



Digital evolution: Strategies for enhancing risk management and compliance in asset finance

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Coding Colorful Banking

Contents

- 3 A new landscape in asset finance
- 4 Regulatory compliance trends
- 8 Physical, self & hybrid audits
- 9 Improve risk management
- 11 Decision making with AI-driven insights
- 12 Case studies
- 14 Next steps for digital transformation in asset finance

01. A new landscape in asset finance

The asset finance industry is evolving rapidly. Increasingly complex market conditions, evolving regulatory requirements and the rise of digital technologies are reshaping the way organizations operate. At the same time, the threat of fraud is escalating, with dealerships reporting rising losses, making it essential for lenders to rethink their approach to managing assets, compliance and risk.

A [November 2024 survey](#) showed that 79% of dealerships reported an identity fraud-related vehicle loss. Among them, 40% reported losing one to two vehicles, and 60% losing three or more. The impact of managing these challenges is significant, not only in cost, but also in the time it takes to manually track down lost resources and chase losses.

Furthermore, a [Brady Ware study](#) found that **asset misappropriation makes up 86% of occupational fraud cases, totaling \$100,000 per case.**

In addition to fraud risks, lenders also need to grapple with regulatory challenges and losses caused by non-compliance, the specific rules of which differ from country to country. Global businesses need to find an effective way to manage regulatory requirements and risks across multiple countries.

In this study, we explore how asset finance organizations can use digital tools to address this new wave of challenges they face – whether it's enhancing their auditing processes, bolstering risk management and compliance, or improving operational efficiency.

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02. Regulatory compliance trends

The asset finance market faces unique regulatory challenges. Not only are there mounting environmental, social and governance (ESG) regulations to contend with, digital transformation risks and capital adequacy requirements, but the multinational, cross-border nature of the sector means that firms must navigate a complex web of differing regulatory frameworks across jurisdictions.

For large, multinational organizations, in particular, this represents significant challenges to ensure that regulatory compliance is met.

Let's take a closer look at the regulatory landscapes in the US, the UK and the EU, and explore how these frameworks will evolve in the coming years.




United States

Early in his second term, **President Trump imposed a new wave of tariffs on auto parts imported from China, Canada and Mexico.** And while the impact of these tariffs still remains uncertain, a recent [Cox Automotive](#) analysis suggests that 40% of vehicles priced under \$40,000 will be affected. The report goes on to say that the tariffs could raise the costs of affected vehicles by \$5,855 — around 16% of the average new vehicle price. Further price rises are also expected for the used car market as demand increases due to the growing cost of new vehicles.

The new administration has also brought with it regulatory uncertainty. In January, President Trump signed the [“Putting America First in International Environmental Agreements”](#) executive order, withdrawing the United States from the Paris 2030 Agreement, an international treaty aimed at limiting global warming and reducing greenhouse gas emissions. The executive order notes that, in recent years, the US had joined international initiatives that “do not reflect the country’s values” and provided “American taxpayer dollars to countries that do not require, or merit, financial assistance in the interests of the American people.” This change significantly impacts the previous shift toward increased environmental regulation that businesses across the world face.

The market has responded in kind – in particular, the electric vehicle (EV) market, which saw a [decline in volume](#) of new sales in January.

This could be a sign of things to come as the US government ramps up its plans for deregulation. The Trump administration’s reversal of initiatives such as former President Biden’s so-called “electric vehicle mandate” will likely see the popularity of EVs steadily fall over the next few years. This could lead to the US market falling further behind China in EV sales and perhaps even Europe.

