

The Leasing – Concept and Types. Comparative Legal Analysis between the European Countries. Challenges before the Leasing

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In recent years, the lease contract has become more and more applicable and occupies a key place in commercial relations and business. In Bulgaria, the legal regulation of the leasing contract is relatively new and imperfectly developed. There are many legal loopholes and it is they that determine the need for a comparative legal analysis. The purpose of the study is to analyze the various European legislations regarding the leasing contract and to find effective solutions for the legal system of Bulgaria. The main types of lease contracts – financial and operational – are examined and analyzed in detail. Their features and characteristics were studied, as well as a comparative analysis was made between them. Next, in the research, a comparative-legal analysis of the leasing contract in different European countries was made in terms of its development and distribution, as well as its legal characteristics. The mechanism of action and functioning of the leasing contract in several European countries is analyzed. Conclusions are made regarding the legal framework under which the lease contract is most effective. Types of leasing contracts specific only to certain European countries and their advantages are examined.

Keywords: *Operating leasing; Financial leasing; Alternative financing; Leasing Contract; Financial instrument*

Introduction

Leasing is a major source of investment support for European businesses that is used by companies of all sizes and across all industries, including the public sector. The leasing as asset financing is one of the largest provider of financing to business and individual customers. The leasing could be defined as an investment loan transformed into a material form – leased asset. Compared to other forms of finance, they are often cheaper and made more readily available. In fact, because of their ownership of the asset (which acts as a form of inbuilt security), lessors are able to provide finance in situations where other lenders are not.

In Bulgaria the vehicles are the most leased asset – at the end of 2024 over 50% of all leased assets. They are followed by machinery, technical equipment, aircrafts, yachts, etc.¹ Many companies (from the smallest to the largest multinationals) are turning to the leasing as an alternative financing product. The start-up companies also very often use the leasing services. The so-called MUSH sector (municipalities,

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¹https://www.bnb.bg/bnbweb/groups/public/documents/bnb_download/202412_s_lease_press_a1_bg.pdf

universities, schools, hospitals) is also using leasing as a fast and effective financial instrument to introduce high-tech assets into their activities without having to invest their own large amounts. Leasing allows businesses and other types of lessees to manage their working capital by spreading payments over the life of the asset. Leasing also enables clients to upgrade their assets to the latest technologies so that they remain competitive. It is often more affordable and quicker to obtain than other forms of finance and provides greater operational flexibility in comparison to the outright purchase of an asset.

History of the leasing

Background

The financial leasing is relatively new financial instrument alternative to the classic investment bank loan. Unlike the bank loan, which received its legal regulation with the first commercial laws in Europe, dating from the 17th-18th century, the leasing contract received its legal reclamation in the 50-60s of the 20th century.

Despite fact that the legal regulation of the leasing contract is relatively new, its basic concept - to use someone else property for remuneration - has found expression in various transactions and legal relationships since ancient times.

Aristotle in his work „Politics" (Book I), written around 350 BC, has given the idea of using money to make more money – what we might now call financial speculation or leasing for interest.

The Code of Hammurabi, dating from 1754 BC, entitled “Title 65, concerning leasing and hiring”, constitute the oldest evidences founding of the existence of a leasing relationship.²

In this context, the leasing contract is settled later in Roman private law in The Code of Justinian, dating from 529 AC.

The Modern Concept of the Leasing Contract

The modern leasing contract originated from the United States of America in the 1950s of 20th century when, in 1952, in San Francisco, the world's first leasing company was founded - United States Leasing Corporation.³

About a decade later, the idea crossed over the ocean and reached Europe, where the first European leasing company was founded in 1962 in Düsseldorf, Germany.

In the 60-70s of the 20th century, there was rapid growth in the development of the leasing sector. The reasons for this growing were the foundation of specialized leasing companies which start to offer a new investment financial product. The leasing industry was developing progressively in the 70^s when a significant number of leasing companies were founded in Western Europe. In 1972 the European

²Gao (1999).

³Humbach (1983).

Federation of Leasing Associations - Leaseurope was founded. Its members are leasing companies from almost all European countries.

