

## SOUTHERN FINANCE

# Financier's quest for new markets

Brian Rogerson talks to Miles Roberts of Southern Finance, which is looking to expand into new regions and product lines

In September 2006 Southern Finance opened its first branch – in Bolton. The five staff employed at the branch previously worked for Park Finance but before that served with Singer & Friedlander Finance. The move is significant for two reasons. Firstly, it marks a re-birth of Southern Finance under the managing directorship of Miles Roberts – who was sales director at Singer & Friedlander Finance prior to its exit from the motor finance market in 2005 – and secondly, it is accompanied by an outburst of innovative products by the company.

Southampton-based Southern Finance was formed in 1957 by Leslie Tracy, a furniture manufacturer and retailer, to finance facilities exclusively for his retail customers. The retail outlet was sold as a going concern in 1968 but Southern Finance was retained. From that point it began to develop its motor finance business under the aegis of Tracy's son William. In 2005 William Tracy, faced with growing industry regulation and compliance, sold the business to Lenlyn Group.

Lenlyn Group consists of International Currency Exchange (ICE) a provider for travellers of a range of services distributed from some 250 bureaux de change based in 18 countries. The group also owns Raphael's Bank, a small but aspirational private UK bank with roots back in the 18th century.

Roberts joined Southern Finance in 2005. "I found a very carefully managed team," he says, "who were underwriting extremely prudent business in time-honoured fashion. It was a good profitable business but with no branches, a staff of 62, and with all new business

emanating south of Birmingham and processed in Southampton. It badly needed to grow and to explore new avenues to market." Funding sources are admirable and consist of a syndicated loan facility led by Royal Bank of Scotland and Barclays with support from Bank of Ireland and Alliance & Leicester. "It is," Roberts confirms, "a perfect platform for growth."

During his time with Singer & Friedlander Finance Roberts was renowned for refusing to underwrite business which was in any way "sporty" or which was written purely for turnover purposes. "I still have a prudent mindset," he tells *Motor Finance*, "and will not choose turnover for its own sake. Volume invariably comes at a price."

#### Specialist niches

After thoroughly reviewing the operation at Southern Finance he re-vamped the underwriting criteria and cut out some less-promising business sources – but subsequently lost no business. He also began to look outside the box and successfully developed specialised niches within the mobility motor sector. This division within Southern Finance is headed up by Derek Hannah. Here, Southern Finance has concluded vendor finance arrangements with companies which adapt special-needs vehicles to fit wheelchairs. The resultant vehicles are funded on either hire purchase or loan agreements over a maximum five-year term.

In addition, he set up finance arrangements for vendors of mobility scooters of which Southern Finance is currently financing around 90 each month. Average deal sizes for the latter are around £2,500



■ Miles Roberts

"NEW PRODUCTS ARE ALSO BEING DEVELOPED IN CONJUNCTION WITH RAPHAEL'S BANK, AND ROBERTS SITS ON THE BANK'S BOARD"

"I STILL HAVE A PRUDENT MINDSET AND WILL NOT CHOOSE TURNOVER FOR ITS OWN SAKE"

"VOLUME INVARIABLY COMES AT A PRICE"

for a "mature" customer base. Roberts also has experience of funding the military and set up a division at Southern Finance which provides finance for those soldiers who are eligible for tax-free cars. Average balances here are around £20,000 and usually relate to premium-brand models.

New products are also being developed in conjunction with Raphael's Bank and Roberts sits on the bank's board. "The whole Lenlyn Group is based on a determination to grow," Roberts says. "The culture is one of cross-selling and innovation in developing new products. All staff are encouraged to think of new ideas and new niches. For

example, we are currently looking at developing affinity loan plans."

#### Direct from the source

Less than one per cent of Southern Finance's business is sourced through intermediaries and Roberts is concerned that introductory rates from brokers can be "alarming". Nevertheless, brokers are used for placing deals which are declined by the company – thus increasing the profit potential.

Expansion is the name of the game at Southern Finance and Roberts is on the acquisition trail – both for portfolios and new business teams. He is keen for contact with any team of new business individuals who are "looking for new opportunities in the market".

The company runs a contact centre in Cardiff from which facilities management services are planned to grow. It currently specialises in post-sale vehicle added value products and collection work – all of which are available to third-party sources.

The platform for growth has been complemented by the acquisition of a web-based Codeweavers software system which Roberts says "is fantastic and which, when fully implemented, will significantly speed the way we work."

Southern Finance's core motor business originates from some 600 regular dealers and, together with the new avenues to market, new business levels have increased by 35 per cent over the last year. "We will achieve more growth," Roberts stresses, "by adhering to traditional lending values and, perhaps, looking to continental Europe. We have a broad range of options and opportunities all of which I am determined to explore."