

Kyiv National University of Trade and Economics

Banking department

FINAL QUALIFYING PAPER

on the topic:

«Protecting the rights of consumers of leasing services in Ukraine»

Student of the 2nd year, group 5am,
specialty 072 «Finance, banking and
insurance»
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Kyiv, 2019

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INTRODUCTION

Today, the problem of rights protection of leasing services consumers in sounds particularly acute and is being discussed in many countries around the world. First of all, there is the problem of identifying the organization that should exercise and be responsible for protecting the rights of leasing services consumers, and that there is no single approach to comprehensively assessing the level of protection consumer interests.

In the world, the growing popularity has the concept that financial literacy, financial inclusion and rights protection of financial services consumers are three main vectors that determine the qualitative component of ensuring the adequate level of protection of the interests of leasing services consumers.

The dynamic development of the leasing services market in Ukraine requires timely adaptation not only of the authorized state structures, but of every citizen in particular. Secondly, the development and improvement of leasing services make them better and more accessible to users. But consumers may not always be able to exploit these services to the full in the absence of experience, knowledge or technical capabilities.

The creation and application of complex financial instruments in financial markets does not always have a positive impact on individuals who find it difficult to understand the terms of leasing transactions. Consumers usually do not have sufficient information and knowledge when choosing leasing services and they cannot always assess the level of risks or their future financial obligations and compare the conditions offered by different companies in the market. Effective protection of consumers of leasing services is essential in such conditions. In Ukraine, where leasing is a relatively new financial instrument, the experience of leasing accumulated by developed countries, especially experience in protecting consumer rights, is not fully utilized.

Therefore, the relevance of the issue of consumer rights protection in the leasing services market is of great importance today.

Analysis recent research and publications. The research of foreign experience of leasing activity and its influence on the development of leasing in Ukraine was devoted to the work of such domestic and foreign scientists as Shevchuk O. R., Mentukh N. F.[21], Avanesova I. A.[2], Naumenkova S. V.[3], Valant J.[4], Ali. P., McRae C., Ramsay I., Tiong T. S.[5] and others.

The purpose of research is to investigate the theoretical and practical aspects of the system of consumers protection rights of leasing services in Ukraine and to provide recommendations on the structure of effective rights protection of leasing services consumers in Ukraine.

The tasks of research are:

- formulating the theoretical basis of rights protection of leasing services consumers;
- reviewing institutional structure of leasing services market in Ukraine;
- conducting analysis of the causes and consequences of typical violations of rights of leasing services consumers in Ukraine;
- research of the experience of foreign countries in protection of rights of leasing services consumers;
- identification of areas for improvement governmental and private mechanism of rights protection of leasing services consumers in Ukraine.

The object of research is mechanism of rights protection of leasing services consumers.

The subject of research is current processes in the mechanism of rights protection of leasing services consumers.

The validity of the study is confirmed by the use following methods of research: method of analogies and abstraction for working out methods of application an international principles and approaches; method of scientific abstraction for identification of features and problems in the field of protection of consumer rights; method of systematic analysis for establishment of interconnections and interdependencies between components of the system of consumer rights protection.

The scientific innovation of the obtained results is to determine the characteristic features of protection of the rights of consumers of leasing services, substantiation of the system of methods of analysis of ensuring protection of consumer rights.

The practical value of the results obtained is to use theoretical conclusions and practical recommendations to improve the functioning and ensure the strategic development of consumer protection.

Scope and structure of work. The work consists of introduction, three parts, conclusions, references and appendixes. The volume of work is 58 pages. The paper presents 7 tables, 10 figures, 1 appendice and was drawn upon 45 scientific sources.

PART 1

THEORETICAL BASIS OF RIGHTS PROTECTION OF LEASING SERVICES CONSUMERS

Today, the problem of protecting the interests of consumers of the financial services market sounds particularly acute and is raised for discussions in many countries around the world. First and foremost, the problem of appointment of the authority that will carry out and bear responsibility for protecting the rights of consumers of the financial sector, as well as key guideline for developing the approach to comprehensive assessment of the level of protection of consumers' interests, becomes more urgent.

In the world, the growing popularity has the concept that financial literacy, financial inclusion and financial consumer protection are three main vectors that determine the qualitative component of ensuring the adequate level of protection of the interests of consumers of the financial services market.

Consumer protection is a systematic activity that involves monitoring the activities of financial institutions to comply with consumer protection laws, monitoring compliance with voluntary Codes of Conduct for financial market participants, monitoring consumer knowledge of financial services, resolving disputes between providers leasing services and their customers.

The protection of the rights of consumers of leasing services in modern Ukraine is an urgent issue, since it requires full settlement of all disputed aspects, because given the lack of a sound system of protection, there is a lack of consumer confidence and unwillingness to use leasing services, and as a result, the decline of the financial services market.

Some aspects of leasing and protection of the rights of consumers of leasing services are being explored by such Ukrainian scientists as: Shevchuk O. R., Mentukh N. F. [1], Avanesova I. A. [2], Naumenkova S. V. [3]. In their works the issues of domestic practice and prospects of the development the consumer protection system in Ukraine were explored, the directions of forming the system

of protection rights of consumers of financial services in Ukraine were proposed, the economic mechanism and strategy of consumer protection in the financial services market. The following foreign scientists have dedicated their work to consumer protection in the financial sector: Valant J.[4], Ali. P., McRae C., Ramsay I., Tiong T. S.[5]. The theoretical and practical aspects of consumer protection rights of financial services are considered in the works of domestic researchers only partially. Thus, it is necessary to outline the theoretical principles for the protection of the rights of consumers of leasing services.

The legal acts in the sphere of legal regulation are Tax Code of Ukraine [6], Criminal Code of Ukraine [7], Commercial Code of Ukraine [8], Law of Ukraine “On Financial Leasing” [9] and Decree of the Cabinet of Ministers of Ukraine “On State Duty” [10].

In order to consider the theoretical aspects of protecting the rights of consumers of leasing services in Ukraine, we will define the concept of leasing. Thus, according to Commercial Code Ukraine, leasing is defined as “an economic activity aimed at investing one's own or borrowed funds, which consists in granting a lease by one party (lessor) to the exclusive use of the other party (lessee) for a definite term of the property belonging to it to the lessor or acquired by the lessee on the instruction or agreement of the lessee from the respective supplier (seller) of the property, subject to payment by the lessee periodically leasing payments ” [8]. The two types of leasing are mentioned, which are operational and financial.

According to Law of Ukraine “On Financial Leasing”, financial leasing is “a kind of civil legal relations arising from a financial leasing contract. Under a financial lease agreement, the lessor undertakes to purchase the property from the seller (supplier) in accordance with the specifications and conditions of the lessee and to transfer it to the lessee for a fixed period of at least one year for a fixed fee (lease payments) ”[9]. The sum of the compensation of a project cost of leasing (rent) as a part of the leasing (rent) payments for the period of action of the contract of financial leasing (rent) should include not less than 60 percent of the

project cost of leasing (rent) defined in the day of the conclusion of the contract. Operating leasing (rent) is a contract of leasing (rent) as a result of which lessee under receives in paid use from a lesser object of leasing (rent) for a term for which 90 percent of the project cost of the leasing (rent) is defined the day of the conclusion of the contract will be depreciated [11].

IFRS 16 provides the following definition of leasing: a lease provides for a contract, a portion of a contract that transfers the right to use a particular asset for a specific period in exchange for payment [12]. For the existence of such a contract, the user of the asset must be entitled: to receive economic benefits from the use of this property and the right to regulate the process of its use.

Therefore, leasing (rent) is an enterprise activity which is directed on investment of own or involved financial assets and consists in granting by lesser in exclusive use for certain term to lessee of owned property under condition of payment of periodic leasing (rent) payments. Leasing is a long-term rent of property which as a rule exceeds 1 year.

Leasing is one of the important factors for increasing the competitiveness of Ukrainian enterprises, increasing the quality of service delivery, improving production efficiency, and as a result – increasing the ability of Ukraine to enter the international market. Today, leasing is the only tool for updating fixed assets and technologies. In Ukraine, the role of leasing services is steadily increasing as a result of the decline in bank lending.

Let's consider the stages of development of financial leasing in Ukraine. The characteristics of the steps are given in the table 1.1.

