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# End of lease pitfalls and how to avoid them.



At Maxxia, we often encounter companies that dismiss the idea of leasing, purely because they've had bad experiences in the past with, the biggest single complaint being the problems companies encountered at the very end of the lease!

At the start everything looks as shiny and new as the equipment itself, but it's not until the lease is about to expire, that the problems start; so with this in mind we have compiled a list of the 10 most important elements to consider before you sign any leasing agreement.

Inside this document you will discover how to:

- Ensure you receive absolute transparency at every stage
- Discover the importance of an integral asset management tool
- Make sure that all end-of-lease related costs are transparent and visible at the start of the lease
- Determine whether residual values are realistic
- Get the low-down on lease extensions
- Discover how much logistical help you will receive when it comes to returning assets
- Determine the condition that assets need to be in when it comes time to return them
- Ensure you receive support at every stage of the lifecycle

**So to ensure you don't get your fingers burnt at the end of the lease, follow these 10 steps:**



# 10 steps to ensure you don't get your fingers burnt at the end of the lease

1

## Start as you mean to go on

Delivered correctly, leasing delivers the flexibility, support, and transparency that modern businesses need; a fact which is reflected in IT asset finance deals for 2012 seeing double-digit growth and reaching a staggering £1.4 billion. So demand transparency at all times; as a result, not only will you know what the lease is costing in real terms; you will also have a clear overview of the practical steps you need to take regarding returns.

**Turn a potential nightmare into a dream process, by demanding absolute transparency at every stage!**

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## Decide what you are going to do with the equipment at the end of the primary lease period.

This may seem obvious, but all too often the person responsible for negotiating the lease doesn't always think about the future implications; in fact it's not uncommon for the problems confronted at the end of the lease to be dealt with by someone completely different. So take a long hard look at whether you want to return the assets, sell them on or keep them; decide how you intend to dispose of the equipment at the very beginning, not at the end! If for any reason you are unsure of what your future plans might be, then this is when you should focus on flexibility.

So ask yourself: **What do we want to do at the end of the primary lease period?**

3

## Don't ignore the end-of-lease costs

The monthly leasing charge can hide details that may not seem important at the start, but when it comes to returning and replacing equipment you may find yourself paying out far more than you initially thought. Important though it is, the monthly figure isn't the only cost that requires closer examination. All end-of-lease related costs should be completely transparent and visible at the start of the lease.

Ask the following questions:

**Are all costs related to returning the equipment fully detailed in the original offering? How much is the final payment? What are the penalties for late delivery? Are transportation costs included? And finally, what will be the cost of extension rentals should you decide to prolong the leasing period?**

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## Are the residual values realistic?

One of the unfortunate, yet commonplace tactics used by some less-than-reputable leasing companies is to inflate the predicted residual value in order to reduce the monthly charge. As a result a potential deal may look inexpensive, but is the assumed residual realistic?

So if a deal looks significantly cheaper, you should ask yourself why? **The answer may well be an 'exaggerated' residual value to lower the monthly charge and the strong possibility that they actually may not want you to return the assets! What's more, if you do want a buy-out after the primary lease period has ended, then securing a competitive yet realistic residual value is absolutely crucial.**

There's one overriding question you should ask: **What level of assumed residual value is being used for the leased assets? If any leasing company refuses to be pinned down on a figure, look elsewhere!**



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### What about lease extensions?

This is an extremely important element that needs to be factored into any leasing arrangement, regardless of the length of the lease. All is running smoothly and suddenly you have to rip out the heart of your IT department, while all you really want is to continue working with the slightly older, yet fully functioning equipment.

