



Industry Insight



Leasing Outlook

Jan
2026

Leasing growth masks an industry under pressure

Quarterly report

Sluggish LCV market slows fleet growth

Market spotlight

Dramatic increase in used car leasing

Industry outlook

Every area of cost under scrutiny

Opinion

ZEV Mandate remains the industry's single greatest concern



In association with:



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Executive Panel

- Keith Townsend
Managing Director, Agility Group
- Craig McNaughton
Corporate Director, Lex Autolease (part of Lloyds Banking Group)
- Tim Laver
Managing Director, ALD Automotive
- David Cooper
Managing Director, Arnold Clark Finance

Market Headlines



BVRLA lease fleet grows **8%** year-on-year to 1,983,814 cars and vans (page 4)



Car fleet up **12.5%** year-on-year; van fleet down **-4.2%** (page 5&9)



BCH car fleet up **7.9%** year-on-year; salsac up **123.4%** YOY; PCH down **-3.7%** YOY (page 5)



BEVs account for **47%** of the BCH car fleet, and average new BCH car emits **40.2g/km CO₂** (page 6)



65.2% of all new BCH car contracts and **99.9%** of new salary sacrifice contracts include maintenance (page 7)



290% YOY increase in used BCH contracts to reach **19,644** cars and vans (page 8)



-40% industry outlook for margins (page 9)

Each quarter, we obtain the views of a selection of members of our Executive Panel to enhance our report insights. To join the panel email Phil Garthside at phil@bvrla.co.uk.

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Gordon Stephen
Chairman, Ogilvie Fleet

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Head of Propositions, Octopus Electric Vehicles

Claire Evans, Consultancy Director
Zenith Intelligent Vehicle Solutions

In the broadest terms, the BVRLA car and van lease fleet bucked the trend of the flatlining national economy and grew by 8% year-on-year to reach within touching distance of 2 million vehicles. Few industries in the UK are registering this level of growth.

A deeper dive into the data, however, reveals that some sectors are booming, while others are shrinking, and industry reports reveal profits are vanishing.

Salary sacrifice car schemes remain the star performer, paving the way for thousands of employees to get behind the wheel of a zero emission car. The launch of new, lower priced electric cars, and the remarketing of used EVs into salary sacrifice schemes are making battery power affordable to ever larger cohorts of workers.

Key to the continued growth of salary sacrifice programmes are the new automated portals and efficient communication strategies of leasing companies and brokers. These have enabled the cost effective introduction of salary sacrifice schemes into medium and small sized businesses where the potential audience is smaller and has previously been out of reach.

Business contract hire also has the wind in its sails, growing by over 7% year-on-year. There are still businesses and public sector organisations with a history of purchasing their cars, that are now switching to leasing because of the high capital cost of electric vehicles and nail-biting uncertainty surrounding future residual values.

But cost pressures for corporate customers remain acute, leading to forensic scrutiny of fleet policies, including funding method, vehicle selection, holding period and the bundling or unbundling of maintenance.

On the retail side of leasing the numbers are altogether weaker, although there is some optimism

that the ferocious competition between car makers for market share will lead to personal contract hire deals that are too good to ignore. The return of a £100 per month PCH lease rental has certainly proved eye-catching. Despite these offers, however, leasing companies suggest that employees who a few years ago opted out of a company car and into a cash allowance that they used to source a PCH car, are now more likely to opt back into a salary sacrifice car than a replacement PCH deal.

Light commercial vehicle leasing has struggled, too, with volumes declining albeit not as severely as national new van sales. An unpalatable cocktail of increased business costs and higher lease rentals for replacement vehicles has led many firms to extend their current contracts, and forced leasing companies to establish robust policies for renegotiating the maintenance element of rentals. In the longer term, the sharp rise in new van prices, uncertainty over future residual values of electric vans, and the 40% first-year allowance combine to make leasing more favourable than purchase.

The residual values of petrol and diesel cars and vans that are reaching the end of their lease remain strong, but every leasing company has stories of five-figure losses suffered on the disposal of any one of a number of electric cars. They report that used prices have stabilised in the second half of 2025, albeit at levels much lower than forecast and pegged marginally below the same price as internal combustion engine equivalents.

Volumes of used EVs are rising exponentially, although significant numbers are now being re-leased on second life leasing schemes, in a win-win for

leasing companies and for customers seeking a lower cost EV.

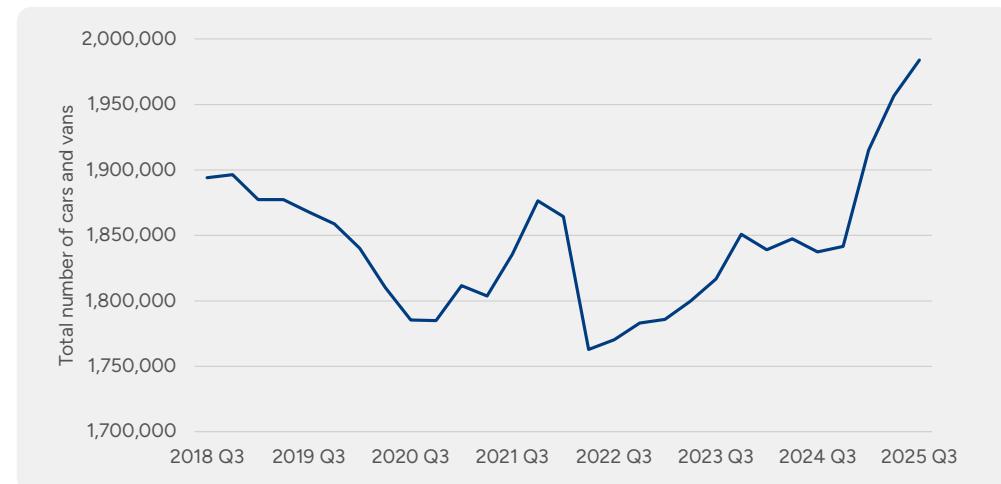
Yet the demand for EVs between business and retail customers remains worlds apart, as new (BETA) data in this report reveals – 83% of salary sacrifice cars are battery electric, as are 47% of BCH cars, but only 18% of PCH cars. Despite this divergence, the BVRLA lease fleet is cleaner than it has ever been, with its average CO2 emissions falling to 60g/km, and is even more climate-friendly among BCH and salary sacrifice customers.

But the Treasury's announcement of a proposed 3 pence per mile charge for EVs, and 1.5 ppm for plug-in hybrid models, was received with consternation by the leasing industry. Executives point to the flurry of negative headlines in a national press that they feel has an anti-EV agenda. Any initiative that gives a used car buyer an extra reason to delay making the transition to battery power is desperately unwelcome in an industry trying to build demand to match supply.