Table 1.1

Stages of financial leasing development in Ukraine [13, p. 43-44]

Stage	Characteristic	Features of leasing
Stage I – 1991–1996 years	At the first stage, the provision of financial leasing at the legislative level was formed. Its legislative base consisted of Law of Ukraine "On Banks and Banking" of 20.03.1991 and Law of Ukraine "On Taxation of Profit of Enterprises" of 20.03.1994.	At this stage, leasing operations relied primarily on banking institutions. The concepts of leasing and rent are equivalent at this stage.
Stage II – 1997 – 2002 years	This stage is characterized by the formation of the market of leasing services. A number of special legislative acts were adopted to regulate the relations of the participants in the leasing agreement, "State Leasing Fund" was created to support domestic agricultural machinery manufacturers. Also, an association of leasing companies "Ukrleasing" was formed, which aimed to protect the interests of participants in leasing operations (1997). The association included domestic leasing and insurance companies, banking and scientific institutions, enterprises.	At this stage, the leasing services begin to be provided to the subsidiaries, the preferential conditions of the state programs lead to abuse of the powers of the leasing companies and violation of the rights of the consumers of the leasing services.
Stage III – 2003 – 2016 years	This stage is characterized by the adoption of the Law "On Financial Leasing" of 11.12.2003. Also, the legislation introduced the Regulation "On State Commission for Regulation of Financial Services Markets", introduced new Civil and Commercial Codes, which also contain provisions for leasing. And the Ukrainian Unit of Lessors Association (UUL) was created [14] in 2005 as a voluntary union of professional leasing market participants, bringing together leading industry companies on the basis of partnership, openness, transparency and creation of favorable conditions for the lessee. In order to develop international relations, UUL joined the LEASEUROPE Federation in 2005 (comprising 47 national associations of European countries - 92% of the European leasing market). The Association is based on the principles of open membership - full for professional market participants and associate for non-leasing companies.	Due to significant violations of consumer rights, leasing operations did not find significant expansion, the share of leasing in GDP was less than 5%. In such conditions. The government leasing program ceased to exist; problems with foreign currency leasing companies caused problems due to NBU currency restrictions (2015).
Stage IV – 2017 year – and up to date	As of January 1, 2017, Ukraine joined the Organization for Economic Co-operation and Development (OECD) Extended Cooperation Program. A commitment was made to implement the Minimum Standard of the BEPS Action Plan, which includes the mandatory four measures out of the fifteen proposed. National financial services have introduced an electronic reporting form for leasing companies, which has greatly simplified the reporting form.	New areas for the leasing sector to grow have emerged, and the reporting process has been simplified.

Thus, the table shows that the preconditions for leasing development in Ukraine were unfavorable. The reasons for this were: economic downturn, inflation, uncertainty in the direction of functioning of the economic system, inconsistent and frequent changes in legislation, and the breakdown of economic ties. All of the above have become factors in the decline of the leasing market.

Consumer protection for leasing services must take place at every stage of the interaction between the consumer and the leasing service.

One can distinguish four main stages of the life-cycle of a relationship between consumer and a leasing product (Fig.1.1):

- During the first stage, a consumer wishing to acquire a new leasing product may undertake some research into the leasing product of interest and providers of such products with a view to find the best value for money offer.
- During the second stage, the consumer undertakes the actual acquisition of the leasing product of interest.
- During the third stage, the consumer uses the product. The duration of this stage varies depending on the product.
- Finally, for the products with pre-defined duration, the financial product matures or is liquidated. In a number of cases, the liquidation of the leasing product may not be voluntary and the holder of such a leasing product may suffer serious financial consequences [15].

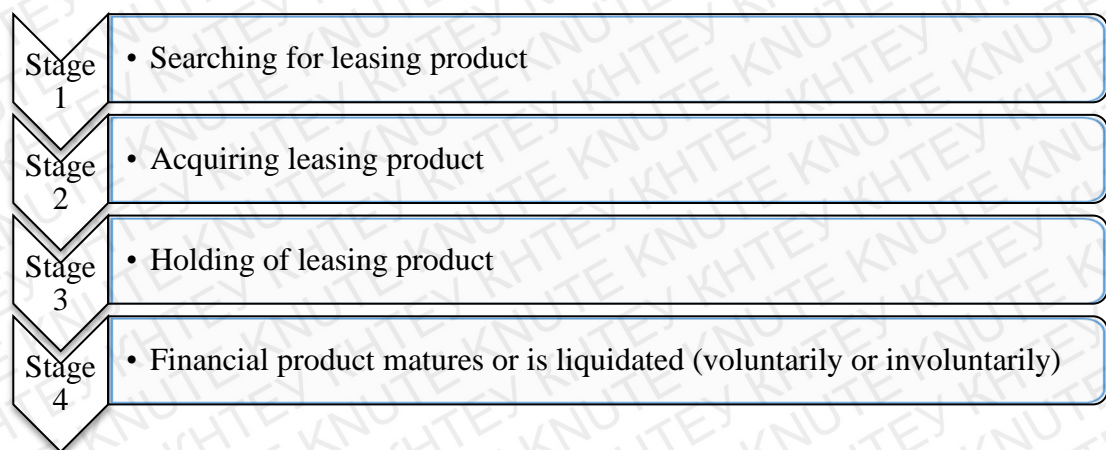


Fig. 1.1. Four main stages of consumer interaction [15]

Describing the peculiarities of protecting the rights of consumers of leasing services, it is worth noting that the "Consumer Protection Concept for non-banking financial institutions in Ukraine" was adopted in 2009 (hereinafter - the Concept) [16]. This concept aims at modernizing the system of protecting the consumer rights of leasing services by eliminating the risks and consequences of individual financial obligations for consumers. To the principles of the system of consumer protection rights of leasing services, the Concept includes:

- Effective state regulation of the system of protection of the rights of consumers of leasing services;
- Ensuring compliance with consumer protection rights guaranteed by law;
- Transparent activity of non-banking financial institutions and other entities, which by their legal status are able to provide certain types of financial services provided by law;
- Balance of interests of consumers and providers of leasing services.

The principles of ensuring the consumer protection rights of leasing services are based on the following principles:

1. Joint responsibility;
2. Formalization

The essence of the first postulate is full responsibility for the consequences that may result from an inadequate level of protection rights of leasing services consumers. According to the first postulate, a leasing service is understood as a type of activity whose financial assets are not created in the process, only their quantitative and qualitative composition changes. In this process, all its members have their own degree of responsibility. Thus, the consumer protection rights of leasing services in combination with its regulation streamlines and adjusts the provision and receipt of leasing services in accordance with the existing internal and external rules and regulations that ensure the organization of a continuous process of circulation of financial assets.

The "Joint responsibility" postulate involves the consolidation of the responsibilities of all parties involved in the leasing process, such as:

- the Government, which is directly responsible for establishing the regulatory framework for the provision and consumption of financial services;
- Regulatory institutions, which include: National Bank of Ukraine; State Commission for Regulation of Financial Services Markets; State Securities and Stock Market Commission.

The above institutions are directly responsible for:

- for ensuring the reliability, transparency and competitiveness of leasing providers; financial intermediaries;
- for the efficient and proper use of financial assets, taking into account profitability and risks.

One of the main activities of the State Commission for Regulation of Financial Services Markets, according to Art. 29 of the Law of Ukraine "On Financial Services and State Regulation of Financial Services Markets" of July 12, 2001 No. 2664-III [17], is compliance with certain criteria of quality of assets, management systems, management personnel. The main task of consumer protection rights of leasing services is effective control over the activity of leasing companies [18].

The "Joint responsibility" postulate can be represented as a hierarchy of goals for protecting the rights of consumers of leasing services, the "joint responsibility" postulate has three levels: highest (strategic), medium (tactical), and lowest (operational) [19].

The highest strategic level determines the actions of leasing market entities regarding their right to challenge the terms of the leasing service.

The tactical level of consumer protection rights of leasing services defines the actions of the subjects of the market of leasing services regarding their right to refuse to use the leasing service.

The operational level of protection of the rights of the consumers of leasing services determines the actions of the subjects of leasing services as to what rights they have in the process of purchasing the leasing service. At this level, protection

is based on the internal positions of the mediator. Also, this level includes quality user consultation.

According to the “Formalization” post, leasing services are understood as activities with financial assets, the purpose of which is to take into account and satisfy the needs of service users. Services are provided by financial institutions acting in the interests of third parties at the expense of those persons, or at their own expense or at the expense of assets that have been borrowed from other persons.

The purpose of formalization is to protect the consumer rights of leasing services, taking into account their needs. Formalization does not abandon the individual approach to consumers, it ensures a continuous circulation of financial assets. The consumer protection system includes such elements as (Fig.1.2):

