Different Types of Lessors

Lessor Type	Brief Description	Pros	Cons
Manufacturer/Captive/Vendor	A sales aid for the equipment supplier. Normally, the supplier will either be owned or have an agreement with a leasing company to offer pre-determined rates. The main aim is to help the seller gain a sale by offering leasing as part of the deal	• Can get a competitive quote. • More knowledgeable on asset. • Greater chance of asset fulfilling full useful life due to supplier's knowledge of materials. • One point of contact for lessee. • Add-ons to contract, like maintenance are more available and simpler to organise.	• Usually very asset specific i.e. they will only lease what they manufacture. • Not always transparent as manufacturer holds a bias to their product - can lead to issues like blind discounting. • A sales based approach with the key intention to make a sale for the manufacturer, which can add pressure to procurement.
Bank (Bank Owned)	A leasing company that is owned by or is part of a bank. The lending criteria they offer is often linked to previous bank relationships with customers i.e. they mainly work with clients who have accounts or previous interactions with the bank.	• Credit lines usually based on existing relationship with bank. • If already a bank customer, easier to establish lease. • Banks naturally hold a stronger financial knowledge. • Rely on governance not available elsewhere. • Greater transparency.	• Usually will not lend if not a bank customer as credit not available. • Less knowledge/focus on asset. • Generalists on assets so are not normally specialised. • Lessee has to consider supplier AND bank.
Independent	A company established purely to lease. More often than not, they are exclusive to a specific industry or asset type, but can also be more general. E.g. an independent lessor may deal exclusively with IT asset leases.	• Does not eat into banking credit line. • Greater transparency between prices. • More focused on leasing and asset. • May have specialised knowledge of certain assets.	• Asset specific can limit choice and relationship - may need different lessors for each asset. • Tend to ask for a greater return. • May not be as well established/known as other options.

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HARNESSING THE VALUE OF LEASING