In the countries of Central and Eastern Europe, such as Poland, Czech Republic, Hungary, Bulgaria and the countries of the former Soviet Union, the leasing contract start its development in the 90s of the 20th century. During the period of the transition to a free market economy in these countries the leasing was not only a new method of financing, but also was an important factor for their economic reforms and development.

In Bulgaria the leasing for the first time was regulated in the Commercial Act of 1996⁴. The first Bulgarian leasing company was founded in 1997. At the present, there are registered 107 leasing companies which offering financial leasing⁵. In the 90s of the 20th centuries, the leasing was established in over 80 countries worldwide. By 2020 the size of the global finance leasing market was USD 1 200 970 million and is expected to reach USD 1 995 380 million up to 2027.

It can be concluded that leasing is widely used in the trade turnover and has become one of the largest and fastest growing sources of capital investment.

The Leasing Contract Nowadays

Nowadays the leasing contract, as a legal institute, is a subject of study by the legal science. This leads to the appearance of new types of leasing contracts, such as leaseback, leverage leasing, eco-leasing ect.

Development of the Leasing in Bulgaria

In Bulgaria the leasing contract as a commercial deal was regulated for the first time in the Commercial Law Act from 1996. The legal framework is very basic and does not respond to the dynamics of the development of the commercial relations to date. It needs for updating and reassessment.

The trend shows that leasing companies emerged as subsidiaries of the larger banking groups operating in Bulgaria. This was provoked by the striving to diversify the range of financial instruments and products offered by the banks aiming to attract more new customers. There are also independent leasing companies, but they do not have a significant market share.

Definition and Types of Leasing

The etymology of the term 'lease' is derived from the English verb 'to lease' and has English roots. From comparative law point of view, as well as in the Bulgarian legislation, there is no precise translation of the term. This is most likely due to the different term translation in the individual national legal systems.

An interesting fact is that the term "lease" was used for the first time during the Second World War to refer to an operation which was not a typical leasing

⁴The Commercial Act (1996).

⁵<https://www.bnb.bg/statistics/index.htm>

relationship - "land-lease" - naval deliveries of arms, combat equipment ect. from USA to the Allies.

There are some differences between the two terms – “lease” and “leasing.” It should be clarified that 'leasing' refers and it is equivalent to the 'leasing contract', whereas 'to lease' refers to the using of an asset for a remuneration. Although there is no an universal definition of the leasing which unify all its forms, a widely accepted characteristic of all types of leases is the use of an asset for remuneration. The leasing allows temporary and flexible use of an asset without transferring the ownership of it.

In the financial leasing, this common definition should be extended to the possibility the leased asset to be ascqured by the lessee. In the European countries, there is a clear distinction between the two main types of leasing - financial and operating. It is interesting that there is no an explicit legal definition of the leasing contract in Norway, Slovakia, Sweden and Denmark.

The legislation in only of two European countries allows other types of leasing contracts, besides the two main types. In Estonia this is a leasing contract which is similar to the financial leasing whith regard to conditions, but the lessee at the beginning of the contract acquires ownership over the asset. The leasing price is paid during the contract period. This type of a leasing contract is mainly oriented towards private customers who mainly buy used cars. In Sweden is regulated a type of leasing contract which is similar to a hire - purchase. Unlike a typical hire - purchase, the ownership here is transferred to the lessee at the beginning of the contract⁶. The lessor has the right to terminate the contract and repossess the leased asset in case of lessee default.

Financial Leasing

The financial leasing is a form of leasing under which the lessor acquire an asset from a third party (supplier) on terms determinated by the lessee and lease it to the lessee for use. Upon performance of all its obligations under the financial leasing, the lessee may acquire the asset on its residual lease value or to return it. The specifics of the financial leasing are in its structure which involving three parties – the lessor, the lessee and a third party (supplier) and three relationships between them – mandate (primary) relationship, leasing contract and executive relationship (supply contract).

In the financial leasing the right to use the asset could be be transformed into ownership of the asset. Under the financial leasing contract, the potential aquisition of the asset is a latent legal opportunity for the lessee⁷.