 United Kingdom

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→ [gov.uk](https://www.gov.uk)



Other sectors, including agriculture and construction, have been impacted by the Trump administration's regulatory changes, too. Not only have environmental regulations, such as those under the National Environmental Policy Act (NEPA), been changed, but the administration's Department of Government Efficiency (DOGE) has worked to streamline federal operations, reduce bureaucratic red tape and cut down on the federal workforce, including in construction-related sectors. These changes, combined with the aforementioned withdrawal from the Paris 2030 Agreement, have created **a new regulatory environment, reshaping how businesses operate, with far-reaching effects on the international asset finance industry.**

United Kingdom

The [Plan for Change](#), introduced by the Labour government in their 2024 manifesto, **set out milestones to accelerate the UK toward net zero.** EVs are central to this initiative. In February 2025, [£120 million of government funding](#) was announced to help drivers and businesses switch to vehicles with reduced emissions. In the same month, the Society of Motor Manufacturers and Traders (SMMT) said that EVs now account for 22.8% of new car registrations – up from 15% in 2024.

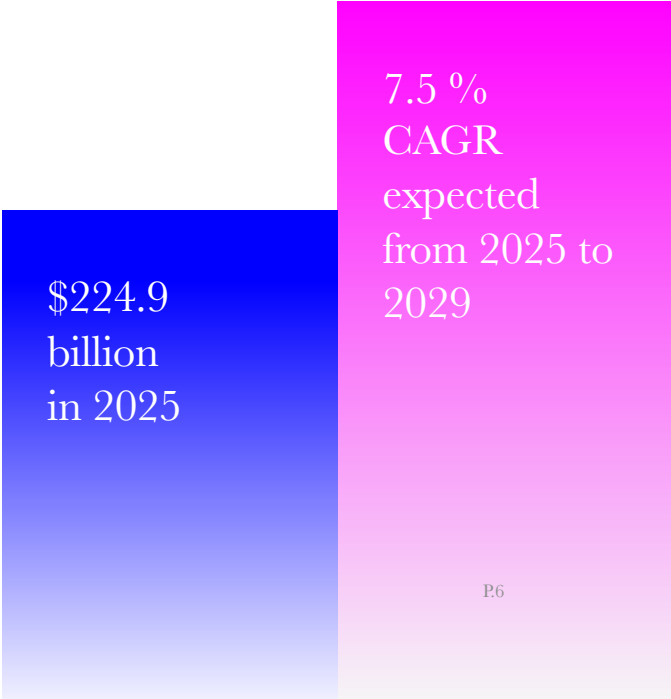
In addition to environmental regulations, the UK is seeing increasing scrutiny in areas such as consumer protection, risk assessment, valuation processes, audit trails, and the oversight of outsourcing and advanced technologies like artificial intelligence (AI). UK businesses also face regulations like Consumer Duty and Basel 3.1. Originally slated for release in January 2025, the Prudential Regulation Authority (PRA) [recently announced](#) that Basel 3.1 would be further delayed to January 2027. Per the press release, the new timeframe “allows more time for greater clarity to emerge about plans for its implementation in the United States.” This came after an initial delay due to consultation feedback and ongoing timeline monitoring.

Last year, the PRA faced [criticism](#) over its planned Basel 3.1 reforms, which some MPs argue threaten the UK SME market by increasing capital requirements on lenders to SMEs. Critics of the reform say that **it risks driving up financing costs and restricting lending**, as banks may retreat from the market. These regulations may also impact British SMEs engaged in global business.

Despite all of this, the Financial Conduct Authority (FCA) has committed to reducing large-scale initiatives over the next five years, [focusing on four key themes](#): **economic growth, innovation, financial crime and consumer resilience.** With shifting regulations in the UK, it's a space that asset finance organizations should keep a close eye on.

The European Union

In stark contrast to the US, the European market is prioritizing the growth of carbon neutral initiatives set out by the [Paris Agreement](#). [The EV market in Europe](#) is projected to reach a revenue of \$224.9 billion this year, with an expected CAGR of 7.5% between 2025 and 2029.