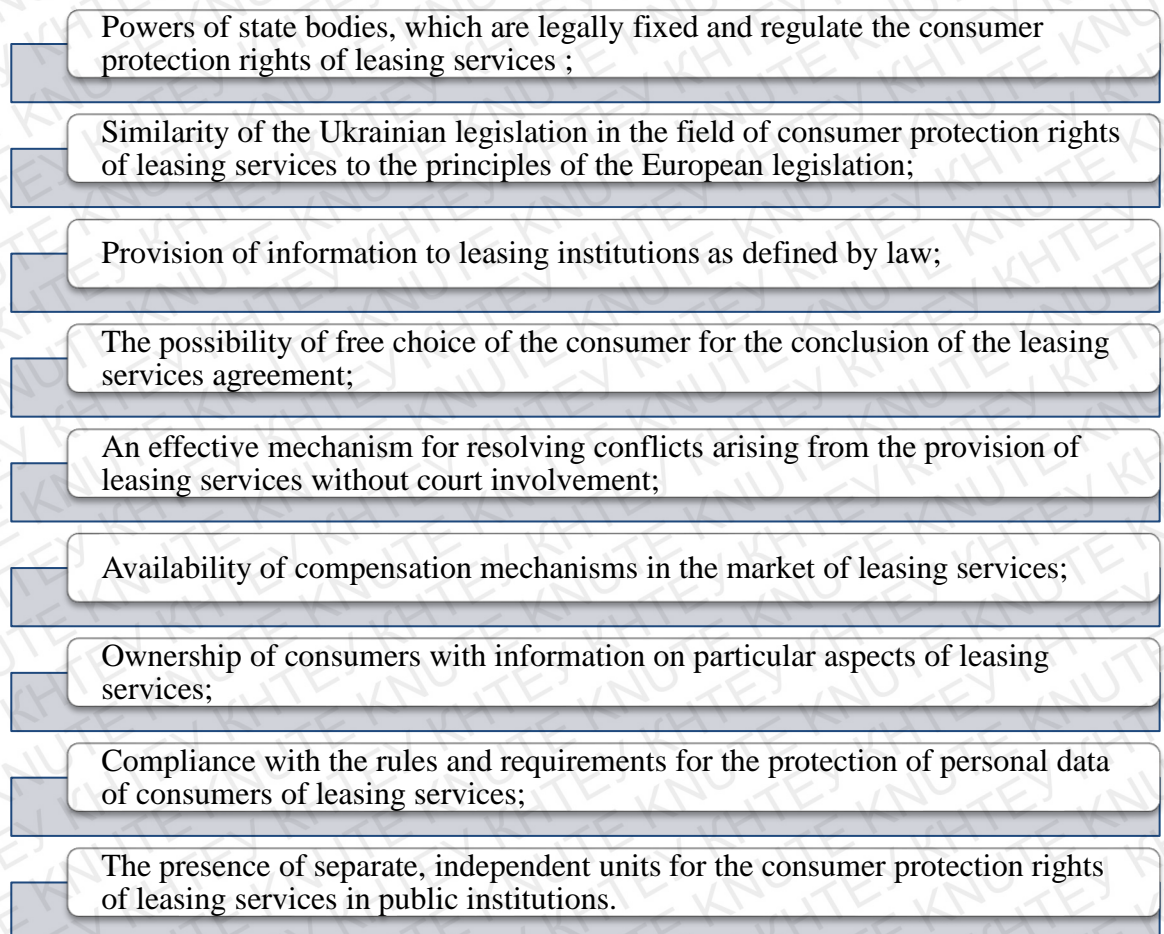


Fig. 1.2. The elements of protection rights system of leasing services consumers

The above principles are the basis of the system of consumer protection rights of leasing services. This system needs further improvement.

Relations that arise in connection with a financial leasing contract are governed by the provisions of the Civil Code on Leasing, Hire (Rent), Purchase and Delivery, taking into account the features established by the Law of Ukraine "On Financial Leasing" [9].

According to The Law of Ukraine "On Financial Leasing" Article 11. Rights and obligations of the lessee:

1. The lessee shall have the right to:
 - choose the leasing object and the seller or determine specification of the leasing object and assign selection to the lessor;
 - refuse acceptance of the leasing object that does not correspond its designation and/or the contract's provisions/specifications;
 - demand termination or refusal of the leasing contract in stipulated by the Act and the leasing contract;
 - claim reimbursement from the lessor for losses inflicted by non-fulfillment or undue fulfillment of the provisions set out in the leasing contract.
2. The lessee shall be obliged to:
 - accept and use the leasing object pursuant to its designation and contractual provisions;
 - pursuant to the contract provisions fulfill the obligation on the maintenance of the leasing object in time and in its entirety, maintain it in working order;
 - make leasing payments in a timely manner;
 - ensure access for the lessor to the leasing object and the possibility to verify the conditions of its use and maintenance;
 - inform the lessor in writing and the seller of the object during the warranty period about all cases of trouble-shooting, breakdowns or errors in operation regarding the leasing object;

– inform in writing about violation of terms or delay in carrying out current or seasonal technical maintenance and any other circumstances that may adversely affect the condition of the leasing object - immediately, but in any case not later than on the second business day following the day of the above events or facts, unless otherwise established by the contract;

– in the event of expiry of the leasing term and early termination of the leasing contract and in other cases of pre-schedule return of the leasing object - return the leasing object in the condition it was accepted for holding, taking into consideration its normal depreciation or in the condition stipulated by the contract.

3. Conditions for repair and technical maintenance of the leasing object may be established by a separate contract.

4. The lessee may also have other rights and obligations in accordance with the provisions of the leasing, this Act and regulations.

The specifics of consumer protection rights for leasing services are regulated by the Law of Ukraine "On Consumer Protection" [20].

Paragraphs 4 and 7 of Part 3 of Article 18 of the Law of Ukraine "On Consumer Protection" are unfair terms of the contract:

- allowing the seller (contractor, manufacturer) not to refund the payment made by the consumer in case of refusal by the consumer to conclude or execute the contract without establishing the consumer's right to receive appropriate compensation from the seller (contractor, manufacturer) in connection with the termination or non-performance the contract;

- granting the seller (contractor, manufacturer) the right not to refund the payment for unsold products in the event of termination of the contract at the initiative of the seller (contractor, manufacturer).

The consumer has the right to receive the necessary, accessible, reliable and timely information about the products, which provides the opportunity for his conscious and competent choice. The information must be provided to the

consumer before purchasing the product or ordering a job (service). Product information is not considered advertising [20].

The legal framework governing the leasing market is outdated and in need of modernization.

Through the USAID Financial Sector Transformation Project (October 2016 - December 2020), we plan to help transform Ukraine's financial sector into a transparent, fair and diversified system that supports businesses of all sizes and serves people's needs. The Financial Sector Transformation in Ukraine (FST Project) is a four-year program whose primary objective is to develop and improve the delivery of financial services in Ukraine that meet the needs of Ukrainian citizens and businesses of all sizes [21]. In partnership with the Government of Ukraine, regulators and financial sector associations, NGOs and the private sector, the FST Project will work to:

- increasing trust in the financial system, improving its citizens' understanding and increasing the use of financial services;
- transformation of the legal and regulatory environment of the financial sector;
- increasing access to finance for small and medium-sized enterprises; increased access to financial services for all segments of the population (financial inclusion) and increased use of digital financial technologies in the financial services market of Ukraine.

This project is able to transform Ukraine's financial sector into a transparent, fair and diversified system that supports businesses of all sizes and serves people's needs. The project supports the reform of the financial sector in Ukraine and provides assistance in the following areas: increased confidence in the banking sector; expand access to Finance to non-banking financial sector; expanding the use of e-Finance; and information and educational work with vulnerable groups to increase their involvement with the financial markets. Special attention to the USAID Project "Transformation of the financial sector" is paid to issues of financial literacy and protection of rights of consumers of financial services to help

them gain confidence, knowledge, information and advocacy necessary to empower the full participation in the financial markets.

In such circumstances, it is necessary to consider the major mistakes and violations of the protection of rights of consumers of financial services and to analyze the experience of other countries, the leasing market system, which is more successful.

Thus, the legislative support for the functioning of the leasing market in Ukraine during the existence of the state independence was created without taking into account such a special and integral element as the protection of the rights of consumers of leasing services. Therefore, reforming the modern domestic leasing market in Ukraine is impossible without taking into account international standards and requirements. This is reflected in the fact that new legal aspects balance the leasing institutions and the users of leasing services in the volume, quality and efficiency of these services. But, unfortunately, the legal status of consumers of leasing services is characterized by a low degree protection and lack of mechanisms for regulating disputes between participants.

PART 2

SYSTEM OF RIGHTS PROTECTION OF LEASING SERVICES CONSUMERS

2.1. The institutional structure review of leasing services market in Ukraine

Today, leasing as an alternative form of bank lending is increasingly popular not only with lessors but also with financial institutions for which financial leasing is not the main activity. Entrepreneurs are increasingly paying attention to the benefits of leasing over other sources of financing their business. The popularity of the increasing weight of leasing services is confirmed by statistics. In particular, according to experts from the USAID project «Transformation of the financial sector», the dynamics of increasing the volume of financing by leasing companies in Ukraine is almost twice as high as the world. According to the World Leasing Yearbook 2019, growth of leasing in the TOP 50 countries is + 16%, and the global leasing volume is \$ 1.3 trillion [22].

According to association «Ukrainian Union of Lessors», during 2018 the volume of new business (the cost of leased assets financed) amounted to UAH 14.95 billion, which is 61% higher than in 2017 [23]. According to the European Commission, leasing is an important source of financing for 48% of small and medium-sized businesses in the EU. [24, p.6].

Increasing attention to leasing financing by many business entities necessitates the need and relevance of further study of the current state and main trends of financial leasing market development in Ukraine.

Collection of statistical information on the status and development of financial companies and lessors in order to identify trends in the development of the leasing market is engaged by the National Commission for the state regulation of financial services markets sphere [25] and Association «Ukrainian Union of Lessors» [14].

The first detailed analytical review of the leasing services market in Ukraine, identifying major industry trends and barriers to industry development as a whole,

is the result of a study by experts from the USAID project «Transformation of the financial sector» [26].

At the same time with the rapid increase in the number of financial institutions in Ukraine, there is a tendency to increase the number of companies providing financial leasing services, which indicates an increasing demand for this type of financial services. The dynamics of the number of institutions indicates that since 2016, the number of registered financial institutions that have been licensed to provide financial leasing services has steadily increased to the number of legal entities – lessors. This is explained by the increased competitiveness of leasing compared to traditional bank lending (Fig. 2.1).