Moreover, as the registered owners of leased cars, leasing companies are concerned that the pence-per-mile policy risks bringing with it a heavy administrative footprint. Even a relatively minor change, such as the Budget's increase in the threshold for cars that qualify for the Vehicle Excise Duty Expensive Car Supplement, from £40,000 to £50,000, has forced leasing companies to recalculate quotations for new orders and draw up plans to reimburse customers already driving cars impacted by the change.

As for 2026, the overall view is of tough trading conditions for the year ahead and extreme pressure on margins, but stability in fleet sizes.

Vehicles operated by BVRLA members



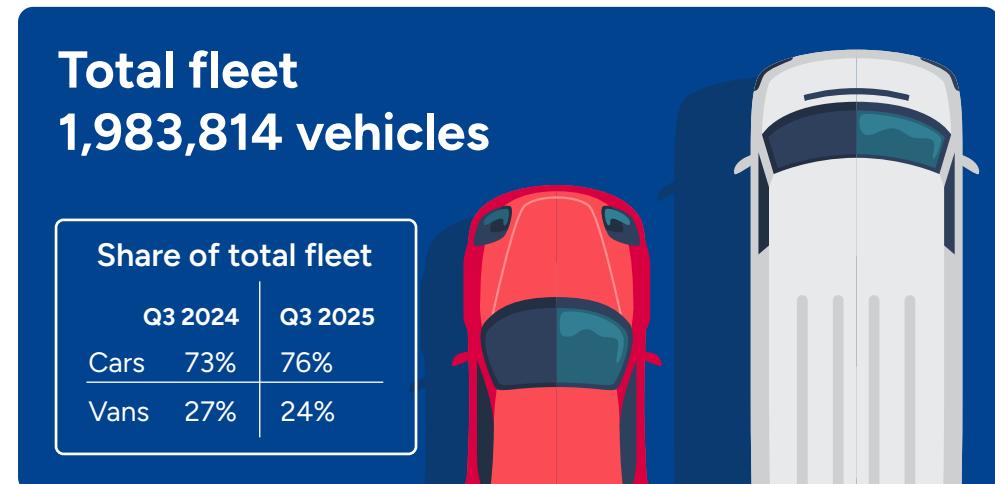
BVRLA lease fleet approaches

2 million vehicles

BVRLA members' car and van lease fleet has nudged tantalisingly close to the 2 million vehicle mark, but not yet breached this threshold. The fleet's progress towards the landmark was stymied by the whirlpool of leaks and rumours in the run up to November's Budget, which led customers to pause and delay new orders, especially for light commercial vehicles. Business customers were already engaged in strategies to cut operating expense rather than grow their top lines, following the cost impact of April's increases to the national minimum and living wages, as well as the rise in employer National Insurance contributions. Overall, the total car and van lease fleet grew by only 0.3% between Q2 and Q3, hinting at a slow down when total year-on-year growth reached 8%.



Overall fleet

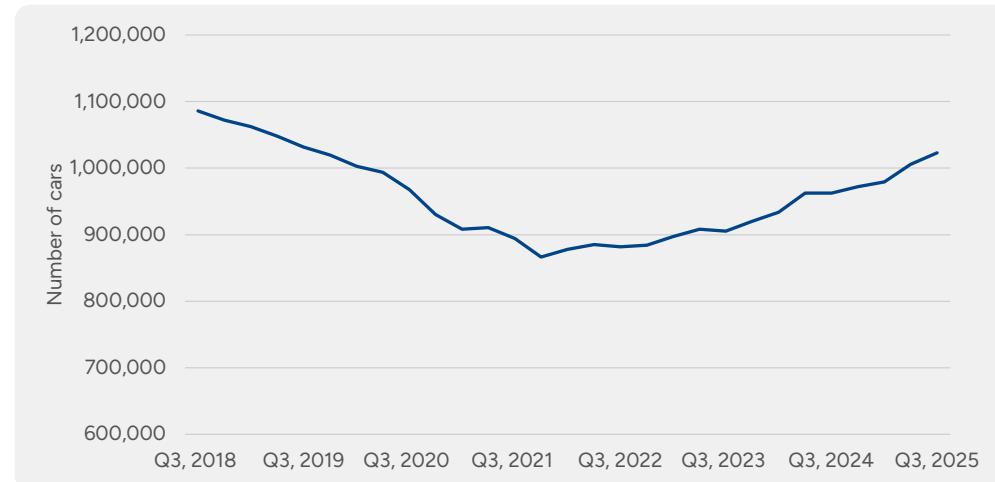


LCV numbers hold back leasing growth

The light commercial vehicle sector is acting as a brake on growth for BVRLA leasing companies, with its decline in registrations offsetting a significant rise in car volumes. The BVRLA van lease fleet is now 4.2% smaller than it was 12 months ago, despite four quarters of growth. This indicates that leasing is actually outperforming other methods of finance, given the 9.8% year-on-year decline in new van sales reported by the SMMT for the first three quarters of 2025, but a shrinking overall market makes growth extremely difficult. There is better news in the car sector, where fierce competition between car makers for sales and market share has introduced discounts that have led to meaningful reductions in lease rates, stimulating demand. The BVRLA car lease fleet is now 12.5% larger than it was 12 months ago.



Total car fleet

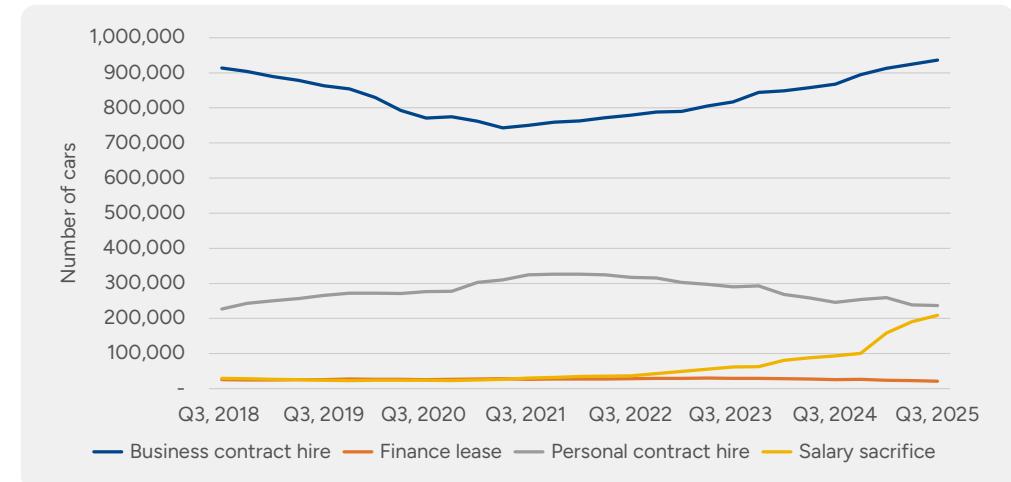


Salary sacrifice and BCH drive car lease fleet to seven-year high

The BVRLA car lease fleet has broken the 1.5 million vehicle barrier for the first time in seven years, propelled by business contract hire and salary sacrifice car schemes (the latter's growth figures still over-estimated as we refine data that originally recorded these as BCH). A subdued national economy, with unemployment figures creeping above 5%, house sales stagnating and GDP contracting, has hamstrung retail confidence, but employers are taking advantage of cut-throat new car pricing for their own fleets and to offer to staff via salary sacrifice schemes. The arrival of smaller electric models available for rentals that are accessible to a wider population of drivers has stimulated demand, with several executives pointing to the rise of lower rate tax payers among their salary sacrifice base.