In the financial leasing (identical to the bank loan) there is always a self-financing part provided by the lessee. This part is usually equals to the down payment under the leasing contract and it is absolute condition for the leasing contract to come into effect. Usually, the down payment is not less than 20 % the leased asset value. The self-financing provided by the lessee, in fact, indicates for his intention to acquire

⁶<https://www.leaseurope.org/>

⁷Gerdzhikov (2008).

subsequently the leased asset upon payment of all his obligations under the financial leasing contract. Namely, the self-financing part characterizes the financial leasing as an investment financial instrument. The self-financing part shares the financial burden between the contractual parties in relation to the financing and acquisition of the leased asset. In the operating leasing there is no requirement for a self-financing part provided by the lessee, because according to this leasing contract the main intention of the lessee is to pay for the use of a leased asset for a specified term and after that to return it back to the lessor. Under the operating leasing, there is no option for the lessee to acquire the leased asset.

Consumer Protection in the Financial Leasing

The financial leasing provides for stronger legal protection for consumers. According to the Bulgarian legislation⁸, the consumer of a financial leasing could unilaterally reject from the contract – within 14 days of its conclusion. In this case, the lessee should return the leased asset, if he has already received it. The relevant point here is the moment of the conclusion of the leasing contract, and not the moment of the acquisition of the asset by the lessor or the delivery date of the asset to the lessee, which circumstances chronologically always follow the conclusion of the leasing contract. The financial risk for the lessor is increased in case the asset has been already acquired by him or delivered to the lessee since the market price of the returned leased asset is already undervalued and not equivalent to the acquisition asset price. Therefore, in such situation, the financial risk, equal to the difference between the acquisition price and the current market value of the asset, is entirely for the lessor. The legislation does not provide for any compensation option for him. Furthermore, the lessor should return the down payment to the lessee without be entitled to retain a part of it, equal to the difference between the acquisition price and the current market value of the returned asset.

In a view of all, *de lege ferenda*, legislative amendments is recommended to be undertaken in the consumer protection regulation related to the financial leasing which should take into account the specifics of the leasing product and provide for some defense for the lessor in the event of a unilateral contract rejection by the lessee. As an appropriate approach could be provide a right for the lessor to retain part of the down payment, equal to the difference between the acquisition price and the current market value of the asset (at the time of its return by the lessee), where the market value of the asset will be determined by an independent appraiser.

Main Advantages of the Financial Leasing

Usually, the financial leasing cover up to 80 % of the value of the asset. There is no additional requirements for providing of any collaterals (mortgage, pledge, bank guarantee) by the lessee. The financial leasing may not provide for a payment of a residual value (so-called without an option or closed-ended contract) at the end of the contract term. In this case, the financial leasing, similar to a pre-sale contract,

⁸Art. 29, par. 1 of Consumer Credit Act

contains itself the latent possibility for each of the parties unilaterally to claim the transfer of the ownership of the leased asset to the lessee after payment of all lease installments. Therefore, in the so-called closed-ended financial leasing the right of the lessee to acquire the leased asset is also his obligation⁹. The closed-ended leasing contract is the emanation of the financial leasing – its most typical manifestation as a specific financial instrument. In this case, similar to a bank loan, the financial resource transformed into an asset is fully utilized by the lessee.

The financial leasing may provide for a payment of a residual value (so-called with an option or open-ended contract) at the end of the contract term, which usually could reach up to 25-30% of the value of the leased asset. This is highly in favor of the lessee, because this option significantly facilitates his financial burden during the contract “lifetime” where at the end of the contract the lessee could choose whether to pay the residual value or to return the asset¹⁰. The acquisition of the leased asset depends solely on the will of the lessee (in contrast to the so-called closed ended leasing).

The lessor manages all the incidental costs during the "lifetime" of the leasing contract, such as maintenance, insurance, taxes, fees, etc., which greatly facilitates the lessee (opposed to the bank loan where the borrower is responsible for this).

The lessee does not have to close down some his own free financial resources, because he mainly uses the financial resource of the lessor as keeping his owns for investment and developing his activity.

The lessee could manage working capital by spreading his payments over the life of the asset.