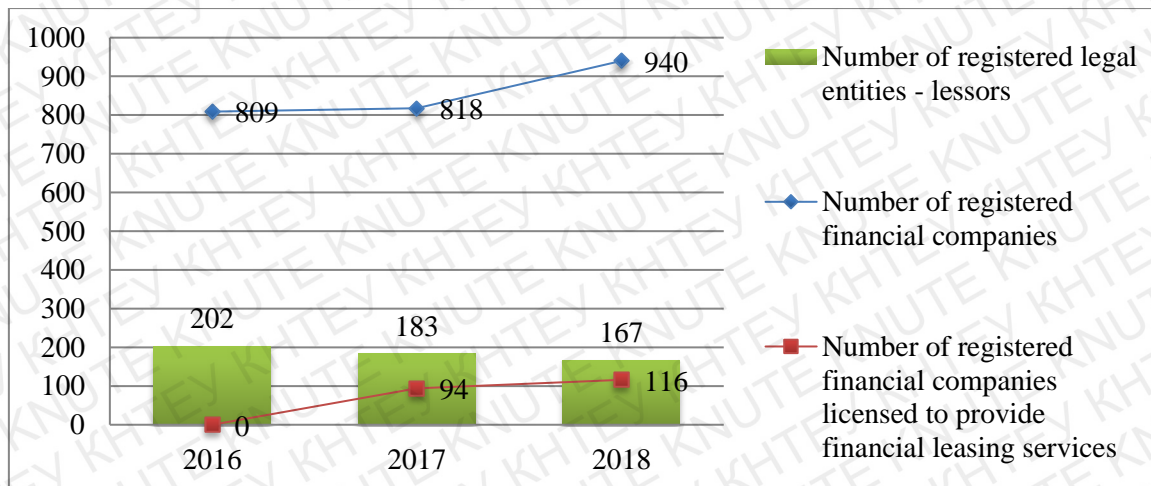


Fig. 2.1. Dynamics of the number of financial institutions and legal entities - lessors in Ukraine for 2016-2018 (according to [25])

The increase in the number of financial institutions and legal entities - lessors in Ukraine is caused by the increased interest in leasing services by foreign banks entering the Ukrainian market; increasing awareness of leasing among the general public and civil servants; rapid development of the financial markets of Ukraine, as well as better access to credit resources [27, p. 206].

About 97.0% of all financial leasing services during 2018 are provided by legal entities other than financial institutions (Fig. 2.2).

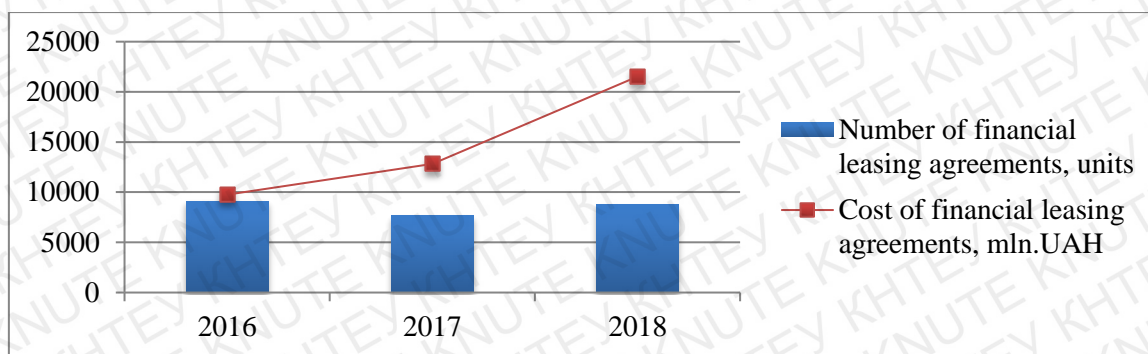


Fig. 2.2. Dynamics of the value and quantity of financial leasing contracts concluded by legal entities - lessors and financial companies in Ukraine for 2016-2018 (compiled by the author according to [25])

In 2018, there is an increase in the number financial leasing agreements by 33.2% (2,571 units) compared to 2017. At the same time, the value of financial leasing contracts increased by 71.1% (by UAH 9 225.5 million).

The vast majority of leasing beneficiaries (90%) are companies and only 10% individuals. Approximately 70% of active leasing clients are SMEs [24].

During the analyzed period 2016-2018, changes were also made in the distribution of the value of financial leases at the end of the period by industry (Table 2.1).

Table 2.1.

Distribution of financial leasing contracts at the end of the period by industry in Ukraine for 2016-18, mln. UAH (compiled by the author according to [25])

Industry name	Cost of financial leasing contracts at the end of the year, mln. UAH		
	2016	2017	2018
Construction	928,3	1049,5	1198,7
The mining industry	1645	167,1	822,4
Light industry	26,7	8,3	5,7
Engineering	292,3	262,7	245,9
Metallurgy	82,1	476	1017
Agriculture	5654	5503,4	5320,2
Service Industries	1206,4	1349,2	1661,3
Transport	7886,4	7220,4	6925,7
Food Industry	428	303,3	617,1
Chemical Industry	127	117,6	155,1
Others	490,4	6300,9	7244,3
Total	23267,2	22827,7	25535,2

As of December 31, 2018, the largest lessees are:

- transport industry, the value of contracts is UAH 6 925.7 million (as of 31.12.2017 - UAH 7 220.4 million, a decrease of 4.1% (UAH 294.7 million));
- agriculture, contract value is UAH 5 320,2 million, (as of 31.12.2017 - UAH 5 503,4 million, a decrease of 3,3% (UAH 183,2 million));
- services, contract value is UAH 1,661.3 million. (as of 31.12.2017 - UAH 1 349,2 million, an increase of 23,1% (UAH 312,1 million));
- construction, contract value is UAH 1 198,7 mln. (as of December 31, 2017 - UAH 1,049.5 million, an increase of 14.2% (UAH 149.2 million)).

Table 2.2

Structural distribution of financial lease agreements at the end of the period by industry in Ukraine for 2016-2018, % (compiled by the author according to [25])

Industry name	Cost structure of financial lease agreements at the end of the year, %		
	2016	2017	2018
Construction	4,0	4,6	4,7
The mining industry	7,1	0,7	3,2
Light industry	0,1	0,0	0,0
Engineering	1,3	1,2	1,0
Metallurgy	0,4	2,1	4,0
Agriculture	24,3	24,1	20,8
Service Industries	5,2	5,9	6,5
Transport	33,9	31,6	27,1
Food Industry	1,8	1,3	2,4
Chemical Industry	0,5	0,5	0,6
Others	21,1	27,6	28,4

According to Tables 2.1-2.2, most leasing contracts are with lessees representing the transportation, construction, agriculture and services sectors. The transportation industry has undergone significant changes, for which the structure of the value of financial leasing agreements among all industries at the end of 2018 was 27.1%, which is much less than in 2016. Since 2016, we see a slight decline (20.8% in 2018 compared to 24.3% in 2016). It is also worth noting the increase in

the cost structure of financial leasing agreements in other industries, such as healthcare, computer and telecommunications, and manufacturing.

The smallest consumers of leasing services are the light and chemical industries, mechanical engineering (for example, the value of financial leasing contracts in 2018 in the light industry amounted to UAH 5.7 million, while for the transport industry was over UAH 6.9 billion. UAH). In 2018, the value of financial leasing contracts in metallurgy increased significantly (UAH 1 017 million compared to UAH 476 million in 2017). The cost of financial leasing agreements for equipment is presented in Table. 2.3.

Table 2.3

Cost of financial leasing contracts at the end of the year for equipment in Ukraine for 2016-2018, million UAH (compiled by the author according to [25])

Equipment	Cost of financial leasing contracts at the end of the year for equipment, mln. UAH		
	2016	2017	2018
Transport	13828,2	13948,2	16063,3
Computer hardware and telecommunications equipment	26,2	31,5	50
Printing and printing equipment	35,4	25	28
Trade and banking equipment	211,3	187,3	8,4
Machinery and equipment for agriculture	4845,2	4398,2	4818,7
Others	4331,3	4168,3	4258,6
Total	23177,6	22758,5	25227

As can be seen from the table. 2.3, most often leasing financed the purchase of vehicles (63.7% of the total amount of contracts in 2018) and machinery, machinery and equipment for agriculture (19.1% of the total amount of contracts in 2018). Other equipment that was the subject of financial leasing under current contracts is the following: construction equipment and machinery made up UAH 1 197,0 million. or 4.7% of total contracts in 2018; the cost of contracts increased by 8.6% (UAH 94.3 million) compared to 2017; industrial equipment - UAH 618.1 million. or 2.5% of the total amount of contracts in 2018; the value of contracts increased by 568.9% (UAH 525.7 million) compared to 2017. Also during the period 2016-2018 there was a decrease in the value of financial leasing agreements

and printing equipment. The distribution of the value of financial leasing contracts by their term is shown in Fig. 2.3.