Vehicle funding alternatives

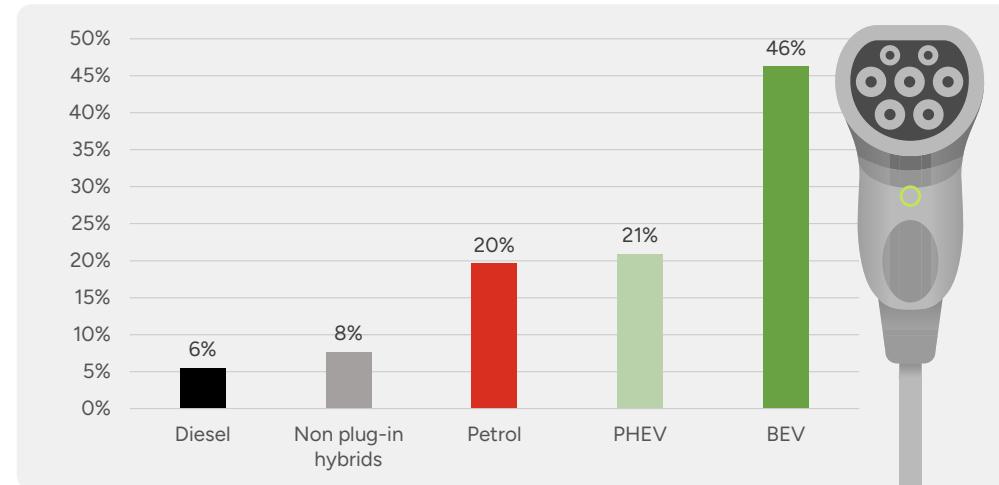


Tactical deals and offers could boost PCH volumes

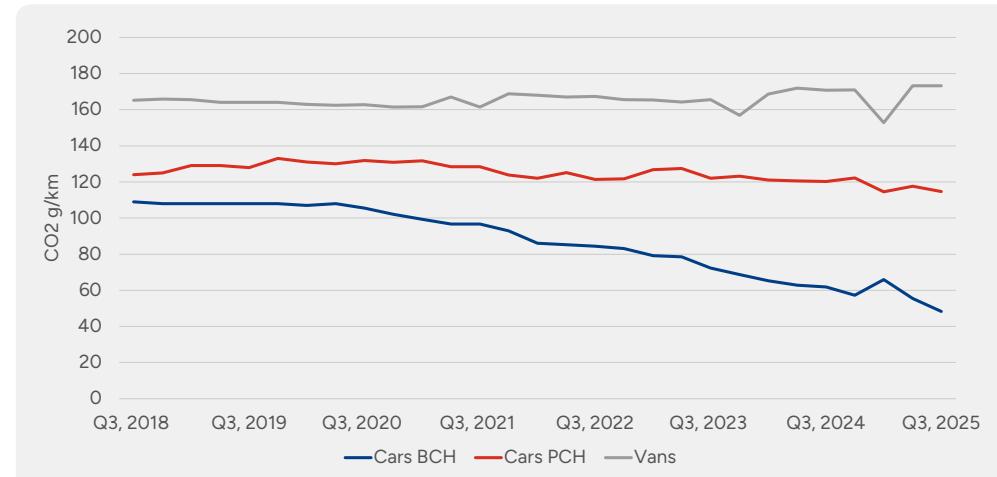
There is sometimes a delay between narrative and data, with executives sensing a change in fortune for personal contract hire, despite the figures showing a decline in every quarter for the past three years. The picture may already be different, but the BVRLA is missing data from some major captive finance operations. The proliferation of aggressively priced 'commit to purchase' tactical deals between OEMs, brokers and leasing companies has certainly created offers that are proving attractive to retail customers. Salary sacrifice schemes continue to be the engine room of growth for leasing, up 123% year-on-year [the figures do reflect adjusted measurement of cars that previously have been recorded as business contract hire]. Even so, in a flatlining economy, the 7.9% year-on-year growth in BCH deserves a mention in despatches.



Powertrain mix of BVRLA car lease fleet



BVRLA fleet CO₂ emissions



Benefit in kind tax continues to underpin EV adoption

The headline figure shows three-quarters of lease cars are now capable of zero emission driving, thanks to electric, plug-in hybrid or hybrid powertrains. Battery electric is the dominant powertrain, although a new (BETA) analysis reveals an uneven penetration, from 83% of the salary sacrifice fleet to 47% of the business contract hire fleet, but only 18% of the personal contract hire fleet. The figures highlight the success of the supportive benefit in kind tax treatment of electric cars for driving uptake – without this advantage, nearly two-thirds (64%) of PCH drivers are still behind the wheel of a petrol or diesel car. In the light commercial vehicle world, however, dependable diesel continues to dominate, accounting for 87% of the fleet, whereas battery electric models have barely reached a 10% toehold.

46%

OF THE BVRLA CAR LEASE FLEET IS BATTERY ELECTRIC

21%

OF THE BVRLA CAR LEASE FLEET IS PLUG-IN HYBRID

Car lease fleet well on the way to zero emissions

The BVRLA lease fleet remains at the vanguard of the UK's decarbonisation efforts, reducing its average car CO₂ emissions to 60g/km and the emissions of new additions to just 52.9g/km. Company car drivers are at the forefront of these moves, with new business contract hire cars emitting only 40.2g/km of CO₂, compared to 107.3g/km for new personal contract hire cars. The salary sacrifice fleet is the cleanest of all, at 83% battery electric and 14% plug-in hybrid. But the average emissions of light commercial vehicles remain stubbornly high at 173.2g/km, a figure exceeded in only one quarter since the start of 2017. (BETA) analysis indicates that 10% of the BVRLA van fleet is now electric, but executives say uptake is largely restricted to a handful of very large customers.



