What Roger did next

Fred Crawley catches up with Roger Gewolb, a fixture of the UK motor finance industry since arriving from Chicago in 1974, to find out his plans for the future

You would be hard pressed to find anyone in UK motor finance that doesn't have a story to tell about Roger Gewolb.

A fixture in the City and then the industry since he moved to the UK in 1974, there aren't many people he hasn't done business with, sat on a board with, vocally agreed with or equally vocally disagreed with over the years.

Whatever their relationship, all agree that Gewolb has an empathy with the subprime market and customer, and is an authority on buying, selling, growing and running subprime finance companies.

This month, *Motor Finance* caught up with the man from Chicago to find out his views on the industry, what he's been up to since Park Motor Finance wound down operations in 2009, and what he's up to next.

Needless to say, given that his CV includes time spent as a sculptor, university lecturer in French, lawyer, law professor, banker, film producer and television presenter, he has kept his fingers in several pies.

"I have been putting together financings and doing deals both in the UK and back in the States... some trades, M&A, corporate finance, and some executive producer work financing movies as I used to do," Gewolb explains.

His media interests have always led him into work on the other side of the camera as well, and this has increased, most recently with a series of interviews with intellectuals, politicians, economists and academics, broadcast online.

Furthermore, following on from previous advisory assignments for the Bank of England and the Treasury, Gewolb is working with parliamentarians to develop new finance and business initiatives, with what he calls "a bit of a social enterprise twist", with a view to reforming UK subprime credit.

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Roger Gewolb

But will Gewolb be returning to motor finance?

"I have tried to acquire a new platform by buying major companies that closed or failed in the credit crunch, backed by City and foreign investment groups including the largest private equity buyer of financial institutions," he says.

"We have made offers, but the owners will not sell, yet."

Looking into new starts, Gewolb says he has not been short of investors keen to put money into the UK's gaping subprime car finance market gap, but he reports potential backers "just haven't understood the new dynamics of the post-financial crisis market and its customers", and risk making the same mistakes as collapsed former players, or new mistakes.

"The best example was the time I was flown to the US to meet a guy managing over $20bn," Gewolb says.

"It looked a perfect fit – the fund had just put $6bn into financial services, and was basically offering an open chequebook to get into UK motor, where they saw unprecedented returns – and I was flattered to be their choice of partner.

"By dessert, however, I had discovered the investors' money was only good for 12 months at a time, at which point 'a trade' had to be done and a significant return produced. That was unfortunately – or fortunately – the end of that."

Gewolb was approached by another consortium looking to resuscitate a failed company in subprime – but found that the senior debt put together by the investor group would not even cover the period of runoff should the backer decide not to renew the facility at any point.

On both the equity and debt sides of such deals, Gewolb thinks that, despite the considerable eagerness of his counterparties to enter UK subprime, their expectations were too unrealistic to make a deal work in the longer term.

He speculates: "There's still a lot of unjustified fear attached to the word subprime due to the mortgage industry, and UK subprime car finance is the baby that shouldn't have been thrown out with the mortgage bathwater.

"Of the few businesses that do still reach into subprime, most appear to be performing well; even the running down portfolios of the many players which had their funding curtailed seem to be performing well."

Gewolb has been left with the same questions that afflict the rest of the industry – who will fill the subprime gap and, while it exists, where will customers with impaired credit ratings go to make ends meet?

Where old and new subprime customers are going, Gewolb suspects, is to extremely high interest payday and internet loan providers – a prospect which he says concerns him deeply.

"There is still no clear solution to the extreme exploitation of the financial underclass by lenders charging rates in the 1000s of per cent", Gewolb argues.

"I mentioned all of this to one earnest and concerned parliamentarian, who reassured me, based on what the short-term loan providers had come to tell him, that this lending comprised terms so short as to make light of the punitive interest rates involved.

"I asked him what rollover rates the lenders he had spoken to were running, and he stopped dead in his tracks. 'What's a rollover rate?', he asked."

Gewolb doesn't fully condemn the high interest lenders He proposes they treat their incremental business since the financial crisis differently than their mainstream lending over many years.

"This incremental business should carry lower interest rates or the overall portfolios should be adjusted downward to achieve the same effect," he says, adding high-interest providers should adopt a "strong voluntary code of conduct, as they do not belong to the same lending standards associations as the banks and other mainstream lenders".

Gewolb concluded by discussing his next television project – to get the ear of the UK government on the issue of the subprime gap and the growing economic underclass in a way that combines his interests in media, finance and politics – by making a film about it.

Watch this space.