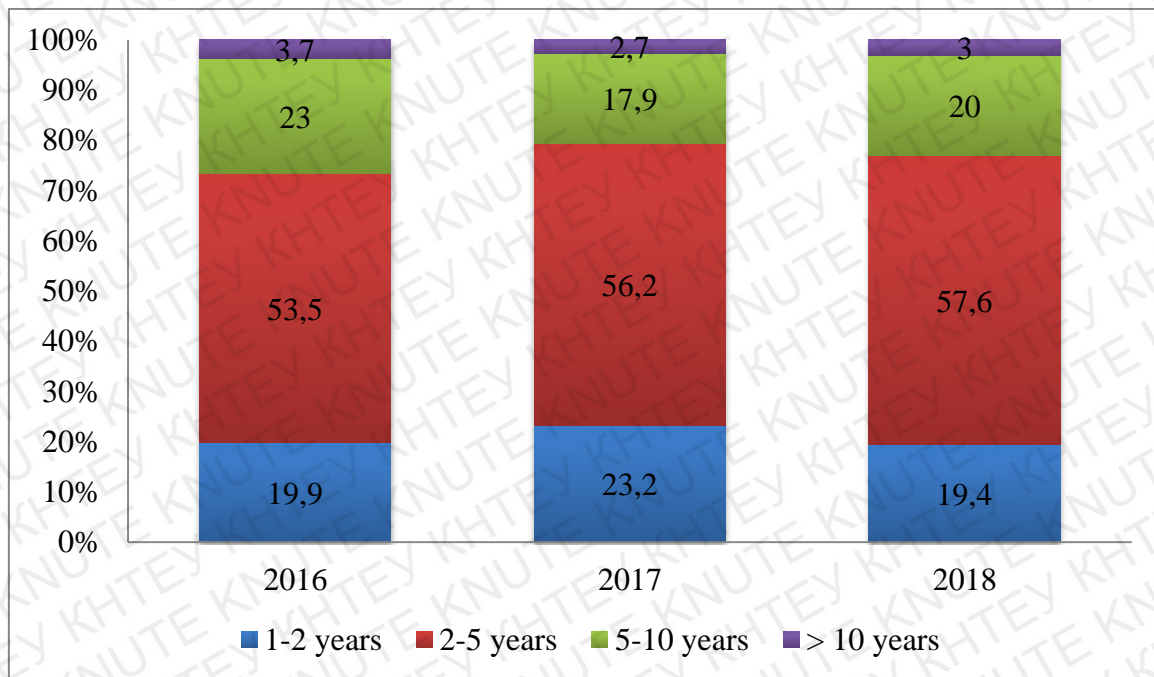


Fig. 2.3. Distribution of the structure of the value of financial leasing contracts at the end of the year by their term in Ukraine for 2016-2018 (compiled according to [25])

Since 2016, the share of medium-term (2 to 5 years) and short-term contracts (up to 2 years) has increased, due to increased economic and political uncertainty due to the military conflict in eastern Ukraine.

Sources of financing for leasing transactions during 2018, made by legal entities - lessors and financial companies, are given in Appendice A [25].

The studies highlight the following main constraints on the development of the leasing industry in Ukraine [3, p. 6]:

- lack of financing, especially in hryvnas, which is caused by the lack of large networks of international banks and lessors;
- insufficient awareness of companies, small and medium-sized businesses, government officials and the public about the benefits of leasing to finance business expansion;
- lack of a favorable legal and tax base for leasing;

- lack of domestic and foreign capital for leasing companies and lack of programs aimed at leasing for small and medium-sized businesses;
- insufficient institutional capacity of the association to represent and protect the interests of the participants and to provide legal, regulatory, information, advertising, professional training;
- separation of the leasing industry from international trends and developments.

Leasing as an alternative form of financing and renewal of business activity to bank lending, especially in the sphere of financing of small and medium-sized businesses, has significant advantages. However, in Ukraine, leasing is underused because of constraints that need to be eliminated by joint forces of public authorities, leasing entities and entrepreneurs.

Analyzing the performance of financial institutions and legal entities that are non-financial institutions, we can identify the following trends in their development:

- there is a tendency for an increase in the number of companies providing financial leasing services, which indicates an increase in demand for this type of financial services;
- about 99.9% of all financial leasing services are provided by legal entities - non-financial institutions, which testifies to their greater competitiveness due to specialization in this type of economic activity;
- most financial leasing agreements are concluded with lessees representing the transport, construction, agriculture and services sectors. The transportation industry has undergone significant changes in recent years;
- most often, leasing financed the purchase of vehicles (63.7% of the total amount of contracts in 2018) and machinery, machinery and equipment for agriculture (19.1% of the total amount of contracts in 2018);
- since 2016, the share of medium-term (2 to 5 years) and short-term contracts (up to 2 years) has increased.

2.2. An analysis of the causes and consequences of typical violations of rights of consumers of leasing services in Ukraine

As we have already noted, the system of consumer protecting rights of leasing services in Ukraine requires a systematic approach and substantial changes. Let's look at what are the causes and consequences of typical violations of the rights of consumers of leasing services in Ukraine.

Legal regulation in the field of consumer protecting rights of leasing services plays a leading role in its existence. The mixed economic systems of today's highly developed countries are characterized by the optimal combination of state and non-state regulation of consumer protecting rights of financial leasing services. The direct influence of the state is exercised at the legislative and regulatory level in the form of fixing concepts and terms, defining the principles of operations, taxation, depreciation, customs regulation. Indirect inflow is expressed in creation of conditions for functioning of financial leasing [28, p. 42].

Among the reasons for the slow development of leasing in Ukraine:

- Absence of special state development programs;
- Lack of proper tax incentives;
- Lack of domestic and foreign investment capital;
- Misunderstanding of business leasing tools;
- Lack of appropriate legal framework;
- Insufficient funding.

The main violations of the rights of leasing services consumers:

- hiding the real value of leasing products;
- imposing unnecessary additional services on clients;
- transfer of personal data of consumers using the services of leasing companies to third parties;
- commission concealment and inaccurate interest rates on leasing services;

- providing false information to consumers on official websites and when advertising.

The reasons for the violation of the consumers rights of leasing services can be attributed to the main reason - insufficient regulation at the legislative level. Since the current Law does not take into account the rules of the legislation on financial services and state regulation of financial services markets, we can distinguish the following prerequisites for violation of the consumers rights of leasing services, which are stipulated by the current legislation:

- there are no norms that establish a special subject composition: the right to provide financial leasing services is not limited to those entities that have acquired the relevant status in accordance with the law;
- the current law does not explicitly regulate the relations related to the acquisition by the lessor of the leased asset from the seller, which in turn leads to the recognition of the financial leasing contract by the sale and purchase agreement, it is proposed to establish that the relations related to financial leasing, the general provisions on the sale, delivery, in part of the acquisition by the lessor of the property of the property from the seller (the supplier) are applied, with the purpose of transfer of this thing for use by the lessee;
- given that the current Law does not clearly regulate contractual relations related to subleasing, there are no essential conditions for contractual relations related to subleasing, which are also aimed at protecting the lessor's rights, including in the process of using the leased asset, and in case of early termination of the financial leasing contract;
- there are no rules in the current Law to protect the rights of lessees on the leasing subject, there is no established procedure for protecting the lessees rights along with the protection established by the legislation on protection of the owner's rights to own and use the property;

- there are no rules in the current Law that regulate the peculiarities of contractual relations with lessees - individuals, which in turn leads to abuse by unscrupulous lessors;
- the current Law does not clearly stipulate the conditions of transfer of ownership to the lessee;
- the current Law does not provide a procedure for avoiding contradictions related to the definition of liquidation mass;
- there are no rules in the current Law establishing the right of a lessee - an individual to withdraw from a financial leasing contract, and the conditions for the lessee's return of all payments paid by the lessor to such a refusal;
- the current Law does not specify the mechanism of return of the leased asset in a continuous manner, on the basis of the executive notary's inscription;
- the current Law does not establish the obligation of the lessee in the event of early termination of the lease agreement to return the leased asset in the condition in which it was leased to him (subject to normal depreciation) and to hand over to the lessor all documents previously provided for that leasing object the lessor;
- the current Civil Code of Ukraine does not clearly stipulate the procedure and conditions for the transfer of the leased asset to the lessee's property, the conditions for the lessee to acquire the ownership of the leased property;
- the current Civil Code of Ukraine does not regulate the relations related to the recognition of the financial lease agreement as void (in particular, no obligation of the lessee to return the property to the lessor).

Describing the main consequences of the imperfection of the system of consumer protecting rights of leasing services at the legislative level, we can distinguish the following:

- Unfavorable legal and tax base for leasing;
- Absence of foreign and limited financing of leasing companies at the expense of the internal budget;
- Lack of programs that would improve leasing conditions for SMEs;
- Insecurity of interests of participants of the leasing process, insufficient provision of normative, legal, informational, professional training;
- Remoteness of the Ukrainian leasing sphere from international experience and trends;
- The reluctance of citizens and companies to use the services of leasing companies in view of the large number of complaints and the significant risk of consumer rights violations. Thus, in many cases, the consumer may face additional financial costs not stipulated in the contract, the inability to recover their own funds in case of violation of their own rights, etc.

