2026

FLA BUDGET SUBMISSION

The FLA's proposals to unlock investment and drive productivity

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Introduction

If the Government wants to boost business investment without increasing public spending, it should unlock more private finance for the productive assets that drive growth. As the Government focuses on raising productivity, accelerating the transition to net zero and widening access to opportunity across the country, the availability of well-targeted private finance is becoming increasingly central to delivering those ambitions.

The Finance & Leasing Association's (FLA) members are part of the engine behind UK growth. Across asset finance, motor finance and consumer finance, they provide the finance that enables businesses to invest, households to manage major costs and people to access work and opportunity. In 2025, FLA members provided £163 billion of new finance to UK households and businesses. This included £40.3 billion of asset finance, of which £24.4 billion supported SMEs, while FLA members financed 34.3% of UK investment in equipment, machinery and vehicles.

The impact is tangible. For example, HDM Energies, a Hull-based renewable energy company, is helping SMEs install rooftop solar and battery storage without upfront capital investment. With the partnership of a lender, more than 100 organisations have signed up to the scheme. Participating businesses are saving more than £20,000 a year on average, while gaining greater protection from energy price volatility. The finance provided is therefore doing more than financing an asset: it is helping businesses reduce costs, protect cashflow, improve resilience and invest in the transition to a lower-carbon economy.

This illustrates the wider role of FLA members. Finance operates at the intersection of policy ambition and economic delivery. It allows investment to happen where upfront costs, risk or cashflow constraints might otherwise delay or prevent it. Asset finance helps businesses invest in machinery, vehicles and technology; motor finance supports access to work, education and essential services; and responsible consumer finance helps households manage major expenditure and participate fully in the economy.

The Autumn Budget should therefore focus on ensuring that finance can continue to flow to where it is needed, mobilising more private capital, increasing productive

investment, widening access to finance, reducing household costs and maintaining a stable and competitive environment in which lenders can commit capital.

Key recommendations

Mobilise private capital for productive SME investment

Establish a Productive Finance Partnership, with asset finance at its centre, to increase institutional and private investment in specialist SME finance across the UK.

Increase business investment in productive assets

Ensure the tax system supports the underlying investment rather than favouring one method of asset acquisition, including by considering the inclusion of leasing within full expensing.

Improve SME access to finance

Develop and pilot Ready for Finance, an industry-funded approach integrated with the Business Growth Service and regional and local business support.

Reduce household energy and business costs through private finance

Expand the Warm Homes Plan and support private finance to businesses.

Supporting an affordable transition to electric vehicles

Use the tax system to incentivise the transition to EVs. This should include withdrawing its e-Ved proposals and reinstating the VED exemption.

Protect the capacity to lend and invest

Maintain a stable and competitive environment through proportionate Consumer Credit Act reform, a predictable redress framework, competitive taxation and proportionate prudential requirements.

Mobilising private capital for productive SME investment

Unlocking finance is critical to driving productivity, innovation and sustainable economic growth. Investment in modern machinery, digital technologies and infrastructure allows businesses to improve efficiency, competitiveness and productivity.

For SMEs in particular, access to external finance can determine whether investment plans proceed. FLA members provide flexible finance solutions such as leasing and hire purchase, allowing businesses to spread the cost of investment over the life of an asset, preserve cashflow and reduce balance-sheet strain while accessing the equipment, vehicles and technologies they need to grow.

Establishing a Productive Finance Partnership

HM Treasury should support the British Business Bank in leading a Productive Finance Partnership to increase institutional and private investment in specialist SME finance across the UK.

The Partnership would bring together pension funds, insurers, asset managers and specialist lenders around the shared objective of making long-term institutional capital a larger and more routine source of finance for SMEs. Increasing the supply of finance is one of the most direct ways of turning long-term capital into productive investment.

The Partnership should build on the Bank's existing programmes, market relationships and capital markets expertise. Existing approaches demonstrate the potential to bring institutional capital into SME finance, but participation remains relatively limited and transactions can require significant bespoke structuring.

The Partnership should identify barriers to greater participation and develop a more regular pipeline of investable opportunities, using existing or expanded British Business Bank interventions where appropriate. This could include structured funding, guarantees, asset-backed securities and other capital markets approach which help specialist lenders build portfolios at sufficient scale for institutional investment.

Asset finance should be at the centre of the Partnership because of its particularly direct link to productive investment. It finances the machinery, vehicles and technology businesses need to modernise, increase capacity and improve productivity.

The regional opportunity is also significant. Specialist lenders finance businesses across manufacturing, agriculture, transport, renewable energy and local services throughout the UK. Increasing the flow of institutional capital through these lenders would help national pools of savings support productive investment in local economies and complement mayoral and local growth ambitions. This would achieve the Chancellor's aim of 'growth in every postcode'.

