can play and the part that we don't know. So, we're looking at how to hook up with partners. We're most active there in terms of what part our clearing bank cost funds play alongside others' residual value expertise or production capability."

Rachael Woods:

"Ricoh have been pioneers in global sustainability since the 1990s, ahead of many of our manufacturing competitors. Our approach to sustainability is comprehensive, encompassing the development of ESG-compliant assets for customers, support for community and social development locally and globally, reduction of carbon emissions in our machines, and participation in the circular economy. In our leasing business, we focus on remarketing and repackaging assets, which not only contributes to our ESG goals but also provides our customers with the benefits of remarketed assets."

Conrad Ford:

"Addressing sustainability challenges is critical for our long-term growth strategy. I recognize that lending for energy efficiency improvements presents a strong credit case — enhancing collateral value while promoting environmental responsibility.

"However, I also acknowledge the complexities surrounding electric vehicles (EVs). While there's growing enthusiasm for EV adoption, concerns about collateral values persist due to rapid technological advancements. A breakthrough in battery technology could significantly impact existing asset values, making this a nuanced area requiring careful navigation.

"As we strive towards net-zero targets, we must balance immediate business needs with long-term environmental goals. Our commitment to supporting local businesses positions us as a force for social good, aligning our operations with broader sustainability initiatives."

Technology and transformation

In your view, what is the most transformative technology or innovation shaping the future of your segment, and how are you using it to create value for your customers and put capital to work?

Dave Foster:

Foster identifies AI and systems development as transformative technologies. He outlines several key areas where AI creates value:

1. **Improved efficiency:** Leveraging AI for credit assessment, underwriting and fraud detection.
2. **Enhanced customer service:** Building AI-powered customer service systems.
3. **Personalized recommendations:** Using AI to provide specific advice to customers.

However, Foster acknowledges implementation challenges: "Key challenges for mature businesses such as ours include integrating AI solutions with existing legacy infrastructure; and ensuring we can scale AI systems effectively while maintaining quality support for the customer and a positive contribution to business performance." To overcome these challenges, Foster's organization is:

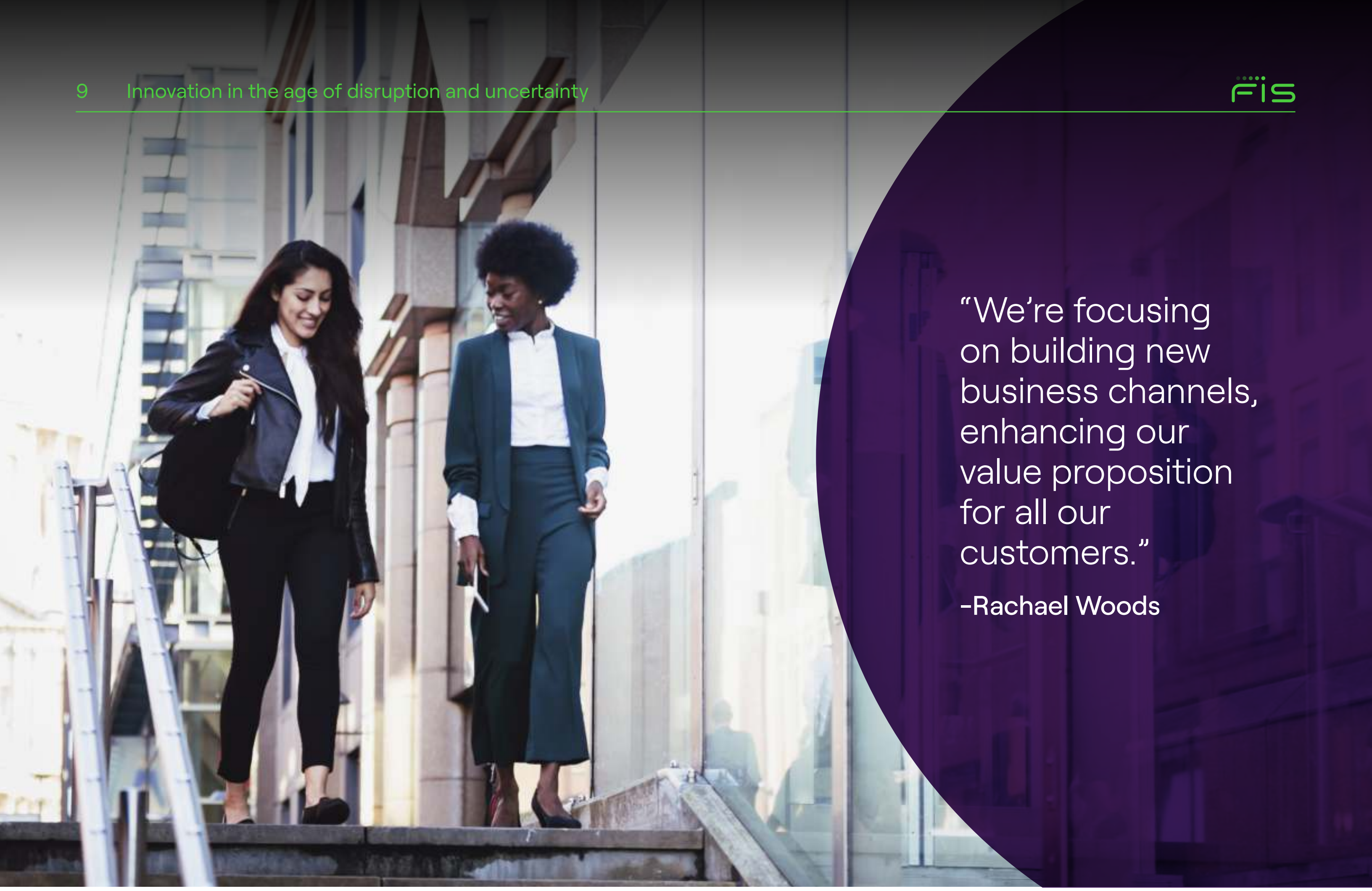
- Piloting AI tools to identify quick wins
- Scaling successful implementations
- Investing in training programs for staff