The large number of violations of consumers rights of leasing services is evidenced by the considerable volume of court cases that claim the right of consumers to recover the money paid to fraudulent leasing companies. A popular violation of consumer rights is the case where, under the terms of the contract, the lessor undertakes to purchase the leased property and transfer the leased item to the lessee for the term and under the terms of the agreement.

The leased asset is transferred to the lessee within a period of no more than 30 business days from the moment of payment to the lessor by the administrative payment, advance payment and commission for transfer of the leased asset. The consumer signs the contract and pays an advance payment under the contract. However, the defendant does not fulfill the terms of the contract and does not transfer the leased property to the consumer.

In the future, the consumer is assured of the need to write a statement of termination of the contract and assured that they will return the money, which they later refuse to return.

Therefore, the consumer receives a notice from the leasing company stating that the Contract has been terminated and the money he paid as a down payment

was not credited as a down payment but credited as an Administrative payment and an advance.

At the same time, the leasing company reports that the funds that were credited as Administrative Payment are not refundable, and only part of the Advance payment of 60% is refundable.

In most cases, the office of the leasing company in which the contract was issued no longer exists, therefore, the consumer has the only way out - to go to a court office to recover the money paid.

Also, there are cases of violation of consumer rights in the form of arbitrary interpretation of the terms of the contract by the leasing company. For example, leasing companies bill their customers for leasing payments at a US dollar rate that does not correspond to any national currency rates established during that period.

Also, due to the non-regulation of the procedure of termination of the contract due to violation of consumer's rights, upon termination of the contract, the lessee pays a considerable amount of the administrative payment, which is not reimbursed or returned to him. Thus, in the case of termination of the contract by the lessee before signing the act of acceptance and transfer of the leased asset, the lessor returns the funds paid, plus a penalty for early termination of 20% of the amount paid in advance. In this case, the commission for the organization of the contract is not returned to the lessee.

In the case of an increase in the value of the leased asset, the lessee must pay the difference of such value at the time of purchase of the leased asset by the lessor in order to match the percentage of the advance payment to the actual value of the leased asset at the time of its purchase from the seller, the subject of leasing by the lessor. In case of reduction of the value of the leased asset at the moment of its transfer to the lessee, the difference of commission for the organization is not refundable.

In addition, the terms of the contract provide for the right of the lessor to terminate the contract unilaterally, if the lessee fails to comply with its provisions, but no such right of the lessee to the terms of the contract

Also, there are examples when leasing companies conduct fraudulent activities, misleading consumers, and also violate the Law of Ukraine "On Consumer Protection", so he went to court to protect his rights by engaging in dishonest business activities. Let's take an example. Companies ask consumers to sign an unfinished service agreement. Further, the customer is informed that in order to receive the service, the first payment, which is a considerable amount, must be paid. Under the terms of the contract, after payment within three days, the goods will be delivered to the consumer free of charge. The consumer agrees to the terms and pays the specified amount, subsequently received a copy of the contract. After three days without receiving his goods, the consumer calls the hotline informing him that in order to receive his goods (services) it is necessary to pay 50% of his cost, and the amount paid in advance was a payment for the contract, not a payment for the goods. After detailed reading of the contract, the consumer finds that the price of the goods under the contract is much higher than the amount stated at the beginning. Moreover, the consumer discovers that the contract does not contain the terms of its termination at the initiative of the lessee. Thus, the consumer is forced to refer the matter to the court.

Consequently, the protection of consumers rights of financial services requires systemic regulation, because in its absence, there is a lack of confidence in the financial sector and, as a consequence, a restriction on its development.

The litigation often reveals that the leasing companies do not have a license to provide financial leasing services, which is in breach of Article 4 § 1. 34 of the Law of Ukraine "On Financial Services and State Regulation of Financial Services Markets" [17], which states that the activity of providing any financial services that involve the direct or indirect attraction of financial assets from individuals may be carried out only by financial institutions upon obtaining the relevant license.

There are also cases where leasing companies enter into contracts in which the lessee's rights as a consumer with respect to the landlord are excluded and limited in the event of improper performance of obligations under the contract and the law. The Law of Ukraine «On Financial Leasing» completely excludes the

provisions of the Civil Code of Ukraine on the liability of the lessor for failure to perform or improperly fulfill the obligations to transfer the leased asset and transfer the item of good quality at the same time [29].

Such agreements state that the lessor is not liable to the lessee for failure to fulfill any obligation regarding the quality, completeness, serviceability of the leased item, its replacement, commissioning, troubleshooting during the warranty period, timely and complete satisfaction of the warranty requirements. The seller is responsible for the above obligations.

According to the Article 808 of the Civil Code of Ukraine, if only the choice of the seller (supplier) of the object of the leasing contract was made by the lessee, the seller (supplier) is liable to the lessee for violation of the obligation of quality, completeness, serviceability of the object of his lease agreement, delivery, installation, commissioning, etc. If the choice of the seller (supplier) of the object of the lease agreement was made by the lessor, the seller (supplier) and the lessor bear joint and several liability to the lessee for the obligation to sell (supply) the object of the lease agreement [29]. So, often, it is the lessors who violate the Law, and thus violate the rights of consumers.

In order to protect consumers of financial services and improving financial literacy it is advisable to develop and adopt a National Strategy, which main task would be: improving the legal base of financial consumer protection, development of organizational and functional infrastructure of consumer rights protection, introduction of out-of-court mechanisms of disputes resolution, conducting national surveys of consumer protection level and implementation of programs to improve financial literacy for individual target audiences

PART 3

**DEVELOPMENT PROSPECTS OF SYSTEM OF RIGHT PROTECTION
OF LEASING SERVICES CONSUMERS IN UKRAINE**

**3.1. The experience of foreign countries in consumer protection of rights of
leasing services consumers**

The level of development of the leasing market depends on many factors and due to the presence of many problems. The inadequate legal protection of consumers of leasing services causes distrust of the population to the institutions providing leasing services, as well as the judicial branch of the government, which deprives them of the opportunity to raise funds essential for economic development.

For the construction and installation of guarantees for the protection of leasing services consumer in the domestic system it is expedient to analyze the legislation of the European Union (hereinafter - the EU). The EU approach to an effective regime for protection of rights of of leasing services consumer is based on three basic principles. Consumers should have access to: sufficient information to make informed decisions when purchasing financial services; not costly mechanisms of protection against violations of the contract; programs of financial education. These principles are covered by several EU consumer protection directives, namely: disclosure and advertising, sales practices, customer accounts, compensation and guarantee schemes, as well as competition and financial sustainability of service providers. In particular, Directive 2006/48 / EC of the European Parliament and of the Council on the taking up and pursuit of the business of credit institutions, Directive 2006/49 / EC of the European Parliament and of the Council of 14 June 2006 on the sufficiency of fixed assets of investment firms and credit institutions [30], Directive 94/19 / EC of the European Parliament and of the Council of the European Union on Deposit Guarantee Schemes [31] are

established the basic types of guarantees of protection of the rights of consumers of financial services.

The list of consumer rights depending on the scope of their implementation in the EU, the observance of which is guaranteed by the current legislation is presented in table. 3.1.

Table 3.1

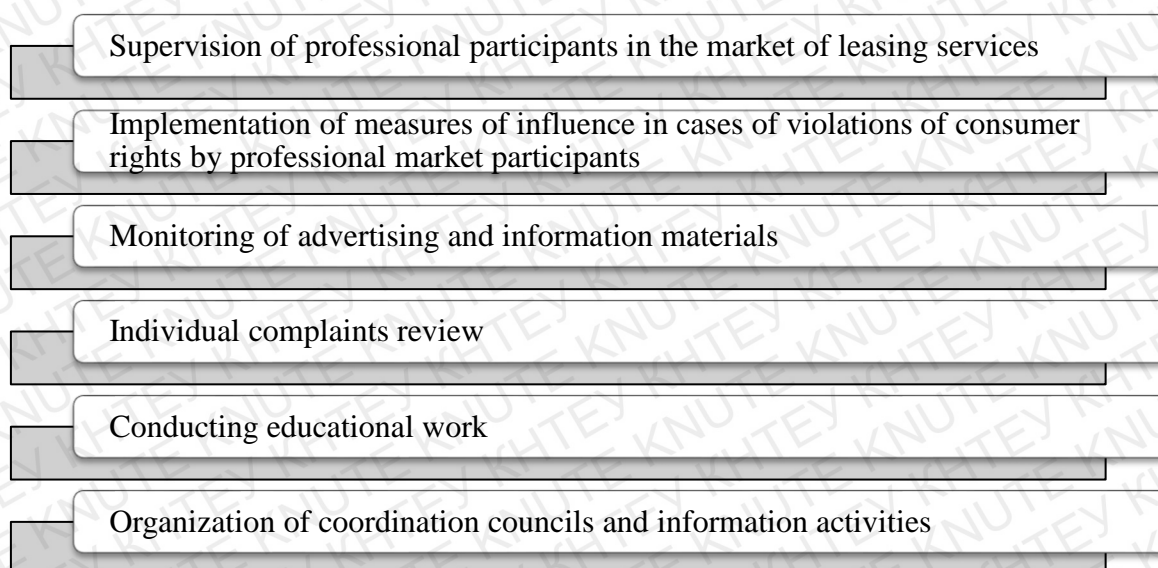
The structure of consumers rights of leasing services in the EU *

Rights implemented in relations with state authorities	Rights implemented in the relations with the services industry
State protection of consumer rights	Good quality service
Guaranteed consumption	Security of services
Association of consumers in public organizations	Necessary, accessible, reliable and timely information about services
Appeal to the court and to other authorized bodies	Compensation for damages caused by services of inadequate quality

* Note: compiled by the author on the material [31]

The activities of regulators of financial services markets in the EU countries play an important role in ensuring the protection of consumer rights.