Increasing business investment in productive assets

Government's objective is to increase productive investment. The tax system should therefore not favour the method by which a business acquires an asset when Government's objective is to increase the underlying productive investment.

Leasing, hire purchase and outright purchase are different ways of acquiring productive assets, and businesses choose between them according to their circumstances, cashflow and investment needs. Leasing can be particularly important to SMEs because it allows them to access machinery, vehicles and technology while spreading the cost over the useful life of the asset.

The Government has committed to include leasing in full expensing when fiscal conditions allow. A tax framework that is neutral between acquisition methods would allow businesses to choose the most appropriate form of finance without creating an artificial tax preference, while supporting the underlying investment Government wants to see.

Improving SME access to finance

Government is expanding the supply of finance through the British Business Bank. That investment will have greater economic impact if SMEs are better equipped to identify and access appropriate finance.

For many SMEs, the challenge is not simply the availability of capital, but understanding their finance needs, identifying the appropriate product and being ready to approach the market. Improving this 'conversion' from available finance into successful finance applications can therefore increase the economic impact of measures that expand supply.

Ready for Finance

HM Treasury should support the development and piloting of Ready for Finance, working with the FLA and other partners to develop the model for implementation.

Ready for Finance, an industry funded scheme, will help SMEs understand what finance they need, whether they are ready to approach the market and what practical steps they should take next.

This provides the infrastructure to support the Government's SME strategy.

It is a triage-based model, funded by industry, which provides a simple assessment and steers businesses towards one of three outcomes:

- businesses ready for finance would be referred to the wider market;
- businesses close to being finance-ready would receive targeted support to address identifiable gaps; and
- businesses for which commercial finance is not currently appropriate would receive clear guidance before returning to the market.

This would improve outcomes for businesses and lenders. SMEs would receive a more useful diagnosis and clearer next steps, while lenders would receive better prepared applications.

Ready for Finance would also provide a strong basis for the industry-led work underway to develop a successor to the Bank Referral Scheme.

The model should sit within the Business Growth Service and connect with regional and local business support, giving SMEs a recognisable route to finance wherever they are based.

Reducing household and business energy costs through private finance

Delivering warmer, more energy-efficient homes and reducing energy costs for businesses will require public support to mobilise private finance. The FLA welcomes the Government's work with the Green Finance Institute to develop cheaper home finance through the Warm Homes Plan.

Where these approaches prove effective, Government should support their expansion so that private finance can play a greater role in helping households invest in measures that reduce bills and improve energy efficiency.

Support should reflect the diversity of the UK's housing stock and household budgets. The Boiler Upgrade Scheme currently supports air source heat pumps, but solar photovoltaics and battery storage may be more appropriate for some homes.

Government should consider equivalent support for these technologies, widening consumer choice while supporting grid resilience and the development of a competitive market for home energy finance.

The potential for private finance to support this transition is already being demonstrated in the business market. Through the partnership between HDM Energies and a FLA member, SMEs can install rooftop solar without upfront capital investment, with participating businesses saving more than £20,000 a year on average. This demonstrates how finance can translate the Government's energy and net zero objectives into practical investment, while reducing costs and improving business resilience.

Supporting an affordable transition to electric vehicles

Access to a car remains essential to economic participation across much of the UK, particularly where public transport does not provide a realistic route to work and essential services. Around six million people rely on motor finance to access work, education and everyday life.

In 2025, FLA members provided finance worth £55 billion to support the purchase of new and used cars, including over 85% of private new car registrations.

Policy should avoid unnecessarily increasing the cost of motoring for households already facing pressure on their budgets. The Government should ensure that taxation and other measures support access to affordable vehicles and do not add avoidable costs to households.

Don't allow the tax system to make the transition to EVs more expensive for ordinary households.

FLA members are central to the transition to electric vehicles, financing 97% of private new battery electric vehicle registrations in the 12 months to July 2026. The transition to electric motoring should reduce, rather than add to, household transport costs. EVs can offer materially lower running costs, but those benefits will only be widely realised if households can afford to access the vehicles and tax policy does not weaken the financial case for switching.

New EVs

The Government should maintain the pipeline of new EVs that creates the future used market. Benefit in Kind incentives remain essential to EV demand and should be maintained, with future rates set sufficiently far in advance to provide certainty.

As rates for 2027/28 and beyond are developed, incentives should increasingly support more affordable models. This would provide better value for taxpayers while increasing the supply of suitable vehicles into the used market.

Used EVs

Used vehicles provide the most realistic route into electric motoring for many households, and this is where mass-market affordability ultimately sits. Used buyers do not benefit from the Electric Car Grant or the manufacturer support available in the new-car market. Government should therefore give serious consideration to extending the Electric Car Grant to used EVs or introducing equivalent support.

