

Does Pendragon signal the start of another debt crisis?

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The UK's largest car dealer [had a bad day yesterday](#). It issued a profit warning and its shares fell by 17% in value. Why? Because new car sales are down; big discounting by manufacturers is hitting margins and second hand prices are falling.

The first two are signs of a down turn.

You could say the last is too, but it's more worrying than that. Eighty five per cent of all new car sales are on leasing contracts that have a residual value built in. If the second hand price of cars falls many of the valuations will be too high. And that means that those debts are now loss making for the banks that have issued them. Under new accounting rules they should be anticipating those losses this year. Wait for banking provisions, and so losses, to follow.

I doubt this will be the start of another financial crisis. But it is a certain sign of stress created by debt, yet again. When will we learn?