For the lessee no additional collateral required due to the in-built security provided by lessor’s ownership of the asset

Leasing Types

The operating and financial leasing are the two main types of leasing. This division is traditional and accepted in the legal systems of the most European countries.

The operating leasing is also known as ordinary leasing. As a legal instiut it is similar to the rent contract that is why some authors categorise it as a type of a rent contract. The main purpose of this type of leasing is the using of a leased asset. In this type of leasing the lessor does not borrow its own finnacial recources to the lessee, investing them in the acquisition of a specific asset which will be the object of the leasing contract. At the date of the conclusion of the leasing contract the lessor is an owner of the asset which is object of the contract, and he don’t aquire an asset to lease it. In this type of leasing contract the lessee cannot acquire the leased asset on the ground of the contract. This can only be happen if between the parties is concluded a new unrelated additional purchase contract for the sale of the leased asset. In this case the acquisition price of the asset will be its fair market value (not its residual leasing price as is in the financial leasing). That’s why, usually, at the

⁹<https://www.unicreditbulbank.bg/en/unicreditleasing/types-leasing/closed-end-financial-leasing/>

¹⁰<https://www.unicreditbulbank.bg/en/unicreditleasing/types-leasing/open-end-financial-leasing/>

end of the operating leasing, the lessee returns the asset to the lessor, because the lessee is not interested to buy the asset at its fair market value.

Subleasing

The subleasing is not explicitly established as a separate type of contract. It is a derivative relationship existed between the lessee and a third party. Its legal nature is a type of rental relationship under which the lessee may lease the use of the leased asset to a third party with the lessor's approval. There is not any special requirement for the form of the agreement between the lessee and the third party. The third party is only user of the leased asset and he couldnot claim any rights of acquisition in relation to the leased asset. Only the lessee has such rights. The lessor does not have any rights in relation to the third party and couldnot claim any overdue payments against him.

Leaseback

The leaseback is a special type of a financial leasing operation which has no a legal regulation in most European countries. In relation to the leaseback are applied (accordingly) the general rules established for the financial leasing and commercial practices of the leasing companies.

Here, on one side, the lessee enters into the relationships as a seller under the supply contract and, on the other, as a lessee under the leasing contract. There are two legal relationships between two parties. Ownership over the asset is transferred from the lessee (supplier) to the lessor, who lease back to the lessee the same asset. The main purpose of these transfers is to be accumulated free (operational) financial recourses for the lessee while continuing to use the asset. In the leaseback, there is coincidence of lessee and supplier.

In Bulgaria, there is isolated court decision¹¹ which declared the leaseback as invalid deal. In the leaseback the lessor is secured by the transfer of the ownership over the leased asset which is agreed in advance in its favour. The court held that the leaseback in fact is a loan secured by a commercial sale with buyback option, not by pledge or mortgage, which is prohibited by the law. According to the court interpretation, this case is about pre-arranged way of satisfying the creditor before any default by the debtor.

In Italy, the legal lack of the leaseback regulation is overcome by judgment of the Italian Supreme Court according to which the leaseback is admitted as a valid legal relationship.¹²

In conclusion I would say that it is recommended the leaseback to be explicitly regulated in the national legislations of the European countries. Thereby its application will be secured and the interests of the parties better protected.

¹¹Case No. 660/2017, Plovdiv Appeal Court decision No. 65/21.02.2018

¹²Supreme Court decision No. 21042/11.09.2017, II Civil Division

Leverage Leasing

The leverage (separate) leasing is known and used mainly in the countries of the Anglo-Saxon legal family. It is not common in Bulgaria and the other countries included in the present comparative legal analysis. The regulation of the leverage leasing has some individual characteristics that recognized it as a distinct category of leasing¹³.

The leverage leasing is a finance structure (arrangement) involving three parties - besides the two main parties of the leasing contract - the lessor and lessee, a third party is involved - a lender (providing debt financing). This third part (bank or non-bank financial institution) grants a loan to the lessee for the purchase of the leased asset. In this structure, the lessor usually finances the acquisition of high-cost and risky assets as aircrafts, ships or industrial equipment – by combining their own equity with borrowed funds from the lender. The lessor usually provides up to 1/3 of the asset value where the remaining value is financed by a financial institution under concluded with the lessee loan agreement. Therefore, the financial institution funds the main part of the leased asset acquisition. The lender holds a secured interest in the asset and an assignment of the lease payments. The lessee make lease payments, which are often directed to the lender to service the debt.