Karima Haji:

"While acknowledging the potential of AI, I take a measured approach to its implementation. I believe AI has got specific use cases where it can add real value to the business and can automate a lot of the manual day-to-day type processes that we do. However, if we lose that human connection with people, you could erode the quality of your service and affect your brand. Instead, I see AI as a tool for enhancing human interactions rather than replacing them. I can see AI being leveraged to provide us with insights based on the data set we have, so that when we engage with our customers, we are better informed." This approach aims to leverage technology to improve customer relationships and service delivery.

"Key challenges for mature businesses such as ours include ensuring we can scale AI systems effectively while maintaining quality support for the customer."

– Dave Foster



> "We're focusing on building new business channels, enhancing our value proposition for all our customers."
>
> -Rachael Woods

Stuart Graham:

"Most of what we are doing is deploying robotics to use data better and then improving the customer interface. We are cautious about AI, but we're getting increasingly excited as we see more developed products become available. We used and designed a lot of robotics just for data extraction, data interpretation, data upload. So, most of what we've been doing now is taking a lot of those robotics and dropping them around a lot of the back-end systems so that we've got better data to use and that can enhance the customer experience by, for example, having a really useful chatbot.

"It's been more about how we can re-engineer the plumbing just to get information and functionality to the customer quickly. We've got benefit from having a lot of data from a full product suite, so we've got an awful lot of what you would need."

Rachael Woods:

"Technology and transformation are central to our three-year strategy for evolving our captive finance business. We're focusing on building new business channels for Ricoh Capital, including through our acquired company portfolio and our partner channel, enhancing our value proposition for all Ricoh's customers. We're investing in front-end channel capabilities and IT infrastructure. This transformation will enhance workplace productivity for our customers and presents new growth opportunities for our leasing business.

"We're expanding beyond print to become the finance solution for all workplace technology, enabling us to sell an integrated solution across many of Ricoh's businesses in EMEA."

Conrad Ford:

"I believe that foundational architecture is crucial for creating an agile and responsive infrastructure. By investing heavily in well-thought-out data models and systems early on, we set ourselves up for success. This foundational work allows us to pivot quickly when unexpected changes arise. We do not engage in lengthy transformation programs; instead, we focus on incremental improvements through short cycles.

"Each product owner is accountable for specific outcomes that contribute to our overall objectives. This approach ensures that we remain adaptable and can shift focus swiftly when market conditions change. Our commitment to continuous improvement means we can capitalize on emerging opportunities without losing sight of our long-term vision. As the financial services sector evolves, our ability to implement small changes rapidly will be key to maintaining our competitive advantage."

Personal and organizational goals

Looking ahead, what is one personal goal you've set for yourself this year, and how does it align with your broader vision for your team or organization and putting capital to work?

Dave Foster:

"Our 2025 strategy is to continue to improve on what we already do well while embracing innovation and change — and adapting our business model to regulatory and economic shifts, with the focus always on the customer and market opportunities."

