



























Asset funding options compared

Payments

	Finance lease	Hire/Lease purchase	Operating lease	Contract hire	Contract purchase	Outright purchase	Additional notes
Does it require an initial deposit?	✗	✗	✗	✗	✗	✓	An initial deposit may be required under the finance options, depending on any credit decision.
Is it treated as capital expenditure?	?	✓	✗	✗	✓	✓	Finance lease depends upon the companies internal budget process. Lease outgoings are met from revenue. HP/Lease Purchase is normally part of a capital budget as is outright purchase.
Set regular instalments?	✓	✓	✓	✓	✓	✗	The size of these instalments could change.
Can the contract be reduced or extended?	✓	✓	✓	✓	✓	✗	All can usually be extended or terminated early, although early termination fees usually apply. Outright purchase offers the greatest flexibility.
Fixed interest rates? (Variable rates available on all options except outright purchase)	✓	✗	✓	✓	✗	✗	Whilst variable rates are available across all funding options, fixed rates are only available on finance lease, operating lease and contract hire.

Responsibilities

	Finance lease	Hire/Lease purchase	Operating lease	Contract hire	Contract purchase	Outright purchase
Who will be the overall owner of the asset?	 The leasing company (who will extend the lease or dispose of the asset)	 The customer (At the end of the contract, based on the T&Cs being met and including any final balloon payment)	 The leasing company	 The leasing company	  Customer can either return the asset or pay a balloon payment to own the asset.	 The customer
Who will be responsible for asset servicing and management?	  Can be either the customer or the leasing company. This will be decided before the contract is signed.	 The customer	  Can be either the customer or the leasing company. This will be decided before the contract is signed.	  Can be either the customer or the leasing company. This will be decided before the contract is signed.	  Can be either the customer or the leasing company. This will be decided before the contract is signed.	 The customer
Who is liable for the asset risk?	 The customer (responsible for insuring the equipment)	 The customer (responsible for insuring the equipment)	  Split between the customer and the leasing company. The leasing company holds the residual value risk. The customer is responsible for insuring the equipment and for maintaining it to an agreed standard.	  Same as operating lease however, the majority of contract hire agreements include a maintenance package to remove this risk.	  Split between the customer and the leasing company. The leasing company holds the residual value risk. The customer is responsible for insuring the equipment and for maintaining it to an agreed standard.	 The customer (responsible for insuring the equipment)

 = Customer  = Leasing Company