It can be said that the leverage leasing is closest to the financial leasing but also has its own specific distinctions.

The Concept of Social Leasing

Social leasing emerged as a contentious topic in 2024. France's experiment with subsidised leasing of electric vehicles (EVs) for low-income families, while well-intentioned, proved financially unsustainable. Enhancing the second-hand EV market to make these vehicles accessible and attractive. Extending social leasing to other green assets, such as heat pumps and solar panels, introduces additional complexities. Unlike EVs, these assets are immovable, making recovery in cases of default more challenging.

Social leasing is seen as potentially contributing to the European Union's aims including protecting and improving the quality of the environment, combating social exclusion and discrimination, and achieving sustainable development. The lease payments made by the user need to be made affordable where normally they would not be. The credit risk to the lease provider need to be manageable when normally they would not be. The need for grants and subsidies needs to be carefully managed to allow the solution to be used on a large scale, making a substantive contribution to the underlying policy objectives. Providing social leasing solutions should not be loss-making for providers, to avoid distorting the market. Legislative innovations and government guarantees would be essential for potential extension of social leasing programmes and the enhancement of government-funded subsidies or favourable policies for green assets, such as EVs and electrically powered machinery.

¹³U.S. Generally Accepted Accounting Principles (GAAP), specifically ASC 840, issued by Financial Accounting Standards Board (FASB) on 01.07.2009.

Distinguishing the Leasing from similar Legal Institutes

Operating Leasing vs. Rent

The operating leasing is always defined as a commercial deal unlike the rent, which could be also a civil deal.

In this leasing there is no limitation in the term (period) for which the contract is concluded and there is no imperative requirement for a maximum contract duration, unlike the rent where there is always legislatively required maximum contract duration. In different European countries this term varies. For example, in Bulgaria and Poland the duration is up to 10 years, in Slovakia - up to 6, in Italy – up to 30 etc.

After the duration expired, the rent could be implicitly continued – when the tenant with the knowledge of the lessor continues to use the property and pays the rent. This is so-called 'implied continuation rule' known from Roman law. However, this rule is not applicable to the operating leasing where the contract term could be only explicitly continued by the sides.

Financial Leasing vs. Hire – Purchase

In the hire - purchase the buyer uses its own funds to acquire the asset, whereas in the financial leasing the lessee uses borrowed funds from the lessor.

The lessee has the main right to use the leased asset without acquiring it on the leasing contract ground. The lessee could acquire the leased asset after the conclusion of an additional agreement for its transfer. In the hire – purchase usually after the payment of the purchase price by the buyer, the ownership transfer of the asset is automatic. It is possible the transfer effect to occur immediately, with the conclusion of the hire – purchase contract, but this is rather an exception in the common legal practice. In the hire - purchase the main contract purpose is the acquisition of the asset. The price is paid regardless the buyer uses the asset or not.

Usually, in the hire - purchase the buyer makes deferred equal instalments until the end of the contract. It is different in the so-called open – ended financial leasing where the acquisition option (final instalment) for the leased asset could reach up to 30-35 % of its value. In financial leasing, in general, the term corresponds with the useful life of the leased asset.

Who takes on the Asset related Risks?

The main purpose of the financial leasing is the acquisition of the asset, as opposed to the operating leasing where the main purpose is the use of the asset. This distinction between the two types of leasing gives one of the most significant differences between them – the risk bearing in relation to the asset.

In the case of a financial leasing all the maintenance concerning the use of the asset, incl. the risk of damages or total loss of the asset (and the related insurance coverage) are at the expense of the lessee. This feature of the finance leasing comes

from its loan nature - the lessor loans to the lessee transformed purchase price into the leased asset.

In the case of an operating leasing the rule is that all the maintenance concerning the use of the asset are at the expense of the lessee, but the risk of damages or total loss of the asset are at the expense of the lessor. This feature of the operating leasing comes from its rental nature.

