

The coming car loan crisis has to be addressed now if w...

Published: January 14, 2026, 5:04 pm

When it became apparent just how serious the coronavirus crisis was going to be - or to be precise, at exactly the time that Rishi Sunak thought £12bn should cover the cost in his budget of March 11 - I suggested that it was essential that the UK put various payment holidays in place to maintain households cash flow.

So, I argued for mortgage holidays, and now we have them.

I argued for rent holidays, but we have not got them.

And I also argued for bank loan, credit card and car loan holidays.

We've got some credit card and loan holidays, but car leases are only just getting attention. The [Guardian reports](#) this morning:

Fears are growing of a crisis in the UK's £75bn car loan market, where 6.5m vehicles have been financed through leasing deals with monthly payments that are already proving unaffordable for some laid-off as a result of the coronavirus.

The Finance and Leasing Association (FLA), which represents the credit arms of the car manufacturers as well as the banks, said: "It's early days in terms of quantifying the impact on arrears, but the number of forbearance requests has grown significantly in recent weeks."

That this would happen was entirely predictable. Indeed, it was inevitable. A person who has lost their cash flow, whether they are furloughed, unemployed, or who simply has a business that is collapsing and getting no support, is going to cut every expenditure that they can, and vanity cars are high on the list of things that can be done without. It was inevitable that car loans were going to fail, and in very large numbers.

Unless, that is, help was going to be supplied.

The first help would be holidays: these should simply be automatic right now, with no

impact on credit ratings.

And second, considerable loan extensions at much lower rates should be possible.

This matters to some degree for those with the cars: they will still need cars in most cases when this is over.

It matters as much for the banking system, where bad debts need to be avoided if we are not to have a banking crisis, and these loans are usually funded through banking-related affiliates. Rearranged loans do not precipitate loss recognition on balance sheets and so create that crisis at present; bad debts do. So re-arrangement is key.

But for the time being we may also need this to keep car worker jobs. In the long term we need fewer cars in the UK. We certainly do not need the ones we have now. But we also need to keep an industry capable of making the transition to being the one that we need, and that means that an orderly transition is required. If there is a glut of almost new cars on the market just as hard hit car companies try to recover any offer they can make will be massively undercut by the availability of cheap and near new second-hand cars, with a price crash almost inevitable as a result. This does not make for an orderly transition: it makes for a potential meltdown when that will not be what is required.

I'm not being a petrol head here: far from it, in fact. But the fewer melt-downs, whether in banking, car manufacturing or anything else, that we can avoid the greater the chance there is of an orderly survival of this crisis. We are a very long way from that chance right now, but action now can help enormously. Keeping cars with people right now will help. There is a short term cost, but the long term cost will be very much higher if that does not happen. Some big thinking is needed here. I hope someone is doing it.

I'd add one thing: in future debt has to be far less readily available for cars. Then we'd to the rash of wholly unnecessary SUVs tat are causing so much environmental damage. But right now, that's an issue for the transition. Today we need to stop a meltdown.

NB: For those technically minded there is some more on the accounting for this, which supports my views noted above, [here](#).