34%

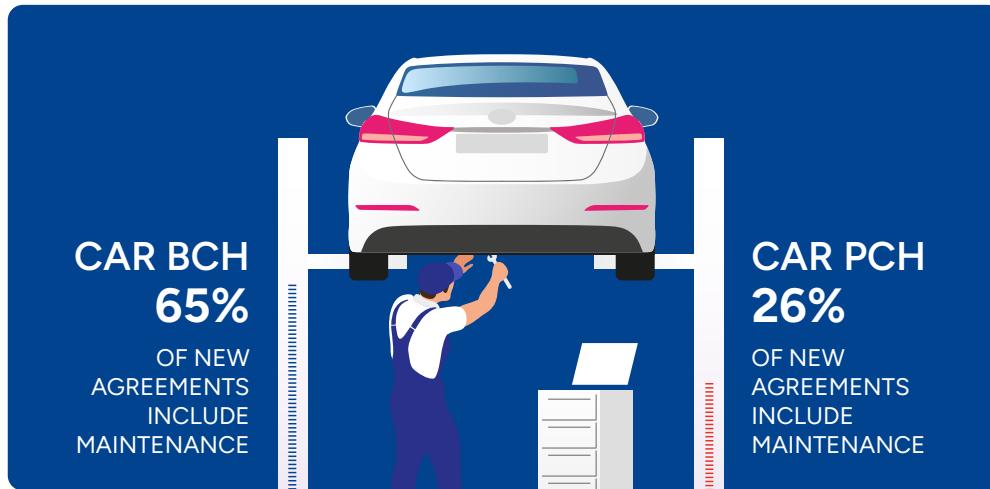
YEAR-ON-YEAR DECLINE IN AVERAGE CO₂ EMISSIONS OF NEW ADDITIONS TO BCH CAR FLEET



+1%

YEAR-ON-YEAR INCREASE IN AVERAGE CO₂ EMISSIONS OF LCV FLEET

Maintenance contracts - proportion of maintained fleet by funding method



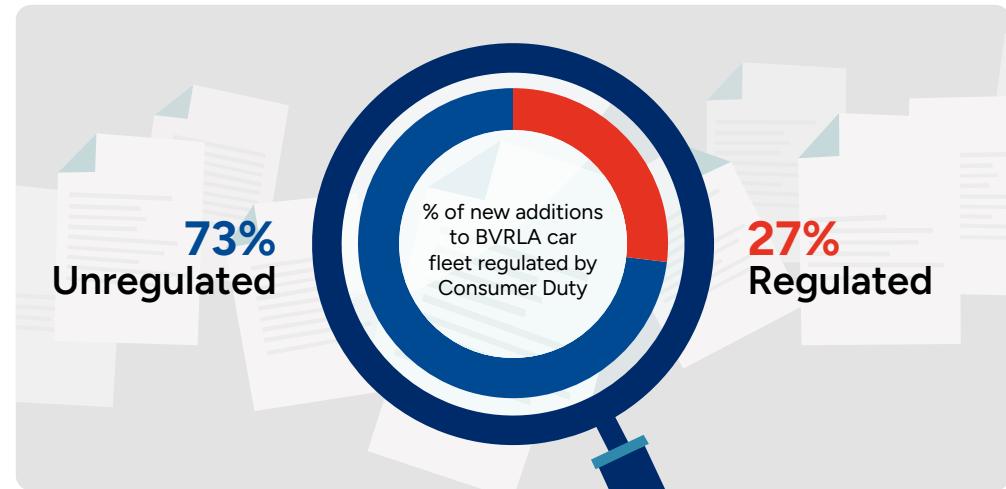
Ageing vehicles raise SMR challenges

Service and maintenance issues are becoming increasingly complicated to navigate for leasing companies and their customers. On the one hand, the maintenance requirements of ageing vehicles, as fleets extend contracts (especially for LCVs) are prompting leasing companies to renegotiate the maintenance element of a lease or to transfer customers to pay-on-use arrangements. On the other hand, forecasting maintenance spend for electric vehicles, with their lower service requirements, but higher tyre costs and higher outlay when repairs are needed, is a challenge. Executives report that business customers prefer the known-cost budgeting of maintenance-inclusive contracts, whereas private drivers are more tempted by the cheaper rentals of maintenance-exclusive deals. These waters are further muddied by certain key brands not setting fixed service intervals, prompting some business and private drivers to exclude maintenance.

65.5%
OF NEW VAN BCH CONTRACTS INCLUDE MAINTENANCE

99.9%
OF SALARY SACRIFICE CONTRACTS INCLUDE MAINTENANCE

Regulated contracts



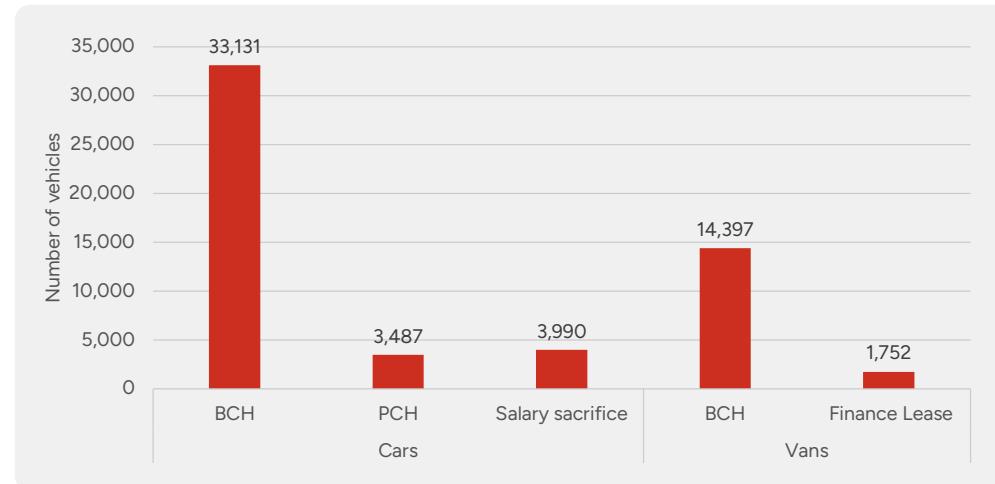
Gap narrows between regulated and unregulated customers

The looming spectre of the Financial Conduct Authority's redress scheme for undisclosed commission payments in hire purchase agreements has focused minds on all areas of regulation in automotive financial services. Leasing firms immediately moved to ensure brokers and dealers disclosed commissions in regulated deals, if they were not already, and initial fears that this would cost them business have proved to be unfounded – the most competitive deal is still the most competitive deal, even if it includes a commission. Consumer Duty had already rolled the pitch for new trading approaches, introducing greater transparency and a culture of customer-first protections, and industry executives would like to see a clear and reasonable conclusion to the commission disclosure issue that lays the foundation for a more stable and investable environment for auto finance.