In some European countries, there are some specifics when the lessor takes on the risk over the asset - Estonia, Norway and Slovakia. In Estonia when the leased asset of operating leasing is more specific or expensive. In Norway and Slovakia when an operating leasing contract is concluded with a consumer¹⁴.

Legal Form of the Leasing Contract

In most European countries, there are no specific legal requirements regarding to the form of the leasing contract. The rules for the leasing contract form are mainly derived from the common leasing practice where is accepted the form to be written (on paper or electronic). In Slovakia, due to the increasing consumer protection the contract with a consumer should be concluded in written (on paper) form. In Bulgaria some leasing companies conclude leasing contracts with notary deed mainly to have litigation advantages in case of the lessor default.

In most European countries, the leasing contracts could be concluded by electronically sign. In Bulgaria, according to unofficial information, about 50% of the leasing contracts are electronically signed - mainly for cars and assets at a lower value. In Estonia the leasing contracts are concluded entirely by electronically sign. In the opposite, in Portugal the leasing contracts are mainly concluded on a paper because Portuguese national registers for vehicles and real estates requires a physical copy of the leasing contract to be provided.

In general, it can be said that in the European countries the conclusion of the leasing contracts by electronically sign will increase and dominate in future over the paper signed contracts.

Who can provide Leasing?

In general, there are mandatory legal requirements regarding to the lessors who provide financial leasing. As financial institutions, the leasing companies should be registered in a special national register. Exceptionally, in Poland, Denmark and Slovakia a non-financial institution may provide financial leasing without being registered in a special national register. In general, there are not specific legal requirements for the leasing companies who provide operating leasing. The only exception is in Estonia where both financial and operating leasing could be provided only by financial institutions¹⁵.

¹⁴<https://www.leaseurope.org/>

¹⁵<https://www.leaseurope.org/>

Results

The Main Right of the Lessee is to use the Asset

The lessee has the right to use the lease asset without its acquiring. The leasing contract differs from the hire purchase of an asset where the ownership over the asset is transferred automatically from the owner to the buyer (in the beginning or at the end of the contract), unlike the leasing where for the leased asset transfer an additional contract must be concluded. The main purpose of the hire purchase is the acquisition of the asset. The price is paying no matter the buyer uses or not the asset. In the hire purchase the buyer has the right to acquire the asset at the agreed contract price.

The right to acquire the asset under the hire purchase differs from the option (right) to acquire the leased asset at the end of the leasing contract. Normally, in the hire purchase, the buyer pays equal deferred instalments, including the final instalment, as opposed to the option under the financing leasing, which can reach up to 20 % of the leased value of the asset. The financial leasing without an option (so called "closed end contract") is similar to the hire purchase contract where the lessee/buyer has the right to acquire the asset at the agreed price after the payment of the last deferred instalment under the contract. That is why the accounting treatment of these two types of contracts is also similar. The main difference between the hire purchase and the financial leasing is that the buyer in hire purchase uses his own funds to acquire the asset unlike the lessee who uses the lessor financial resources.

In the Financial Leasing, the Lessee makes linked Series of deferred Payments

In the financial leasing there is a whole debt for the principal, the payment of which is spread over the time in linked series of deferred lease instalments. The payments for the principal are not periodic independent single payments (as they are under the operating leasing). The specific in the financial leasing is that each installment contains itself two components - principal and interest, where the principal is the delivery asset price and the interest is the remuneration due by the lessee for the use of the leased asset. The interest could be formed as a fixed or floating rate.

The specific here is that the lessee due the principal in any event, regardless he uses or not the leased asset (opposite to the operating leasing where the lessee due payments if only he is able to use the leased asset). Namely, this characteristic of the leasing principal constitutes the loan component of the financial leasing. In the financial leasing, the lessee could choose whether to acquire or to return to the lessor the leased asset upon payment of all his obligations under the leasing contract.

In the operating leasing separately identifiable fixed periodic payments are due, which are relatively independent of each other and constitute the remuneration for only the asset use. These payments are not relevant to the asset value and they are not directed to asset acquisition (opposite to the financial leasing where the payments are connected and usually directed to a final asset acquisition). That is why if the lessee in operating leasing is not able to use the asset, he is not obliged to pay remuneration for it.