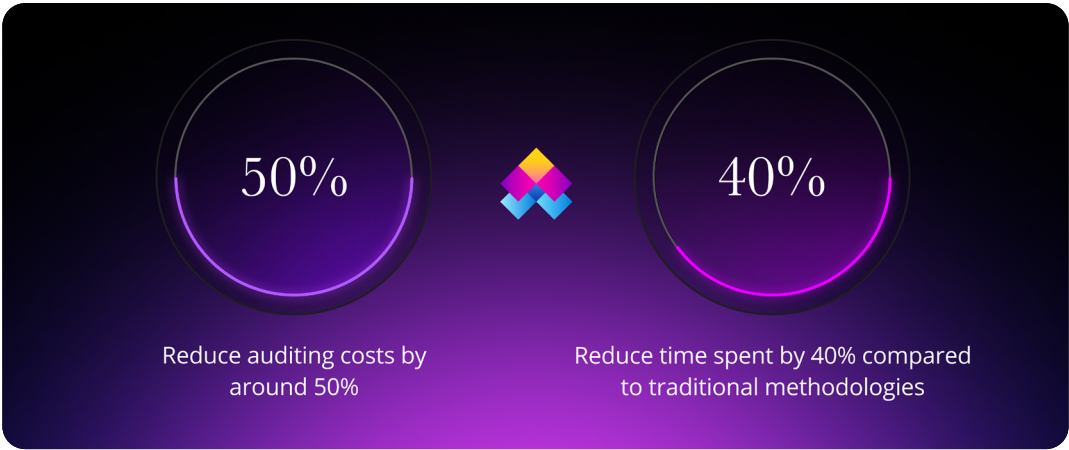
Elsewhere, investment in AI and machine learning (ML) initiatives continues to be significant, with organizations across a range of market segments investing in cloud-based solutions and SaaS offerings to comply with carbon neutrality regulation. A [Eurostat](#) report showed that in 2024, 13.5% of businesses across the region with 10 or more employees used AI, up from 8% in 2023.

The Eurostat report also showed a significant jump in the number of businesses using ML for data analysis, automating different workflows, assisting in decision making, and identifying objects or persons based on images. These are areas that have seen growth in the asset finance market in recent years. The use of these technologies has increased in the asset finance market with more and more businesses looking for ways to reduce manual interventions and checks. As such, adoption of this technology is expected to rapidly grow in the coming years as businesses look for ways to streamline operations and differentiate themselves within the market.

Furthermore, the [Digital Operational Resilience Act \(DORA\)](#) came into effect in January of this year, focusing on ICT risk management, incident reporting, resilience testing, third-party risk management and information sharing. **And while the regulation represents an opportunity for lenders to modernize their systems and enhance processes, it does come with the challenges of addressing practices at a more granular level across their organization.**



03. Physical, self & hybrid audits



Companies can better prepare themselves to overcome regulatory hurdles by implementing the latest digital auditing and risk management tools. The asset finance industry has long relied on physical auditing and manual risk identification methods that involved monitoring reports. However, these processes can be expensive, time consuming and open to risk of human error. **Many businesses find themselves looking for solutions to support their digital transformation, and improving processes like these are easy wins.**

Digital “self-audits” are becoming increasingly popular in the asset finance market. And with organizations looking for ways to quickly reduce their carbon footprint, reducing travel of physical auditors is an obvious area for improvement.

However, as the use of [digital auditing](#) solutions rises, it’s important not to overlook the expertise of seasoned physical auditors. Their knowledge and experience remain invaluable, and for organizations digitizing auditing and risk management processes, it’s important to rethink how to best use physical auditors’ skills to provide more robust checks and balances. By restructuring internal processes and combining in-house expertise with digital self-audits, businesses can

enhance their auditing processes, improve internal workflows and mitigate risk. **This process is known as “hybrid auditing”.**

Hybrid auditing is widely considered the best approach for asset finance organizations looking to implement some form of digital transformation within their business. This method allows dealerships to conduct regular self-audits at frequencies determined by the organization based on the risk profile of individual locations. These would then be supplemented by a physical auditor visit, whether in-house or vendor supplier, conducting less-frequent audits on-site. This approach ensures that the auditor has the time to analyze the management of the assets, determine if there are any abnormalities in their reporting activities and validate the accuracy of previous reports.