4.3%
OF NEW BCH CAR AGREEMENTS ARE REGULATED

10.4%
OF NEW LCV FINANCE LEASES ARE REGULATED

Used vehicle leasing



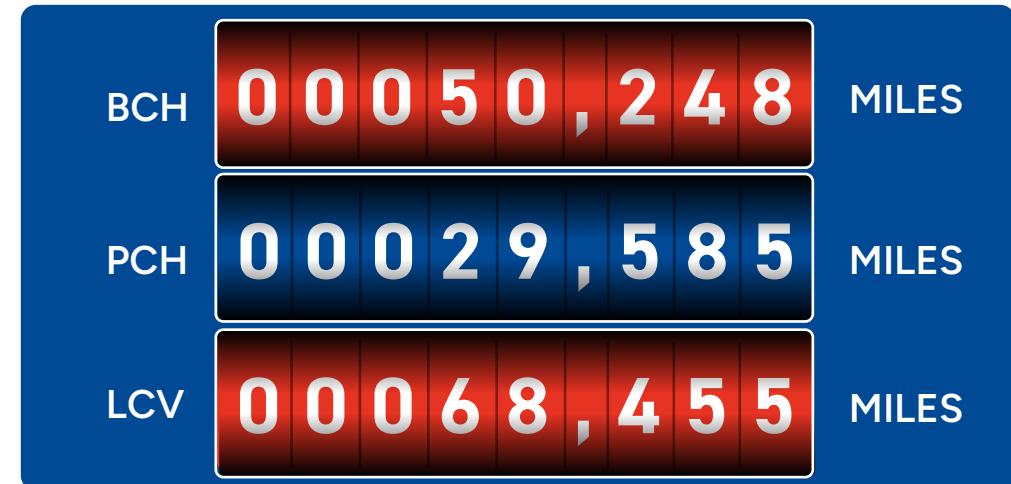
Huge year-on-year growth in used car leasing

Leasing companies are industrialising the collection, refurbishment and remarketing of used electric vehicles for second-life leasing. The combination of a ready audience among salary sacrifice drivers and the opportunity to mitigate depreciation losses makes EVs the natural powertrain for this approach. Smaller businesses and personal contract hire customers are also showing a keen appetite to save tens and potentially hundreds of pounds per month on rentals, compared to leasing a new car. The challenge for leasing companies is arriving at a rental that is sufficiently cheaper than some of the new car offers available, as OEMs have discounted EV prices to hit their ZEV Mandate targets. Strong confidence in EV reliability and battery health means leasing firms are now supplying used EVs that they will not remarket until they are seven or even eight years old.

 **+290%**
YEAR-ON-YEAR INCREASE
IN USED CAR BCH
CONTRACTS

 **+389%**
YEAR-ON-YEAR INCREASE
IN USED LCV BCH

Contract mileage



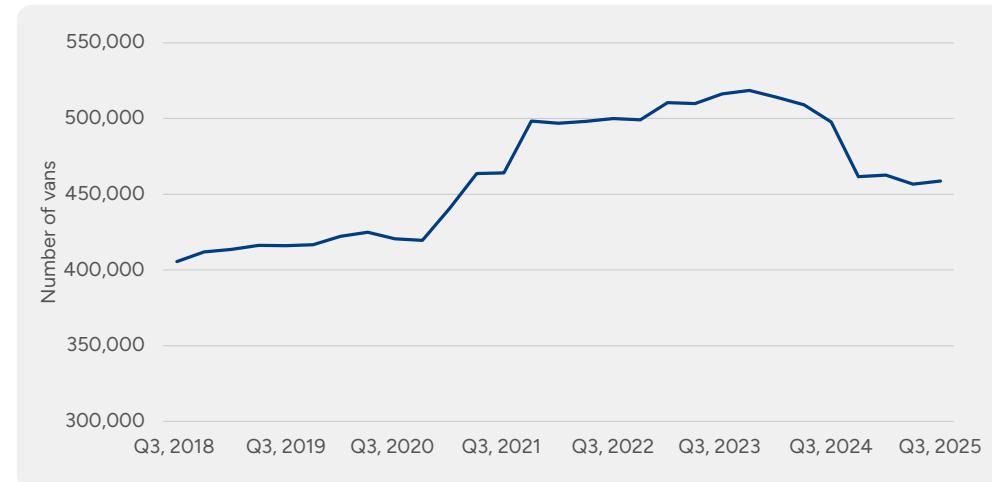
Contracted mileages shorten, but three years still the benchmark

Three years remains the benchmark for lease pricing, although mileages are shortening. Leasing companies report fewer contracts for customers covering 20,000-plus miles a year, as video calls and working-from-home reduce journeys. In the personal contract hire market the quest for the cheapest monthly rental has seen mileages fall, with 5,000 annual miles now regularly offered. Mileage forecasts and their contribution to TCO calculations will gain importance with the introduction of the 3ppm charge for EVs. As registered owners of vehicles, leasing firms are deeply concerned about the administrative burden that eVED risks imposing. In the meantime, with so many contract extensions, few vehicles finish their lease with the age and mileage specified in their original contract.

**39
months /
47,633
miles**
THE AVERAGE TERM OF NEW
BCH LEASES

**41
months /
53,132
miles**
THE AVERAGE TERM OF NEW
LCV LEASES

Van fleet

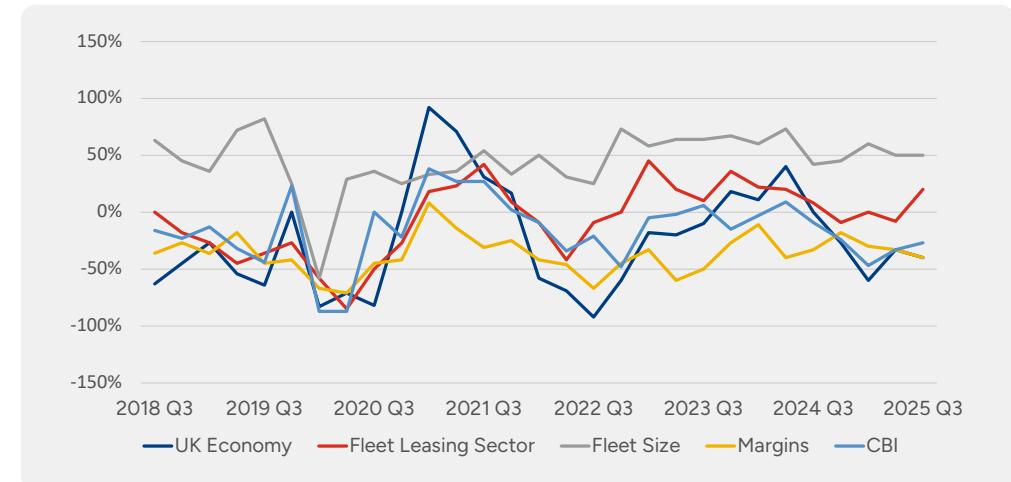


LCV fleet size falls as new van sales decline

At the start of 2023 the BVRLA van lease fleet breached the 500,000 vehicles threshold for the first time and sustained its positive trajectory for a year. But its volumes have slipped every quarter since Q2 2024, and the decline shows no sign of abating. Business customers are voting with their wallets, with large numbers finding new vans too expensive, and preferring to eke out longer durations with their current vehicles. Leasing companies report that vehicles scheduled for four-year contracts are still in service with the same client after six years, while the adoption of electric vans is lagging well behind the targets of the ZEV Mandate. Diesel still accounts for 92% of new sales, despite the Plug-In Van Grant, and leasing companies struggle to see sufficient use cases for used eLCVs to warrant the high residual values required to reduce lease rates.