Limitation Claim Period for the Leasing Receivables

There is controversy case law on the applicable limitation period claim for the leasing receivables under the financial leasing. There are some court decisions which accept that the limitation period claim is within 3 years, both in respect to the principal and interest.¹⁶ However, the dominant case law perceives that the limitation period claim for the principal should be within 5 years.¹⁷

I consider the principal under a financial leasing should be treated in the same way as the principal under a bank loan, where the limitation period claim for the principal is always 5 years. In the financial leasing, the total value of the lease payments is calculated to cover the price at which the leasing company acquired the leased asset. Therefore, the legal result under the financial leasing is the same as with an investment bank loan, where the principal of the lease instalments actually constitutes the cost of an investment loan transformed into the acquired and leased asset. It could be said that the financial leasing resembles are transformed into asset investment loan.

Regarding to the interest under the financial leasing and the lease instalments under the operating leasing the limitation period claim should be within 3 years, which is applicable for the periodic payments.

Discussion

The leasing industry is grappling with evolving business models, driven by the consumer demand for flexibility. There is a growing trend toward shorter-term contracts, particularly among younger generations. However, this flexibility comes at a cost. For EVs, however, unstable residual values (RVs) are prompting leasecos to encourage longer-term contracts in the business-to-business (B2B) segment. In the business-to-consumer (B2C) space, subscription models and pay-per-use arrangements are gaining traction, although they bring higher costs. The market is heading in both directions - longer contracts for some assets, shorter for others. The challenge lies in balancing flexibility with financial stability, particularly in an era of rapid technological change. The industry's adaptability and innovation will be key to its continued success.

¹⁶Case No 904 / 2016, II Commercial Division, Decision No. 65/23.05.2017 of the Supreme Court; Case No 60274/2016, IV Civil Division, Decision No. 225 /18.10.2017 of the Supreme Court; Case No 1799/2014, II Commercial Division, Decision No. 82/02.06.2015 of the Supreme Court

¹⁷Case No 795/2010, IV Civil Division, Decision No. 261/12.07.2011 of the Supreme Court; Case No 1048/2013, Decision No. 1627/14.11.2013 of the District Court -Varna; Case No 1046/2011, Decision No. 1113/12.2013 of the District Court-Varna; Case No 523/2011, III Civil Division, Decision No. 28/05.04.2012 of the Supreme Court; Case No 1025/2009, I Commercial Division, Decision No. 120 /10.11.2010 of the Supreme Court; Case No 3/2023, Decision (interpretative) No. 3 /21.11.2024 of the Supreme Court

Conclusions

The leasing is a key indicator for the economy development of every country. In 2020, the leasing helped European businesses fund over €351 billion in new assets, with a total outstanding lease portfolio of almost €715 billion. This includes key business assets like manufacturing equipment, fleet cars, IT hardware and software, transport vans and trucks, printers, construction equipment, agricultural machinery, real estate, medical equipment and many more. Ultimately leasing enabled 18% of all business equipment investment in Europe, whether financed or not¹⁸.

The leasing contributes to the European economy by supporting business investment. It is particularly well suited for SMEs, supports manufacturer sales and encourages sustainable investment and a more efficient use of resources. Upgrade to latest, energy efficient technologies while recycling, re-using or re-leasing of the asset is possible, maximising asset life cycle. Supports manufacturers in their sales, helping to boost use of newer technologies.

The leasing industry in Europe will need to adapt to new requirements and timelines. Tech companies and leaseecos have an opportunity to lead by providing essential data and expertise. The equipment finance industry is in transformation period and stands at the nexus of change, poised to turn challenges into opportunities in the years ahead.

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- Case No 60274/2016, IV Civil Division, Decision No. 225/18.10.2017 of the Supreme Court;

¹⁸<https://www.leaseurope.org/>

Case No 3/2023, Decision (interpretative) No. 3 /21.11.2024 of the Supreme Court;
Case No 1046/2011, Decision No. 1113/12.2013 of the District Court-Varna;
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