This vision aligns with several organizational goals:

1. **Talent development:** Investing in training programs to keep the team up to date with market trends and new technologies.
2. **Innovation culture:** Building a culture that fosters innovation and adaptability.
3. **Customer-centric approach:** Maintaining focus on customer needs while adapting to regulatory and economic changes.
4. **Trust and transparency:** Reinforcing the organization's position as a trusted partner for U.K. SMEs.

By addressing these opportunities and challenges proactively, Foster aims to position his organization at the forefront of the asset finance industry, ready to navigate the complexities of 2025 and beyond.

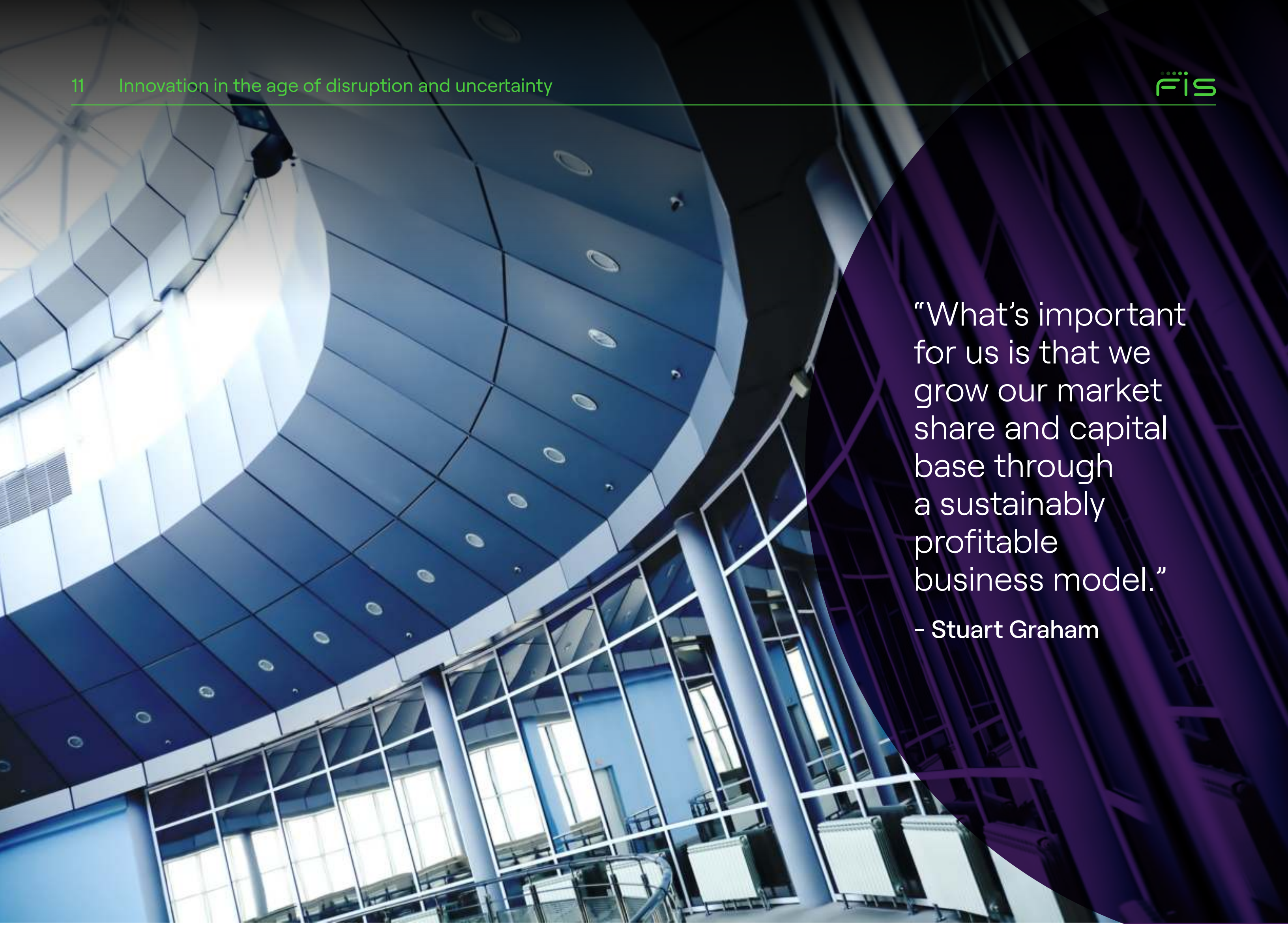
Karima Haji:

"My personal goal for 2025 is deeply aligned with my organizational vision. My goal is to create a high-performing culture in the organization. I believe we have great, dedicated and passionate people. I need to lead them to be the best that they can be.

