

# REDUCING THE RISK IN CAR SALARY SACRIFICE

Guy Roberts introduces a low-risk approach to car salary sacrifice

**W**e have yet to see Car Salary Sacrifice schemes take off in the UK like they have in Australia, where sgfleet is an established market participant. This is partly due to a myriad of barriers to entry – in particular the amount of risk that rests with the employer in a typical car salary sacrifice agreement. There is a better way to provide Car Salary Sacrifice – NovaLease. NovaLease removes the barriers using a structure which is specifically designed for Car Salary Sacrifice.

There are two main sources of risk for employers in traditional Car Salary Sacrifice arrangements. Firstly, the employer carries risks associated with early termination and secondly there is risk associated with providing consumer credit to its employees. The latter is strictly governed by the Consumer Credit Act (CCA) and employers need to ensure all contracts are fully documented under the CCA.

However, with NovaLease all an employer has to do is make the salary deductions, everything else will be dealt with by sgfleet directly with the employee. For instance, if an employee were to be caught by a speeding camera, sgfleet will invoice any costs directly to the employee. With other providers, the invoice will go to the employer who will then have to make an ad hoc change to payroll and deal with the employee relations that would go with this. If an employee were to leave, sgfleet also offers the employee more choices than just paying out the lease. This makes the scheme

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**“The idea is to provide hassle free motoring coupled with significant savings on cars people really want”**

more attractive to employees and also removes termination risks from the employer.

## **SCALED TO SUIT**

NovaLease has been designed so that the scheme can be scaled up or down to any size of company. As a large, well established and international provider, sgfleet is able to provide NovaLease to the largest of employee bases, but can also take care of the needs of small and mid-sized businesses. Because there are no contingency funds, the implementation is a simple process available to large and small employers alike. There is no minimum requirement for take-up, or for the number of cars supplied through Salary Sacrifice. We realise it can take a few years

for take-up to develop. Typically we would expect around 10%-15% take-up over a three year period, as word of mouth spreads and more employees reach a point where they want to replace their car.

## **KEEPING THE WOW FACTOR**

There is a certain wow factor in taking up a car. Affordability of salary sacrifice cars is, of course, also related to CO2 emissions. Many schemes are limited to small and boring cars which don't deliver that 'wow factor'. Without contingency funding and expensive early termination insurances, it broadens the range of suitable cars. For example, just by including vehicles between 120 g and 130g/km of CO2, you can have a whole host of exciting cars such as an A5 3.0 TDI, BMW 330d or BMW 525d. The package we offer includes finance and running costs such as servicing and maintenance, roadside assistance, tyres and comprehensive insurance. All an employee has to do is put fuel in the car. The idea is to provide hassle free motoring coupled with significant savings on cars people really want.

Communication is a key part of the success but each employer has its own needs. The way we engage with employees is very much a collaborative venture between us and the employer. We want the scheme to be well understood and for employees as well as employers to have a great experience. By nature, we take a consultative approach, so in addition to online quoting tools, we encourage individuals to call our consultants who can help them end to end. We also have travelling consultants who employees can make face to face appointments with.

NovaLease is an innovative, unique and consultative approach to Car Salary Sacrifice. It provides any employer a low-risk approach to offer a worthwhile and meaningful benefit to its employees.