With this in mind, you need to ask the following questions: **What is the monthly cost of extending the lease? How much paperwork and time is involved? Is there a minimum extension period? If so, how long is it? If you want to extend the lease, can this be done for individual assets, or will you be forced to renew the contract for all assets?**

## 6

### Demand advance notification

Three years is a long time in business. People change jobs and the focus is all too often on the work in progress rather than what's around the corner. Suddenly you receive a message telling you that the lease is over and you need to return all the equipment and the inevitable panic will ensue. So advance notification is essential if you don't want to run into logistical problems in the future; ask any leasing companies: **How much advanced notice will they give you that the lease is coming to an end?**

## 7

### Timescales

So you have demanded, and received, assurances that you will be given sufficient advanced notification; even so it's not the end of the story. When managing the end-of-lease options, make absolutely sure you are fully aware of the timescales dictated by the leasing company. Gathering and returning all leased assets on a single date is extremely challenging, so look for some flexibility.

A few more questions at the negotiating stage could also help you when it comes time to end the agreement: **Is there any flexibility with the returns window to give you sufficient time to locate, check, pack and return the equipment? Does all the equipment need to be received by a specific date, or is there a window spread over a period of days or weeks? Finally, how far in advance of the end-of-lease date do you need to make a decision on what you want to do with the assets?**

## 8

### The actual returns process

Once again, just a little forward thinking will save you a lot of pain when it comes time to send the assets back. You need a comprehensive breakdown of the entire returns process.

**Does the overall leasing solution include logistics services for returns, such as packing, collection and transportation? If you are required to do the packing, collection and transportation yourself, do they provide a service to help and if so, how much will it cost per asset? Are you required to return all items, including peripherals such as mice and cables? In what condition are you expected to return the equipment?**



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### **The condition of the returned assets**

What condition do the returned assets have to be in? Definitely time to check the small print, as some companies will only take equipment if, (in their opinion), it is in first-class condition i.e. equipment that is in working order with only 'normal' wear and tear. Some companies even state that the equipment must be returned in its original packaging! Failure to comply with these conditions may leave you with little choice but to buy out the equipment.

So ask: **Exactly what condition the returned assets need to be in and under what conditions?**

## 10

### **What support will you be offered?**

Always eager to help you at the beginning, not all companies are quite so eager when it comes to the returns process. The truth is that returning equipment at the end of the lease can be an extremely time-consuming and frustrating process, if you don't have the right support.

So it makes absolute sense that if you intend to return the equipment, you should be looking for details about the tools and services that will facilitate this process.

So ask the following questions: **Do they offer logistics support? Is there any face-to-face training to assist personnel with the whole process? What specific instructions will they provide about returns? And most importantly: Is there a management tool or portal to help you keep track of the leased assets? Many, if not all, of the problems outlined above can be avoided through the provision of a comprehensive and up-to-date asset management tool.**

**Demand transparency. Demand a comprehensive and up-to-date asset management tool.**



What sets Maxxia apart from the competition is that we went back to the first principles of lending and as a result provide far more than just access to funds. We don't simply focus on the assets; we offer a fresh, customer-focused approach. We build long-term relationships with all our clients in order to fully understand your business and as a result **we literally transform the way you manage your IT assets.**

The Maxxia team is entrepreneurial, passionate about business and driven by a desire to deliver outstanding results. Comprised of experts from the field of corporate and asset finance, our highly experienced professionals have extensive knowledge of the financial services industry and all its complexities. Combine this knowledge with an in-depth understanding of business and it enables us to deliver highly flexible solutions, customised to suit the specific requirements of your organisation.

We will provide you with an in-depth, yet crystal-clear insight into the methods of funding available to you, together with an analysis of their relative pros and cons. Then and only then are we able to deliver the most flexible financing services, structured to suit your business and circumstances, while enabling you to preserve your own capital, lines of credit and bank liquidity.

The benefits of employing Maxxia at a glance:

- 1 Lower total cost of ownership
- 2 Better financial control
- 3 Straightforward and reliable reporting
- 4 More assets reused than with traditional leasing
- 5 Optimal equipment performance at all times
- 6 Complete transparency
- 7 100% acceptance of returned assets

**For a no obligation discussion about your financing requirements, please contact us on: 020 7520 9450 or email: [contact@maxxia.co.uk](mailto:contact@maxxia.co.uk)**  
More information can be found at [maxxia.co.uk](http://maxxia.co.uk)