Industry confidence



Industry losing confidence in UK economy and margins

With borrowing costs at their lowest since early 2023, leasing executives hope the Bank of England's most recent cut to its benchmark interest rate will start to raise business confidence. The mood-improving impact of the cut among customers is arguably greater than the reduction to lease rates, in terms of stimulating demand in an economy where GDP has contracted and unemployment risen. The leasing industry's outlook for the UK economy is significantly worse than a year ago, and its forecasts for margins are more pessimistic than they have been for any quarter in the last 18 months. Despite these grey skies, executives have more faith in the fleet leasing sector than they have had since Q2 2024, and they are optimistic about maintaining and growing the size of their fleets.



Leasing companies are facing intense pressure to lower their costs as customers strive to protect their bottom lines. Confronted by wage inflation and a zero-growth economy, business customers are running a fine-tooth comb through their cost bases in a bid to protect their margins.

This is leading to a thorough analysis of different fleet finance solutions, an exploration of vehicles from new entrant manufacturers, an investigation of different holding periods, and the potential unbundling of maintenance services.

"We've seen this drive on the cost agenda really start to take hold in the second half of 2025, and we expect that to have even greater focus in 2026," said one leasing executive.

Customer requests for new policies are stretching to five-year leases for cars and seven-year leases for vans, and while few have yet to implement these strategies, the imperative to save money is clear.

This same ambition is evident in employers putting staff into plug-in hybrid company cars, rather than battery electric, because the rentals can be substantially cheaper.

"It's a sound business decision based on the cost of running their businesses, rather than just pursuing the electric dream," said another leasing executive.

Similar moves are afoot in the personal contract hire market, too, where the cost-of-living crisis is prompting customers to switch vehicle brand and broker to save just a few pounds per month. Brand loyalty is a concept of the past.

The good news for leasing companies is that the fierce competition between vehicle manufacturers for market share is generating widespread new car offers.

The number of brands in the UK market has mushroomed from around 40 to more than 70 in less than a decade and brought a spate of tactical deals and discounts to support sales.

This is helping to offset the inflation in official list prices, but also intensifying residual value risk.

"The UK is not big enough to be a 70-plus brand car market, so not all of them will survive," said one executive.

The cost to compete is so high that it is not only new entrants that leasing executives consider to be vulnerable. They fear that longer established brands may also exit the UK market.

In the meantime, some leasing firms are declining to quote on some new makes and models, having been burnt by depreciation losses on the first wave of electric cars and feeling unable to establish a baseline value for brands with no trading history in the UK, limited retail infrastructure for secondhand sales, and no credentials for mechanical longevity. They concede, however, that their first impressions are of well-made, high-tech vehicles.

These new brands are already securing sizeable shares of the salary sacrifice market, where drivers

Car and van fleet forecast

	Q3, 2025	Q4, 2025	Q1, 2026	Q2, 2026	Q3, 2026	Forecast change Q3, 2025 to Q3, 2026
Cars	1,507,183	1,508,917	1,527,282	1,537,006	1,548,775	3%
LCVs	476,631	474,303	474,380	473,372	472,741	-1%
Total	1,983,814	1,983,220	2,001,662	2,010,378	2,021,517	2%

Car fleet forecast by fuel type

	Q3, 2025	Q4, 2025	Q1, 2026	Q2, 2026	Q3, 2026	Forecast change Q3, 2025 to Q3, 2026
Petrol	296,915	287,157	277,792	268,642	261,047	-12%
Diesel	82,895	77,908	72,920	68,396	65,298	-21%
BEV	697,826	737,196	780,514	831,464	883,747	27%
PHEV	315,001	324,885	331,729	344,395	358,072	14%

prioritise price over uptime. Used EVs are also proving popular among salary sacrifice customers, creating a 'remarketing' channel that leasing companies are keen to support. Any early fears of battery degradation have evaporated, and firms are confident of keeping cars to eight and nine years, suggesting that a third life may be possible.

The depreciation of EVs has been so savage that "no stone has been left unturned" in efforts to support the used market. These include pilot projects to offer independent retailers used EVs on a sale-or-return basis in a bid to encourage them to start stocking and selling secondhand EVs. To date, it has largely only been franchised dealers that have grasped the nettle of selling used EVs.

Leasing companies are now much more confident that they will achieve their residual value forecasts for EVs, but have reached this point by writing down values roughly to the equivalent of ICE cars. Given the higher price start point of EVs, the net result is greater depreciation and higher lease rentals, prompting an investigation of every possible area of cost-cutting.

The service and maintenance costs of EVs are typically cheaper, but their tyre costs are higher due to more frequent replacements of more expensive tyres. This is leading to suggestions that SMR offers might be unbundled and sold on a menu basis to customers. Already only about half of regulated (ie retail) leases include maintenance, although companies report that once customers have enjoyed a contract that included SMR, few want to return to an own-risk approach.

In further cost saving and convenience measures, only warranty work is automatically directed to franchise dealers, with leasing firms using independent workshops and deploying mobile service vans to reduce downtime and expense for clients.

There is a critical shortage across the entire automotive industry of 'time served' technicians with deep knowledge of EVs, presenting a recruitment challenge for leasing firms seeking staff to authorise mechanical work. Dealer workshops, too, lack experienced EV technicians, triggering a rising number of incidents where vehicles are transported long distances between workshops to find mechanics with the requisite skillsets.

Furthermore, while EVs experience fewer breakdowns than their ICE rivals, their recovery costs are higher because they cannot be towed, presenting leasing companies with the dilemma of choosing between subscription or pay-on-use cover.

And if replacement vehicles are required, the lack of consistency between rental companies in terms of delivery and collection standards, as well as damage recharges, is causing a degree of concern and angst for leasing companies. They are using nationwide networks of hundreds of rental companies, sourced through brokers, to provide a national service to corporate customers, and are wrestling with inconsistencies when trying to deliver a uniform service. Given the intense focus on cost between leasing company and client, any out-of-contract surcharges are commercially difficult to deal with.