SBS has seen firsthand how implementing a hybrid auditing model can help organizations reduce auditing costs by around 50% and time spent by 40% compared to traditional methodologies. Last year, SFP Digital Audit processed 1.1 million images across 56,000 audits. In addition to the cost saved, there’s also the benefit of being able to identify instances of potential fraud and reducing human error and interpretation.

04. Improve risk management

Across the US, UK and EU, financing still plays a major role in vehicle purchases. For smaller lenders, this process remains highly manual, requiring significant time for data entry, identity verification and document completion.

Many of the businesses relying on manual processes may consider that AI, ML and automation in servicing system functionality are out of their financial reach. However, **the long-term costs involved are often greater than the impact of implementing some form of automated processing.** What's often overlooked is that manual processes expose businesses to risks such as financial losses, regulatory fines and fraud.

By adopting automation and digital solutions for processes beyond just auditing, businesses can bolster their overall risk management. For example, using AI-powered risk assessment tools can help businesses to anticipate and mitigate risk exposure before it escalates.

Through a hybrid approach, businesses can still benefit from the expertise of in-house staff, while auditing and reviewing risk more frequently in between on-site visits through digital channels. This provides the added benefit of access to a transparent view of business data across all locations, which can be helpful when considering whether to enter new markets, adjust current products or make new investments.

According to a recent [EY report](#), 90% of organizations are moving toward centralized risk management to provide complete, more accurate data and improved program communications. This represents an increase of 5% from the previous year.

In 2021, only 11% of surveyed organizations said that they use a hybrid approach to risk management. However, this figure rose to 36% by 2023. By adopting a hybrid auditing method, organizations can transition at their

36%
in 2023

Organizations surveyed that report using a hybrid approach to risk management.

11%
in 2021

own pace, while ensuring their operations aren't interrupted as they expand in the market.

Every business has its own unique set of challenges, and it's essential they can set their own digitized augmented business rules to better flag discrepancies and analyze risk exposure. By doing so, businesses can identify locations in need of increased self or on-site audit frequencies. This can be done automatically with technologies that scan images, videos and live stream content to ensure that the imagery or data has not been tampered with, while recording and comparing the geo-location of the phone taking the image to that of the dealership. Fooling a digital audit is near impossible, and this technology will only become more robust in future.

By enhancing risk management through digitizing audit and risk processes, asset finance organizations will lower costs, not only by reducing instances of loss and fraud, but also by having automated processes reduce instances of human intervention and error.

With digital audits, thousands of images can be captured, verified and analyzed without manual oversight. If an asset's image has been altered or tampered with, the system can instantly detect discrepancies and alert the right stakeholders in real time. Imagine the impact on your day-to-day operations: greater accuracy, faster decision-making and a more resilient risk management framework.

The dashboard features a top navigation bar with the following items: Administration, Work, System admin, Payment processing, Co-authorisation, Reports, and Loan management. A user profile icon is visible in the top right corner.

The main content area includes a welcome message: "Hello! Welcome to Reports section."

Report name	Format	Report date	End date	Currency	Status	Creation date
Capital Adjustments	Excel	09/10/25	—	USD	Generated	09/12/25

A "Download" button is located to the right of the table.

Below the table, there are two "Report parameter selections" sections. The first section includes dropdowns for Date (09/10/25), Language (EN), and Currency (\$ USD). To the right of these dropdowns is a line chart showing a fluctuating green line on a grid.

The second "Report parameter selections" section includes a "Show more" button and a horizontal bar chart with data points for dates 09/13, 09/14, 09/15, and 09/16. The x-axis ranges from 20 to 90.

On the right side of the dashboard, there is a world map with two green circular markers indicating specific geographic locations.

Three floating cards are overlaid on the dashboard:

- Top card: Blue car image, "\$40,000.00", "Approve the credit line" button.
- Middle card: Green tractor image, "\$200,000.00", "Approve the credit line" button.
- Bottom card: Arrow icon, "+ \$60,000.00", "Construction company" text.

The SBS logo is located in the bottom right corner of the dashboard.

