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

**TRADING STATEMENT**

S&U PLC, the specialist Motor and Property financier, today issues its trading update for the period from 1 August 2024 to 10 December 2024.

In communicating with our shareholders, we have always balanced our enthusiasm for the fundamental opportunities in the markets in which we operate with a realistic approach to the increasingly challenging environment for UK financial services businesses. The past few months have exemplified this and justified our reference in July to S&U being optimists who carry a raincoat. Against this background, it is encouraging that S&U has maintained its levels of net receivables despite the attentions of our regulator, and recent Court of Appeal decision, primarily owing to an excellent performance at our property lender, Aspen Finance. S&U's diversified business has and will continue to enable it to withstand the challenges the Group faces.

Nevertheless, we do recognise that trading conditions in H1 this year have been burdened by the recent Court of Appeal decision in October which sought to impose a new, but retrospective, duty of care on lenders and brokers throughout the sector.

Together with a poorly received Government budget in the same month, which has plunged consumer and business confidence to the lowest levels for four years, this has curtailed the sector's growth ambitions and cast doubt over the new Government's plans to 'Get Britain Working'.

All this has seen net receivables at Advantage end the period at £295m, 10% lower than last year whilst total group net receivables are actually similar to last year at £449m, due to strong growth in Aspen Bridging. However, the chaotic market conditions produced by the Court of Appeal decision which caused some lenders to pause lending altogether, contributed to a year-to-date fall in advances at Advantage at the end of the period of 33% on last year. As a result of the continuation of the lower repayment trends mentioned in our half year results and the lower receivables, Advantage profit before tax for the period continued at around half the level of the same period last year.

Happily, Aspen Finance, S&U's dynamic property lender which trades in the unregulated sector continues to prosper. Despite a slightly subdued residential property market, it is encouraging that bridging lending nationally has increased by 7.6% in the year to date to £9bn. Aspen has surpassed this with advances increasing by 23% on last year to £148m. Net receivables at the end of the period were up 30% at £154m and profit before tax for the period was approximately 50% ahead of the same period last year.

## **Advantage Motor Finance**

The period saw a reduction in Advantage revenue as net receivables were lower, reflecting the above restrictions on growth and new business. Further, although successful negotiations with the FCA led to the lifting of their 'VREQ' which had constrained collections activity at Advantage, the recovery and its benefits for our customers' welfare and credit ratings will be more gradual. For the period, the percentage of repayments to terms was 86% against 91% for the same period a year ago.

Such a result is creditable given the plethora of sometimes conflicting regulatory messages in financial services over the recent past. The uncertainty this creates inevitably erodes the relationship between lender and customer which Advantage has nurtured for over 25 years. The Court of Appeal decision on the legality of commissions paid by lenders to intermediaries mentioned above is an example. It

introduced a shift in expectations that differed from previous regulatory guidance on the matter followed by Advantage and most of the industry. The result has been a cock-shy of opportunistic claims by CMCs (Claims Management Companies) on social media which are disruptive and which in the case of regulatorily compliant commission disclosures seek to allege a consumer harm which can reasonably be evidenced not to exist. We remain confident that the introduction of a formal charging regime for CMCs legislated this year will deter spurious claims in future.

I gave evidence in November on these matters, alongside the Finance and Leasing Association to the House of Lords Committee on Regulation. I emphasised the 'smothering' effect unclear and inconsistent regulation had on the financial services industry, investability and therefore access to credit for up to 20 million consumers in the UK.

More positively, Advantage's discussions with the FCA continue on a constructive basis as the s166 formal investigatory process draws to a close. We hope and anticipate that such discussions will create greater clarity and recognise the mutual interest of Advantage and its customers in a flexible but rigorous lending regime. Indeed, it was extremely encouraging to read the recommendations made by the FCA to the Supreme Court a fortnight ago. In it, the FCA acknowledged that since 2007 almost 98% of 31.7million motor finance agreements entailed a commission payment to a broker. It also recognised that of the thousands of pending County Court proceedings and cases before the financial ombudsman service on motor finance commissions, no less than 90% of these were generated by commission-driven CMCs.

I therefore hope and expect that a common-sense approach to the matter will be taken by the Supreme Court and the Government thus restoring order to a very important industry.

## **Aspen Bridging**

Under the steady but inspirational stewardship of Ed Ahrens and Jack Coombs and their excellent team, Aspen, our bridging lender, goes from strength to strength. Advances and net receivables are ahead as detailed above and average blended yield remains above budget for the period.

The quality of repayments so far this year has been very good and the number of accounts in technical default has been stable during the period. This has enabled record collections in the year to date at £125m and the highest ever year to date revenue of £18m.

Aspen has gradually expanded its product range to encompass the slightly longer term buy-to-let investor as well as our small developer and builder customers. As the Government appears likely to fall further behind on its 300,000 a year house building target, so the demand increases from smaller entrepreneurs to fill the gap. Aspen's continued product development will help them do this. The result is an ever-expanding pipeline of good quality bridging opportunities for Aspen.

## Funding

The contrasting trends in lending at Advantage and Aspen over the period have meant that Group borrowings ended the period at £211m, which is £28m lower than at the end of July. This ensures that S&U maintains its conservative treasury policy since current funding capacity stands at £280m. However, we continually review both available and potential funding facilities to cater for the future growth of the business.

## Current Outlook

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

"Whilst Aspen continues to prosper in the bridging finance sector, these are undoubtedly challenging times for Advantage and for the UK motor finance industry. It is very important that the Government, our Regulators and the Courts collaborate with industry participants to ensure an environment in which S&U and the sector as a whole, can maintain responsible lending and consumer access to fair credit. As it has for the past 86 years, S&U will continue to play its part."

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

**For further information, please contact:**

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<b>Enquiries</b> Anthony Coombs	S&U plc	c/o SEC Newgate
<b>Financial Public Relations</b> Bob Huxford, Molly Gretton, Harry Handyside	SEC Newgate	020 7653 9848
<b>Broker</b> Andrew Buchanan, Oliver Jackson	Peel Hunt LLP	020 7418 8900

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