The rate of electrification of light commercial vehicles is years behind the car market, and the volumes that do exist are credited to a handful of large early adopter fleets. Leasing companies report that pressure is abating from manufacturers for orders to match the percentages of the ZEV Mandate, and while OEMs are

Car and LCV fleet forecasts by funding method

Finance product	Q3, 2025	Q4, 2025	Q1, 2026	Q2, 2026	Q3, 2026	Forecast change Q3, 2025 to Q3, 2026
BCH CARS	936,352	947,172	960,263	967,171	975,480	4%
PCH CARS	237,111	237,964	240,658	240,046	240,792	2%
BCH LCVs	330,758	329,043	329,929	330,218	329,780	0%
PCH LCVs	4,075	4,095	4,013	3,922	3,793	-7%

mindful of their ZEV commitments, there is a growing sense that the mandate's figures are so far beyond what is happening on the ground that it will become unenforceable by 2027, and perhaps as early as 2026.

Even renewing diesel vans has become an issue for the heart of the LCV market, where contract extensions have become standard. As fleets hold vehicles beyond their original contract terms, leasing companies are renegotiating the cost of service and maintenance provision, or transferring customers to pay-on-use arrangements to protect leasing firms from repair costs that can run into thousands of pounds.

There are even isolated cases of firms transferring older LCVs from contract hire to finance lease because the leasing company is no longer prepared to carry the residual value risk on an aged fleet, and the customer would prefer to run the vehicles into the ground rather than meet the much higher rentals of new replacements.

Finally, there's almost universal bafflement at the Government's intention to introduce a pence per mile road charge for EVs and PHEVs from 2028. Why offer the Electric Car Grant to incentivise EV uptake, only to introduce a policy that is likely to weaken demand? Why risk undermining demand in a fragile used EV market that has suffered catastrophic losses? How will the annual mileage certification work when vehicles do not have their first MoT until they are three years old? How will the Department for Transport or Treasury deal with miles driven outside the UK – not just holidays, but business trips and deliveries to continental Europe and from Northern Ireland to Ireland? And how payments will be made and reconciled if contracts finish mid-year, rather than at the annual reconciliation of mileages? Leasing companies are braced for an administrative nightmare from a policy they consider will cost as much to administer as it raises.

Why offer the Electric Car Grant to incentivise EV uptake, only to introduce a policy that is likely to weaken demand?



Fleet Assist's MD Vincent St Claire has had time to digest the Rachel Reeves Budget in November and looks at the challenges and opportunities for the SMR sector.

Firstly, it's important to recognise the huge advances the automotive sector has made in terms of EV adoption, it's not all doom and gloom. This is evidenced by increasing vehicle sales but also importantly the unprecedented levels of investment we have witnessed across the entire ecocycle to achieve a position of "BEV readiness".

Could the budget result in slowdown of BEV adoption and in turn reduce confidence to invest in the aftersales SMR infrastructure?

There is a potential negative effect of the eVED fee which in its worst case could cause a renewed range anxiety culture for drivers and in turn impact negatively on both new and used BEV sales.

UK garages continue to invest in their facilities, tooling, training and software to meet the demands of today but in readiness to meet the forecast rise in BEV sales so any slowdown in adoption could impact their ROI models. The industry is dependent on their continued investment.

Will we see operating costs potentially rise and in turn create new revenue streams in software, connectivity, or subscription-based services?

If annual mileage checking is required there are a number of points to consider. Firstly, the entire vehicle parc won't suddenly become 100% connected by 2028 and it's highly unlikely that any attempt for mass GPS/telemetry solutions will be implemented by then. Therefore, we are potentially going to be in a situation which means there will be a requirement for manual mileage checks such as when a vehicle goes in for a service or MOT. If this is to be the case drivers will have to offer their vehicles annually or when change of ownership occurs for mileage data checks. This has the potential to increase vehicle operating costs with either data access fees and/or physical visits with the additional burden of increased vehicle downtime

which is estimated at circa £750 per day for an LCV vehicle operator.

On the upside it provides better visibility of mileage of used vehicles and will generate revenue for companies providing connected data, while garages will see a rise

in vehicle visits as physical mileage checks are unlikely to coincide with scheduled maintenance garage visits. This might deliver a helpful byproduct for leasing companies looking to better understand the status of their assets, and could drive an increase in advanced scheduled servicing events.

What could the immediate aftersales implications across operating costs, margins, and customer behaviour result in?

BEV drivers or operators have anticipated the gap in fuel duty needing to be addressed at some time, however the timing and methodology of a pay per mile tax requires a thorough assessment as it has many potential challenges.

As an industry it is essential that BEV confidence continues to flourish as BEV owners come to terms with ownership being more than just lower operating costs and Benefit in Kind taxation. Confidence about the future of OEMs and garages is important in a world where fast moving parts, work times and high volume fluids are reducing compared to ICE cars. The balance will need to be addressed.



Vincent St Claire
Managing Director,
Fleet Assist



BEVs are cheaper to maintain but the current commercial ecosystem is being supported by ICE work that won't be there forever. Historically a large slice of OEM profits is derived from parts sales, but these will slowly be eroded. An OEM that builds cars that do not have the same wear rates will face a reduction in revenues and profits, which means the SMR industry needs to plan and open its eyes to what the new horizon may look like.

Is there a dividend to the leasing and rental sector and wider automotive landscape from the apprenticeship scheme?

It is generally accepted that we must shine a spotlight on our industry as a place where young people can flourish to help address the skill gaps across the sector. The Fully Funded Apprenticeships for Under-25s for SMEs announcement should be applauded in this respect. This could assist the difficulties SMEs face in navigating the existing system and funding upfront employment costs, especially independent garages, rental companies and smaller lease companies. The Chancellor also announced £50 million in funding over the next two years to increase apprenticeship numbers in engineering and other key growth sectors such as automotive which is great news. At the same time businesses will have to come to terms with an increase in the National Living Wage which will have increased by 26% (£4,095) between 2024 and 2026 according to the Centre for Policy Studies.

Opinion – a busy budget, but VETS still the big issue

It's hard to remember a budget which contained as many elements relevant to fleets as the one revealed this year. There are multiple actions which will impact on future supply and demand, but the VETS (Vehicle Emissions Trading Scheme or ZEV Mandate) remains the single most important concern.

Some measures were broadly welcomed, such as the taxation regime for Employee Car Ownership Schemes (ECOS) now remaining unchanged until at least 2030 and preventing a significant reduction in new car registrations.

Others are confusing, or send mixed messages, such as the new eVED charge of 3 pence per mile on BEVs (and 1.5 ppm on PHEVs) from April 2028; clearly having the potential to damage new and used car demand, just as the mandated registration proportions for electric cars ramp up steeply.

