

Renaissance launches brokerage to attract high net worth individuals

After expanding its loan book, Renaissance Asset Finance has set up a brokerage operation at a time when competition in the field is growing. **Sotiris Kanaris** spoke to chief executive officer Hugh Sigrist about the decision to launch the brokerage and the new markets the lender intends to enter

UK lessor Renaissance Asset Finance was launched last July with a £35m funding line from UK bank and asset finance provider Bank of London and the Middle East (BLME).

The first six trading months saw its loan book develop to £25m, and by the end of March it had reached £38m. Seventy per cent of the loans were to SMEs and the rest to high net worth individuals.

Renaissance funds a variety of small-ticket assets including commercial vehicles, coaches, high-value cars and plant machinery.

Loans for high-value and vintage cars have proved popular. "Some wealthy individuals are actually investing money in buying or setting up or increasing the size of their vintage car collections," says Renaissance's CEO Hugh Sigrist. "There are

tax advantages in having classic cars if they're appreciating in value, because if they could be classified or deemed as heritage assets, they don't attract Inheritance and Capital Gains Tax," said Sigrist.

The company aims to increase its range of small-ticket assets funding, through the launch of an aircraft funding project over the next 12 weeks, with an average anticipated deal size of around £200,000.

According to Renaissance, there's a gap in the market for this product and it will fit with its wider loan offerings to high net worth individuals.

Sigrist says: "It's not a huge market sector, but it's a specialist niche and our business is looking for those. We identified an opportunity to lend about £3m to £4m a year for the first 12-24 months in that market. We believe it sits quite nicely

with a large part of our book which is high net worth individuals."

Brokerage

Apart from expanding its product range, the company has also introduced a brokerage operation.

Launching a brokerage was in the business plan Renaissance submitted to the Financial Conduct Authority (FCA) as part of its authorisation application. In February, the lessor received its authorisation and immediately launched its brokering operation.

Renaissance believes the brokerage will help in retaining customers seeking a product it does not provide, for example a regulated transaction, as the company will be able to broke that deal into one of its funding partners.

In addition the brokerage could find finance for clients who have a monetary requirement exceeding the amount the lessor is prepared to fulfil.

Sigrist says: "The principle is to be a one-stop shop. If customers want a loan we don't offer, we can still offer it to them by broking it out. It's also useful when we believe we are up to our exposure limits, as far as a particular customer is concerned."

Renaissance has already established a funding line with challenger banks Paragon Bank and Hampshire Trust Bank as well as asset finance loan provider Arkle Finance.

Sigrist acknowledges that it's a very competitive market to enter, and describes the competition among brokers as being fiercer than it had been for the past 15 years. Currently 80% of the company's route to market is via premium brokers and 20% from

direct corporate customers.

Commenting on the recent trend of many brokers setting up their own book and offering loans, Sigrist says: "I think it makes perfectly good sense. A broker may think that one of its customers is not likely to score high on a typical lender's credit system but, as it knows the customer well, it may be prepared to lend the money itself."

Sigrist says he doesn't believe these businesses will affect the lending market to any great extent because most brokers will find it difficult to raise the scale of funds necessary to lend a large amount from their own books.

He adds that, while he agrees with the need for regulation, he believes some of the more onerous FCA rules could potentially act as a barrier to entry for new entrants, as well as a reason for exit for some existing brokers.

He says: "I think it's a good thing the FCA is there to monitor the market and make sure everyone is trading in a professional and ethical way.

"On the other hand it has probably restricted new entrants into the regulated part of the business.

"For regulated business which the FCA covers, it's hard for lenders and brokers to meet all those obligations. I think in terms of brokers, many will disappear or come under the banner of bigger brokers which have the infrastructure to go through the process set up by the regulator."

Renaissance's objective is to expand its loan book to £120m in five years. It has negotiated a new facility with BLME which allows it to draw down whatever additional funding it requires to fulfil its growth expectations. ■



Hugh Sigrist, Renaissance.