Taxation

The Government should withdraw its proposal to introduce e-VED from 1 April 2028 and reinstate the VED exemption for electric vehicles. It should work with the finance, leasing and automotive sectors on a sustainable alternative for replacing declining fuel duty revenues.

Government should not remove the running-cost advantage that provides the economic incentive to switch to an EV. Tax policy should reinforce, rather than undermine, the household economics of the transition.

Protecting the capacity to lend and invest

The Chancellor's commitment to reduce the administrative burden of regulation should extend to the regulation of consumer and business finance, where unnecessary complexity ultimately increases the cost of supplying credit.

FLA members' ability to support growth and household economic participation depends on markets that consumers trust and in which firms and investors have confidence. Predictable and proportionate regulation, taxation and capital requirements shape firms' willingness and ability to commit capital and, ultimately, the availability, choice and cost of finance for households and businesses.

Consumer Credit Act reform

Responsible consumer credit is an important part of everyday economic life, enabling households to spread major costs, manage essential spending and participate fully in the economy.

HM Treasury should maintain momentum on Consumer Credit Act reform to deliver a predictable, balanced and proportionate regime which protects consumers while supporting responsible lending, choice and innovation. Transitional arrangements must provide sufficient certainty and implementation time, while avoiding unnecessary operational cost.

A modernised framework will support household resilience and access to responsible finance while giving firms greater confidence to innovate and invest.

Regulatory certainty and redress

HM Treasury should complete the reforms to financial services redress being taken forward through the Financial Services and Markets Bill and work with the FCA and FOS to ensure their implementation provides greater certainty and predictability for consumers, firms and investors.

The FLA particularly supports a clearer division of responsibilities between the FCA and FOS, appropriate time limits, proportionate use of mass redress powers and a clear route to finality.

Long ended and unpredictable redress liabilities can affect valuations, increase the cost of capital and deter investment in new products, technology and markets. They can also lead firms to tighten credit appetite or withdraw from markets. Investors will also consider whether the approach taken in one sector may establish precedent elsewhere.

The FLA welcomes HM Treasury's constructive and productive engagement with the FLA and its members on motor finance redress and wider reform of the redress system. The reforms now being taken forward are an important step towards a more predictable and coherent framework. Completing and implementing them effectively would strengthen confidence for consumers while giving firms and investors greater certainty to commit capital and innovate in the UK.

Taxation

HM Treasury should avoid further sector-specific taxes or levies on financial services and consider the cumulative impact of taxation, regulatory costs and capital requirements on the supply and cost of finance.

A competitive tax environment is an important part of maintaining the UK's attractiveness as a market in which lenders and investors commit capital.

The Government is rightly seeking to mobilise more private investment and increase the finance available to households and businesses. Increasing the cumulative cost of supplying that finance risks working against those objectives by reducing lending capacity, increasing costs or weakening the case for investment in UK markets.

Prudential regulation

HM Treasury and the PRA should ensure that the UK prudential framework supports the capacity of banks to provide finance to households and businesses and remains competitive internationally.

For banks, Basel 3.1 will affect capital allocation across consumer, motor and business lending markets, and its practical impact on the supply, pricing and availability of finance should be reviewed following implementation. Changes to bank capital requirements can also affect competition and funding conditions across specialist lending markets more broadly.

The UK's approach should remain competitive internationally. The EU has retained the SME Supporting Factor within Pillar 1, while the UK is removing it and using a Pillar 2A adjustment intended to mitigate the impact on SME lending. We welcome the PRA's recognition of the importance of SME finance and believe the practical impact of the UK regime should be reviewed once implemented.

The FLA therefore calls for a specific post-implementation evidence review of asset finance and SME lending, with the FLA supplying data on pricing, availability, competition and capital allocation.

Conclusion

The UK's growth ambitions depend not only on the availability of capital, but on the ability to turn that capital into investment, productivity, mobility and economic participation.

FLA members already play that role at scale. They provide the finance that enables businesses to invest, households to manage essential expenditure, people to access work and businesses and households to adopt cleaner technologies. In doing so, they help turn Government's policy ambitions into economic activity.

The Autumn Budget provides an opportunity to strengthen that contribution through a clear chain from policy to economic impact:

A stronger finance market is one of the means through which the UK can achieve stronger, more productive, sustainable and inclusive growth.

In summary:

Productive Finance Partnership: unlock additional private lending capacity and support increased productive investment by SMEs.
Ready for Finance: improve SMEs' ability to identify and access the most appropriate sources of finance, increasing the economic impact of existing finance supply.
EV measures: help reduce the cost of mobility for households while supporting the development of a larger and more affordable used-EV market.
CCA, redress and prudential measures: reduce unnecessary compliance and capital uncertainty, supporting lending capacity, competition and investment.