05. Decision-making with AI-driven insights

Throughout this study, we've reviewed audits, risk management processes, and how AI can be both affordable and integrated to enhance business processes. As we've stressed, **the difference between success and failure in digital transformation lies in using AI tools to complement, not replace, the expertise of staff.** In a November 2024 SBS article, we explored [how AI is transforming the asset finance sector](#). Evolving regulation, cyber fraud and customer expectations were headline topics, along with how AI, ML and real-time data help to boost risk-management strategies.

When considering AI implementation, organizations should also think about how they can leverage other cloud platforms, such as AWS. Solutions on the [AWS marketplace](#) scale alongside business growth, removing challenges related to system availability and updates. The success of these strategies depends on the effective implementation and uptake throughout a business, further underlining the importance of carefully mapping out upgrade projects and evaluating workflows from all angles. AI models can be primed for success with the use of clean, structured and relevant data, making it important for businesses to invest time in prioritizing data validation and cleansing, as well as standardizing their data sources when beginning their digital transformation journey.

So what impact can AI insights have on a business?

A [Deloitte](#) report from June 2024 suggested that successful AI innovators can achieve **between 5% and 15% improvement** in the cost-income ratio over a five-year period

A recent article from [Boston Consulting Group](#) showed that **companies labelled as AI leaders expected to generate a 45% or greater reduction in costs and 60% or greater growth in revenue than other firms by 2027.** The report went on to show that businesses were generating 62% of AI value in core functions alone.

Relying solely on human oversight is not the best safety net for identifying fraudulent or malicious behavior. And while businesses would like to trust that their staff would not manipulate processes, it can happen. Unusual activity or suspicious patterns can be picked up far quicker by AI than manual reviews, and in the asset finance market, potential losses are far greater than many industries that have already adopted and embedded these processes into their operations. It's not just financial losses that asset finance businesses face, but falling behind competitors or not offering a modern user experience. AI and ML enable organizations to save money while reallocating resources to focus on tasks that will help to add further value, such as growing their business and improving the customer journey.

06. Case studies

Now that we've seen the importance of prioritizing digitization in risk management processes, let's look at a couple of SBS customer case studies to explore how leveraging digital tools has helped their businesses adapt, overcome challenges and grow.

Implementation of a new floorplan

A New York-based customer was looking for a floorplan solution to provide flexibility within their processes and the ability to grow alongside their book of business. This customer also needed to offer the same experience as other well-established competition to be viewed as a challenger in the market.

Since implementation, revenue has increased 9% from the previous year, and the digitized, improved processes have enabled the company to handle a greater number of vehicles while continuing to expand.

Following the go-live phase, the customer **grew their network to approximately 1,000 dealers, with a plan to support a further 5,000 in the near future.**

Enhancing operational risk management controls

The US branch of a leading floorplan financing company needed to improve its asset auditing processes, which were costly due to reliance on field-based auditors. They wanted to audit any dealer at any time, prioritize high-risk cases and conduct post audit result management.

Managing a portfolio of 20,000 dealers across the US, **they reduced direct inventory audit costs by 60%**, compared to their previous vendor. They were also able to conduct fully unrestricted audit volumes across the US within a fixed, transparent pricing model. By leveraging ML, the immediate audit results supported their workload by automatically processing and verifying over 5-million-unit audit images annually.

Immediately increase audit frequencies

A UK-based vehicle financing organization launched their digitally focused wholesale business and wanted to deploy a digital “self-auditing” solution across their network of funded dealers. They experienced issues with identification and rectification in a timely manner while using physical auditing, which had been shown to be open to interpretation in too many areas.

Launched over five years ago during the height of the COVID-19 pandemic, they were able to continue auditing operations and performed 100% digitally during lockdown. They now use a hybrid auditing model with 70% of audits being conducted digitally, meaning they can increase the frequency, while still calling on the expertise of physical auditors for the remaining 30%. As such, **they have reduced costs by 50% by cutting down on various overheads tied to physical audits and have achieved more than 40%-time savings thanks to real-time data and automated issue flagging.** Furthermore, they were able to significantly reduce their environmental footprint to meet local regulatory requirements.