This work is carried out in certain directions (Fig. 3.1). Examples can be given of the organization of the regulators activity of the financial services market in ensuring the protection of consumer rights in certain European countries.

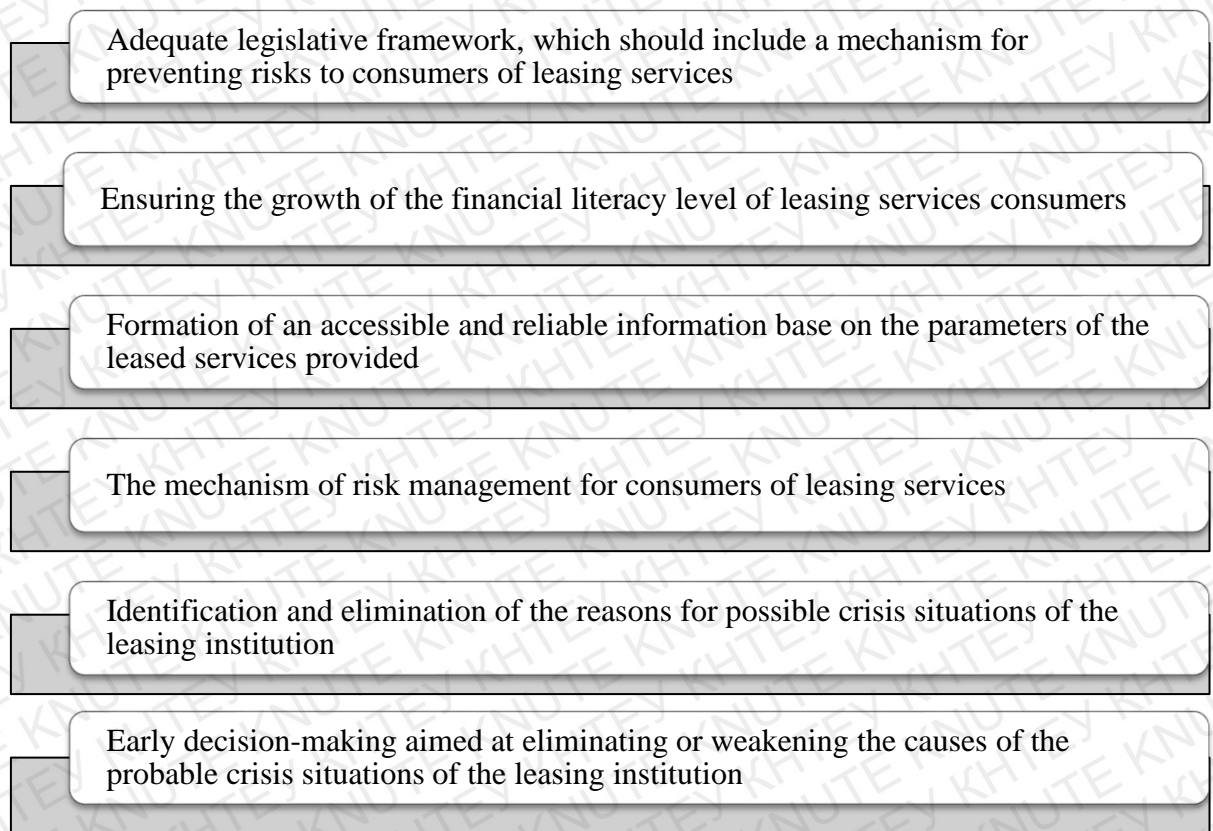


*Fig. 3.1. Areas of regulators activity of the financial services market in ensuring protection of the consumers rights of leasing services in EU**

* Note: compiled by the author

Preventive measures in consumer protection of leasing services play an important role, they should begin much earlier than the problem occurs when the damage to the consumer of leasing services, and to the actual occurrence of the harmful influence, will be recorded. Any financial service, in our case, a lease, should be under constant supervision of the consumer, then risks and factors can be detected and removed or controlled by their occurrence and distribution.

The model for the formation of a preventive system for protection of rights of leasing services consumers is presented in Figure 3.2.



*Fig.3.2. Model for the formation of a preventive system for protecting the consumers rights of leasing services**

* Note: compiled by the author

30% of Ukrainian consumers refuse to use financial services if problems or disputes arise with the financial institution. Obviously, the financial system of Ukraine, as never before, needs a new trust credit. Time and active action are

needed from both sides: from financial institutions and from their current and potential clients [32].

The institution of the Financial Ombudsman will be able to handle this task. In most countries where such an institution was created, its task is to resolve disputes between financial service users and financial institutions in an extrajudicial (alternative) way.

In addition, the Financial Ombudsman in many countries is responsible for raising the financial culture of the population, the level of financial literacy [33].

Professional and independent financial Ombudsman institutions operate in most EU countries, Australia, Armenia, Canada, Malaysia, Sri Lanka, Trinidad and Tobago. The successful practice confirms the benefits of using the financial Ombudsman model in the EU (19 out of 28) (Table 3.2).

Table 3.2

Advantages of using the financial Ombudsman model in EU countries*

	France	United Kingdom	Lithuania	Poland
Organization model <i>Regulator</i>			✓	
<i>General Agency</i>				
<i>Financial Ombudsman</i>	✓	✓		✓
Obligation to execute a decision	Decision-recommendations (with the right of both parties to apply to the court)	The decision is mandatory for the service provider. The consumer has the right to go to court	Decision-recommendations (with the right of both parties to apply to the court)	The decision is mandatory for the service provider. The consumer has the right to go to court
Cost of services for consumers	Free service for consumers	Free service for consumers	Free service for consumers	The request fee is 50 zlotys (12 euros)
Budget and Ombudsman funding	Due to contributions from financial institutions	Due to contributions from financial institutions	Financed by the state	Due to contributions from financial institutions

* Note: compiled by the author

The goal of Financial Ombudsman institution is providing an affordable, fair, efficient and user-friendly "service" that can "tighten" the consumer to the financial sector and vice versa.

Curiously, the appearance of such institution in many countries was initiated by the market itself. The establishment of a Financial Ombudsman institution allows to build predictable and orderly relationships between financial institutions and consumers.

The presence of such institution increases the attractiveness of the market, indirectly affects its capitalization.

For financial market participants, the establishment of a Financial Ombudsman institution is no less favorable than that of consumers.

First, financial institutions are saving on litigation costs. The use of extrajudicial dispute resolution mechanisms in the EU can save businesses 1.7-3 billion euros, and European consumers - 20 billion euros annually [34].

Secondly, the establishment of a Financial Ombudsman institution gives consumers the opportunity to regain consumer confidence, which means they increase their client base.

Thirdly, the Financial Ombudsman Institute provides obvious competitive advantages for market participants.

In European countries, the developed system of alternative dispute resolution is a barometer of the level of development of the financial market. Products that are complaints to the Financial Ombudsman are often improved by a financial institution, getting better.