This people-centric approach reflects my belief that a strong, motivated team is essential for navigating the challenges and opportunities in the asset finance industry."

"My goal is to create a high-performing culture in the organization."

- Karima Haji



> "What's important for us is that we grow our market share and capital base through a sustainably profitable business model."
>
> **- Stuart Graham**

Stuart Graham:

"The goal of our whole organization this year is to understand what our new ownership structure means. Now that we're owned by a mutual, it's a completely different world because we don't have shareholders, we don't have private equity – we're owned by our members. The whole perspective as to what your purpose is and how you work for the benefit of your customers and society is totally turned on its head.

"So, as of today, all our profit goes back into the business. The question is, where do we put it? Do we put it all in technology, so the customers have got amazing experiences, or do we hand it back to customers by way of pricing or do we increase staffing in response to customer demand in our contact centers? What's important for us is that we grow our market share and capital base through a sustainably profitable business model. It's hugely exciting as to what you can unlock when you've got that sort of ownership structure and how you start to look at products and proposition and pricing. It's quite transformative if you get it right."

Rachael Woods:

"Looking ahead, our goals align closely with our organizational vision. I'm focusing on getting to know our vendor partners and my new team so we can strengthen our relationships within our partner ecosystem. A key priority will be to develop growth plans and build firm foundations for the future. These goals reflect my commitment to building a dynamic team capable of executing our ambitious transformation strategy and driving long-term growth."

Conrad Ford:

"Organizationally, we remain focused on execution and culture as the cornerstones of our success. As we continue to grow rapidly, it is vital that we avoid becoming miniature versions of larger incumbents. Our culture must prioritize agility and responsiveness — qualities that define our identity in the asset finance sector.

"In conclusion, my journey reflects a commitment to fostering an environment where innovation thrives amidst uncertainty. By aligning our strategies with customer needs and industry dynamics, we position ourselves not just for survival but for sustainable success in the evolving landscape of asset finance."

Dave Foster
Anglo Scottish Asset Finance

"With the government's renewed (excuse the pun) focus on net-zero objectives, SMEs will need to explore ways to contribute to this goal and potentially benefit from related incentives."

Conrad Ford
Allica Bank

"I believe that foundational architecture is crucial for creating an agile and responsive infrastructure."

Rachael Woods
Ricoh Capital, Ricoh Europe

"Technology and transformation are central to our three-year strategy for evolving our captive finance business."

Stuart Graham
Virgin Money

"We are cautious about AI, but we're getting increasingly excited as we see more developed products become available."

Karima Haji
Scania Asset Finance

"Whilst acknowledging the potential of AI, I take a measured approach to its implementation."

The interviewers

Jake Rose
Head of Sales Asset Finance, Europe, FIS

Murad Baig
Global Product Growth & Innovation, Asset Finance, FIS

The panel's personal 2025 resolutions

Dave Foster: "To spend more time on the golf course throughout the year with my son, friends, colleagues and business associates. As a result, see the handicap consistently in single figures."

Stuart Graham: "A Life More Virgin - For me, that means getting on my bike as often as I'm able. The last few years, a friend and I have had a crack at big cycle routes including LEJOG and Majorca 312. This year we've started tentative planning to take on the Stelvio, so the first goal is to get it organized!"

Rachael Woods: "It has been fairly cold start to January so I'm looking forward to some sunshine with some family and friends this year."

Conrad Ford: "On a personal level, I am eager to deepen my understanding of Generative AI this year. I recognize its potential as a transformative force across industries, including ours. While we are exploring its applications cautiously, I aim to build my foundational knowledge in this area."

Karima Haji: "I have two personal goals this year to help balance the other side of my brain: one is to finally re-learn the piano and the other is to get to a level of conversational Spanish by the end of year."

About FIS

FIS is a financial technology company providing solutions to financial institutions, businesses and developers. We unlock financial technology that underpins the world's financial system. Our people are dedicated to advancing the way the world pays, banks and invests, by helping our clients confidently run, grow and protect their businesses. Our expertise comes from decades of experience helping financial institutions and businesses adapt to meet the needs of their customers by harnessing the power that comes when reliability meets innovation in financial technology. Headquartered in Jacksonville, Florida, FIS is a member of the Fortune 500® and the Standard & Poor's 500® Index. To learn more, visit FISglobal.com. Follow FIS on LinkedIn, Facebook and X (@FISglobal).

fisglobal.com/contact-us

linkedin.com/company/fis

x.com/fisglobal

Advancing the way the world pays, banks and invests™