Growth through regulatory challenges

A large Irish bank was looking for ways to efficiently support its dealer network in financing stock while also enabling them to aggressively grow in the automotive market. However, the complexity of ever-changing regulations required regular ongoing adjustments to their operations.

The implementation of the digital audit solution has not only helped them remain fully compliant with shifting regulations, but it's also allowed them to expand into the market with new motor groups and to **grow their units processed by 33% over a two-year period.**

Thanks to the security of their decade-long partnership with SBS, they've also confidently extended their contracts and upgraded solutions, further supporting their continued growth.

07. Next steps for digital transformation in asset finance

If you're interested in learning more about industry best practices to improve risk management and audit operations, you can watch the playback of our webinar "[Can Digital Audits Really Replace Traditional Methods? What Lenders Need to Know](#)" where we were joined by industry experts Lucas Hancock, James Powell, Stephen McLernon, and Will Cherry from Kinetic Advantage who discussed industry challenges, trends, and what makes digital auditing a trustworthy addition to your current processes.

Here are a few questions you should consider when reviewing how digital transformation could enhance your auditing, compliance and risk management operations:

How much time are your auditing and risk management processes currently taking?

What is the total of all the direct costs associated with your current physical auditing process (including travel, hotel, staff wages, etc.)?

How frequently have physical audits been missed in the last two years due to physical auditing staff being on leave?

Where are the bottlenecks or weaknesses in your auditing and risk management process?

Which regulations, if any, are you at risk of not being compliant with?

How much time could you save if you reduced the number of physical audits per location per year to two or three?

How long does it currently take you to become aware of potential losses, fraud or risk activities?

What losses related to assets have been incurred in the last five to ten years? What losses have been seen in regulatory fines?

If physical auditors had more time, what tasks would you assign to them? What impact would this have on the business?

What investments in technology do you feel you would need to make to begin your digital transformation?

What other activities will help illustrate your business' commitment to achieving net-zero goals?

When it comes to digital transformation of your wholesale or floorplan audit and risk management, **it's important to find a solution that offers the most flexible network deployment**, the best live customer support and real-time dynamic risk management, as well as behaving less like a supplier and more like a long-term partner. With the support of a provider invested in the longevity of your business, you can be confident that your organization will continue to grow and meet new technical challenges head on.



SBS is a global financial technology company that's helping banks and the financial services industry to reimagine how to operate in an increasingly digital world. SBS is a trusted partner of more than 1,500 financial institutions and large-scale lenders in 80 countries worldwide, including Santander, Société Generale, KCB Bank, Kensington Mortgages, Mercedes-Benz, and Toyota FS. Its cloud platform offers clients a composable architecture to digitize operations, ranging from banking, lending, compliance, to payments, and consumer and asset finance. With 3,400 employees in 50 offices, SBS is recognized as a Top 10 European Fintech company by IDC and as a leader in Omdia's Universe: Digital Banking Platforms. SBS is headquartered in Paris, France.

To find out how we can help your bank to create market-beating digital transformation strategies:

→ www.sbs-software.com

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Lucas Hancock is a seasoned sales and service leader with a proven track record of delivering exceptional results for account executives across diverse automotive and recreational dealer segments, including Independent and Franchise Car Dealers, RV, and Watersports, and Major and Independent Auctions.

As an architect behind a high-performing service centre, Lucas has overseen the successful handling of over one million customer interactions annually and has a strong commitment to personalized, multi-channel service, which has positioned him as a thought leader in customer experience innovation.

Known within the asset finance industry for his strategic vision and drive, Lucas has played a pivotal role in expanding the financial portfolios of automotive dealers, blending consultative sales acumen with a deep knowledge of the industry.

Lucas is an inspiring, natural leader and has managed a global team of more than 100 employees, fostering a culture of excellence in both the U.S. and internationally.



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