



Released : 12/12/2023

RNS Number : 3926W  
S & U PLC  
12 December 2023

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**S&U plc**  
("S&U" or "the Group")

**TRADING STATEMENT**

S&U, the specialist motor and property financier, today announces its trading update for the period from 1 August 2023 to 11 December 2023.

Following a very good first half, S&U continues to make steady, if more cautious, progress despite the "current economic, tax and regulatory burdens weighing on business" we reported at half year. Thus, Group net receivables now stand at £446 million (December 2022: £404 million) against £417 million at half year. Net receivables in Advantage, our motor finance business, are up £14 million in the period and £31 million on a year ago and stand at £327 million.

At Aspen, our Property Bridging lender, the net receivables are up £15 million in the period and £11 million on a year ago and stand at £119 million. These levels of activity and payment of the interim dividend have seen Group borrowing increase from £184 million at half year to £209 million now. This compares with £180 million a year ago and with Group committed facilities of £280 million.

Nevertheless, caution is necessary. Those burdens weighing on business are reflected in a lack of consumer confidence, cost-of-living pressures, persistently higher rates of interest, and a new raft of regulation, all of which inevitably affect profitability.

Further out, an anaemic outlook for growth in the UK, recently predicted by both the Office for Budget Responsibility and by the Governor of the Bank of England, combined with restrained growth in household expenditure over the next two years, make S&U's focus on working with our customers, credit quality and appropriate forbearance more essential than ever before. The volume of consumer finance used-car market transactions fell by 5% in the year to October 2023 according to the Finance and Leasing Association ("FLA"), whilst prices in the housing market remain subdued and, in many areas, actually in retreat. Hence, whilst we remain ambitious and optimistic, it would be unwise to plan for major growth until these trends have stabilised and economic prospects improved.

**Advantage Motor Finance**

Although transaction numbers have picked up well in the period, particularly in the higher tiers of customer quality which now make up 45% of new business, collection rates have felt the impact of the economic pressures mentioned earlier and live collections in the period were 91% of due (H1 23: 94%).

However, the number of bad debts and voluntary terminations in the period continued below budget, as it was in the first half year. Much of this has resulted from Advantage's long experience in adapting to customer circumstances offset by higher living costs and the need to codify and adapt to the requirements of the FCA's Consumer Duty introduced at half year.

This Duty forms part of a regulatory regime, encompassing forbearance, affordability and customer vulnerability, which for S&U stretches back over 50 years to our obligations under the Consumer Credit Act. More recently, these have been supplemented by a significant influx of consumer regulation from the Financial Conduct Authority as set out in its Principles for Business, Consumer Credit Source Book, its "Dear CEO" letters, the Borrowers in Financial Difficulty review, its Tailored Support Guidance.....and now by the Consumer Duty. As a consequence, attempting to reconcile and interpret the policy, process and operational requirements of these dictates has now become a major, often subjective and expensive process.

Following the FCA's special focus on Borrowers in Financial Difficulty (BiFD) in non-prime motor finance, the "review of Advantage's, collecting processes, procedures and policies" we noted at half year, has developed into a more formal interaction with the FCA. Along with many other lenders in our market segment, Advantage has appointed a Skilled Person. They are tasked, where necessary, to advise and guide Advantage in delivering, these regulatory requirements. This may be a lengthy and costly process, but it should prove valuable in providing assurance on our longstanding methods of serving our customers, and ensuring, that our products continue to meet their differing needs. These methods have been validated by Advantage's excellent record with the Financial Ombudsman Service which at an uphold rate of just 15% is, by some margin, the best in the motor finance industry.

This will provide both challenges and opportunities and, in paying tribute to the professionalism, patience and fortitude of our people at Advantage and to the leadership of Graham Wheeler, our retiring CEO, it gives me the opportunity to welcome his successor, Karl Werner, at an important and ultimately rewarding time.

#### **Aspen Property Bridging Finance**

Whatever the current headwinds in the U.K.'s residential property market, Aspen, our dynamic bridging lender, continues to make solid progress. Although, compared to the same period last year, increased interest costs which inherently take time to reflect in the pricing of the book, have put a break on recent profit growth, the outlook for interest rates and bridging transactions has improved in the period.

Collections in the period have continued to perform well and the number and value of extended or technically defaulted loans is 16, similar to the 15 we reported at the half year. Repayments in the past four months are an encouraging 20% above budget. At present around 55% of business is conducted in London and the South-east where refurbishment and tenant demand remains strong.

Recent trends on prospective business are also encouraging. The Aspen pipeline of new cases is at a record level and 30% above budget. Overall, Aspen is sensibly and steadily fulfilling the potential we foresaw at its founding seven years ago.

#### **Funding**

Group committed facilities of £280 million, against current borrowing of £209 million, comfortably allow for the cautious and sustainable growth we anticipate for S&U over the next year.

#### **Outlook**

**Commenting on the Group's performance and outlook, Anthony Coombs, S&U chairman, said:**

"It would be foolish to underestimate the obstacles all businesses face in times of feeble growth, pressures on the consumer, high taxation and inflation, and regulatory changes and political uncertainty. Fortunately, this cocktail of challenges will be met with S&U's long-standing experience, ingenuity, expertise, decency and sheer hard work, allowing

the Group to emerge as successful and as strong as ever."

**For further information, please contact:**

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