The data released by the OBR reveals an expectation of 440,000 fewer new electric cars over the initial three year period to 2031, however, they expect this to be offset by an increase of 320,000 new BEVs from other budget measures, such as the increase in the Expensive Car Supplement threshold to £50,000 and the tripling of money available for the Electric Car Grant, effectively extending it to 2030. This leaves us with a net reduction of 120,000 BEVs in the first three years.

But it's not as simple as that. Due to the further complication of VETS, there will also need to be a further reduction in ICE registrations to offset it.

Our new car forecasts for the next 5 years are still being finalised, but we were already expecting new car sales to fall from 2027 onwards due to the ZEV Mandate – the required

proportions leap from 38% in 2027 to 52% in 2028, equating to a massive 37% increase in new BEVs in a flat market.

We are expecting manufacturers to discontinue many petrol and diesel models in the UK to maximise the ratio of electric cars registered from 2027 onwards, because that will be the only way that many can avoid swinging fines.

Electric vehicle sales are already running behind mandated levels and the gap is getting wider. Last year's sales were 19.6% of the total against a target of 22%, so 2.4 percentage points below target and this year looks set to come in at just under 23% against the 28% mandate, now more than 5 percentage points behind.

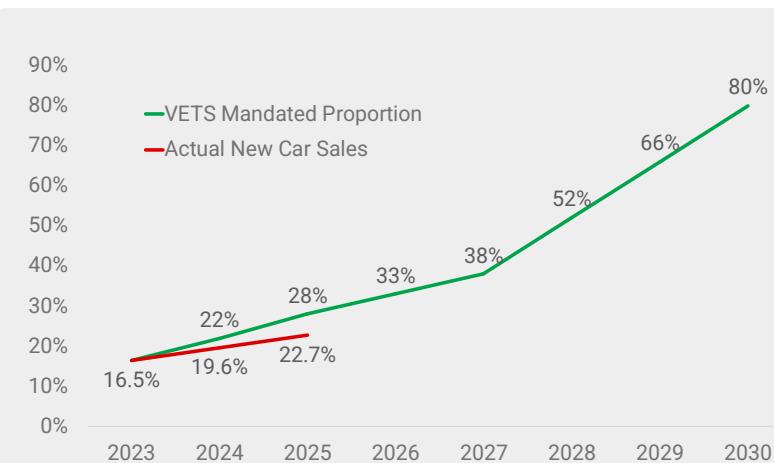
VETS will need to change. There is already potential for a review of the legislation in 2027 and there will be future opportunities for a change in policy (or indeed government).

The EU looks set to allow the sale of petrol and diesel cars out to a later date and their action could act as a catalyst for change to the UK regulations.

However, it is very difficult to know what the consequences will be for new car sales and future used car volume, until we know exactly how it is being changed or what it will be replaced with.



Dylan Setterfield
Head of Forecast
Strategy, cap hpi



Opinion - UK car market outlook 2026: resilience, recovery and opportunity

As we enter 2026, it feels fitting for me to share our expectations for the retail market this year. After several years of volatility and disruption, it's poised to return to its pre-pandemic scale, with both new and used car transactions on an upward trajectory. This growth presents not only cause for optimism but also a host of new challenges and opportunities for the industry.

According to our early analysis, the UK car market closed last year with around 9.76 million total transactions—the largest combined figure for new and used cars since 2019. Looking ahead, projections for this year indicate that volumes will accelerate further, reaching approximately 10.03 million and matching the market scale last seen before the pandemic, which underscores the sector's remarkable resilience and the fundamental importance of vehicle car ownership in the UK.

The used car segment will be the primary growth engine, with sales expected to rise by 3% year-on-year to over 7.9 million units in 2026. In contrast, the new car market is forecast to see a more modest 1% growth, achieving around 2.035 million registrations. This divergence highlights both the ongoing appeal of used vehicles and the challenges facing new car sales in a competitive and evolving landscape.

Supply challenges and the retailer battleground

One of the big themes for the year ahead will be ongoing supply constraints in the used car market. The industry still feels the effects of the c. 2 million new cars not sold during the pandemic, resulting in a persistent shortfall of younger used vehicles. While independent retailers and supermarkets have outperformed their franchise counterparts in used car sales growth over the past year, this stock deficit is flowing up through the parc and beginning to affect the core of the market.

In 2026, the volume of 3-5-year-old cars is expected to be 1.6 million lower than in 2019, whilst the supply of 5-7-year-old models is forecast to drop by 17% YoY. This shortfall is expected to impact a broad swathe of retailers across the UK, and its effects are likely to be felt for several years to come.

EV transition: opportunity for growth and conquest

Another key theme is the new phase of the EV transition. The compelling combination of the ECG, and the growing array of models and price points is proving to be highly effective, helping to return electric consideration in line with previous highs on our platform. Having fuelled price competition among brands, the ECG has helped to drive down the EV-ICE barrier, resulting in ECG-eligible models (or models with grant equivalent offers) now dominating new EV enquiries.

In the used EV market, demand remains greater than supply, which as well as helping to stabilise prices, is resulting in used electric models selling faster¹ than any other fuel type. This surge in used electric demand particularly within the more affordable 3-5-year-old segment is proving to be a major growth engine for all retailers. Clearly then, for retailers and brands willing to adapt and innovate in 2026, the accelerating momentum in both the new and used EV markets offers a significant growth opportunity.



Rachael Jones

Director of Automotive Finance, Autotrader

 Autotrader

Competitive landscape: more brands, more choice

Our third key theme for 2026 is the fast-changing brand landscape. With 72 brands currently competing for attention – 27 more than in 2019, with around 80 expected by the end of 2026 – buyers have more choice than ever. This rapidly shifting and hyper-competitive landscape is exacerbated by low customer loyalty, particularly in the EV sector, where only 1 in 5 new electric owners are choosing to repurchase the same brand. With this increased competition, combined with regulatory pressures, the market can still offer considerable prospects for growth in 2026. The key will be how the industry adopts a highly conquest-driven approach, a slick digital experience and a clear value proposition to win over customers who are increasingly receptive to new brands.

Resilience and opportunity ahead

Our outlook for 2026 is one of cautious optimism. The market's return to pre-pandemic volumes is a testament to its underlying strength and the enduring necessity of mobility. While the road ahead will not be without its challenges—particularly in terms of supply, electrification, and competition—those that are able to adapt and innovate will find ample opportunity to succeed. The message, therefore, is resilience, adaptability, and a focus on long-term value will be the keys to navigating the evolving automotive landscape in 2026.

¹ The average used electric car sold in 23 days in October versus 28 days for the wider market.



For full data, visit the BVRLA data hub at:

<https://www.bvrla.co.uk/home/develop/insights-data/data-hub>

This report provides a consolidated view of the Quarterly Leasing Survey and the forward-looking Leasing Outlook report.

In addition to the data highlights provided in this report, you can now access an extensive list of tables as part of the Quarterly Leasing Survey online, by following the link provided above.



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