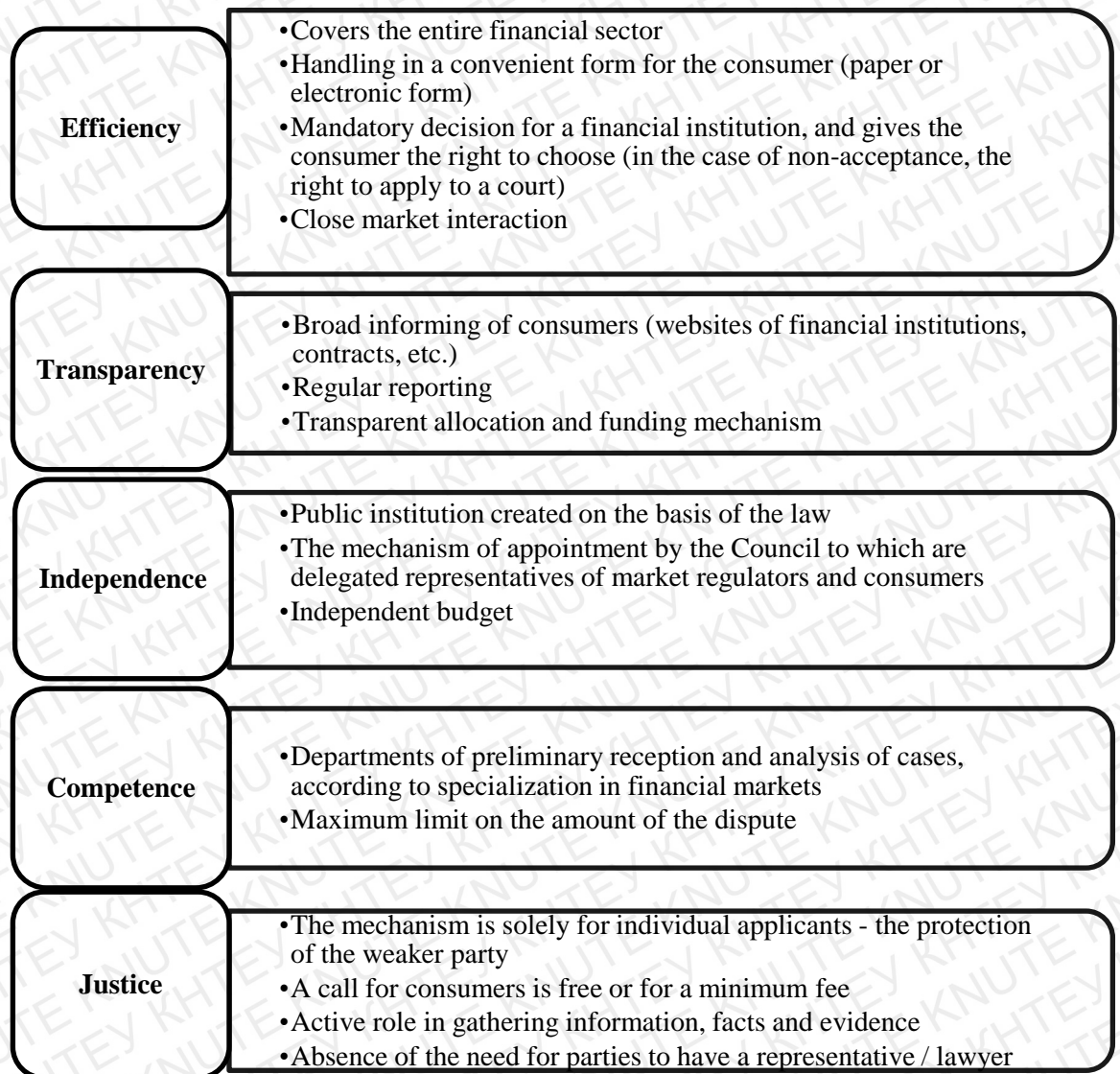
Such a mechanism leads to an improvement in the quality of financial products and services. Both sides win.

Fourthly, the Financial Ombudsman honestly advises consumers.

In many countries, the task of the Financial Ombudsman is not only to resolve disputes, but also to clearly explain to the consumer the features of financial services, its rights and responsibilities.

Fifthly, the Financial Ombudsman is effective [35].

In the UK, Poland and Armenia, only 10% of appeals to the Financial Ombudsman end up investigating the merits. 90% receive sufficient explanations from the financial ombudsman and come to a compromise in a dispute with the financial institution.



*Fig. 3.3. The basic principles of the successful operation of the Financial Ombudsman in accordance with the EU Directive**

* Note: compiled by the author on the basis of [36]

In Canada, for example, consumer protection is a coherent system. The system for protecting the rights of consumers of leasing services in Canada is presented as a two-tier system that includes public and private levels [37].

At the state level, the system is represented by the Financial Services Consumer Protection Agency (hereinafter: the Agency), established by the Federal Government of Canada in 2002. The Agency's work is organized in two main areas [5]:

1) oversee compliance with financial institutions with the provisions of consumer protection legislation and monitor compliance with voluntary Codes of Conduct for financial market participants.

2) informing clients about the consumer properties of financial services:

- the real cost of borrowing;
- the amount of commissions and other non-interest payments;
- a clear timetable for repayment;
- the consequences for the guarantor of the loan agreement;
- on the conclusion of financial services contracts, etc.

The Agency begins work to protect the rights of consumers of leasing services when issues of market behavior of financial service providers have to be addressed.

The Agency's private level is represented by a system of financial ombudsmen, which examines individual cases of consumer rights violations, and the Agency resolves disputes between leasing providers and consumers.

Germany is one of the leading European countries in terms of leasing development. Unlike in Ukraine, the system of protection of the rights of consumers of leasing services is a complex entity that operates at both vertical and horizontal levels [4]. The effectiveness and uniqueness of this system of protection lies in the combination of the work of public authorities and public organizations. The main consumer policy is formed by the Federal Center, and the main role in the protection of the rights of consumers of leasing services is performed by non-governmental organizations [38].

Therefore, there is a significant difference between the Ukrainian and German systems for the consumer rights protection of leasing services: in Ukraine, the competence in this area belongs exclusively to one central authority - the State Service of the country for safety and consumer protection. At this time, a productive multi-level consumer protection mechanism consisting of several components is operating in Germany [39].

So, after analyzing the foreign experience of consumer rights protection, we found that the main tasks of building an effective consumer rights protection system for leasing services are: legislative support of the state regulator's powers to protect consumer rights, as well as stricter standards for disclosing information for leasing institutions, increasing the level of information transparency, financial literacy and awareness of consumers of leasing services and meeting information disclosure requirements financial services markets, empowering consumers leasing services to obtain such services in order to allow a free and appropriate selection. The state should prohibit at the legislative level regarding the practice of imposing services or their providers and oversee compliance with such standards by the relevant supervisory authorities. It is more than obvious that the creation of a Financial Ombudsman institution is a win-win situation for everyone. This is beneficial to both consumers and financial institutions. In most countries, the Financial Ombudsman helps not to bring to court a large volume of minor cases. To protect the rights of leasing services consumers in the Ukrainian market, it is enough to use the experience of developed countries. The only question is when the market will agree to make this right investment in restoring the confidence of Ukrainians in the financial sector.

3.2. Areas for improvement governmental and private mechanism of rights protection of leasing services consumers in Ukraine

In this section, we will propose ways to improve the mechanism for consumer protecting rights of leasing services in Ukraine and look at existing mechanisms for improvement.

Improving the system of consumer protecting rights in leasing market is one of the state's primary tasks for consumers to restore confidence in government bodies, which are under an obligation to protect the consumers rights of leasing services.

The International Finance Corporation (IFC) [40], based on its considerable experience in the organization of the leasing industry in many developing countries, identifies two main factors that depend on the successful formation and further development of the leasing business:

1. Favorable macroeconomic climate.
2. Favorable regulatory climate.

A favorable climate will be the impetus for the development of leasing business in any country. Creating conditions for the effective development of the leasing business is not possible without first legally regulating the problematic aspects that are an impediment to development.

The development of a leasing business is not possible without the presence of consumers, since leasing involves providing financial services to clients. Given that society in Ukraine is characterized by a reluctance to obtain leasing services, this area cannot develop the buzz of addressing such problematic issues as ensuring the consumer protecting rights of leasing services, namely:

- Ensuring that the leasing companies perform their duties properly;
- Establishment of a contract according to which the consumer may terminate the agreement provided that the lessor fails to fulfill his obligations and improper provision of services;

- Strict punishment of fraudulent activity of leasing companies;
- A clear indication of the amount to be paid for the services of the leasing company and the ways of its payment in the contract;
- Establishment of a Financial Services Consumer Protection Committee, which will resolve disputes in a pre-judicial manner.

Therefore, given the fact that the existing legislation does not take into account the rules of the legislation on financial services and state regulation of financial services markets, in particular, there are no rules establishing a special subject composition, it is proposed to expand the concept of "lessor" and to establish that the right to provide financial services only those entities that have acquired the relevant status in accordance with the statutory procedure have leasing.

Existing law does not regulate contractual relations related to early termination of the contract and protection of consumer rights in this case. Therefore, it is proposed to introduce a mechanism for resolving issues in the event of early termination of a financial leasing contract;

The existing legislation does not regulate the rules that ensure the protection of the rights of the lessees for the subject of leasing, so it is proposed to establish the protection of the rights of the lessees along with the protection established by the law to protect the rights of the owner to own and use the property.

Existing legislation does not regulate the norms of peculiarities of contractual relations with lessees - individuals, which in turn leads to abuse by unscrupulous lessors. Thus, it is proposed to protect the rights of the lessee and to regulate the peculiarities of such contractual relations.

Therefore, it is necessary to regulate the method of calculating leases and other contractual payments, if they are adjusted, if the liabilities are denominated in foreign currency and translated into UAH. Also, it is necessary to establish a consumer order with information about any other services that may be provided directly by the leasing company during the conclusion and during the term of the financial leasing contract.

The existing legislation does not explicitly regulate the conditions of transfer of ownership to the lessee, so it is proposed to provide for the procedure and conditions for the transfer of the leased asset to the lessee, the conditions for the lessee to acquire ownership of the leased asset.

Existing legislation does not explicitly regulate rules that set a consumer's right to withdraw from a financial lease. Also, there are no specified conditions for the leasing provider to return all payments paid by the lessor to such a waiver. Therefore, it is proposed to resolve these contentious relationships, taking into account consumer protection legislation.

Given that the current Civil Code of Ukraine does not clearly stipulate the procedure and conditions for the transfer of the leased asset to the lessee's property, the conditions for the lessee to acquire the ownership of the leased property, it is proposed to supplement the Civil Code of Ukraine with the relevant article.

Improvement of the state and private mechanism for the protection of the rights of consumers of leasing services in Ukraine is a long process and requires clear and deliberate action.

First of all, it is necessary to form an effective model of a preventive system of protection of the rights of consumers of leasing services (Fig. 3.4).

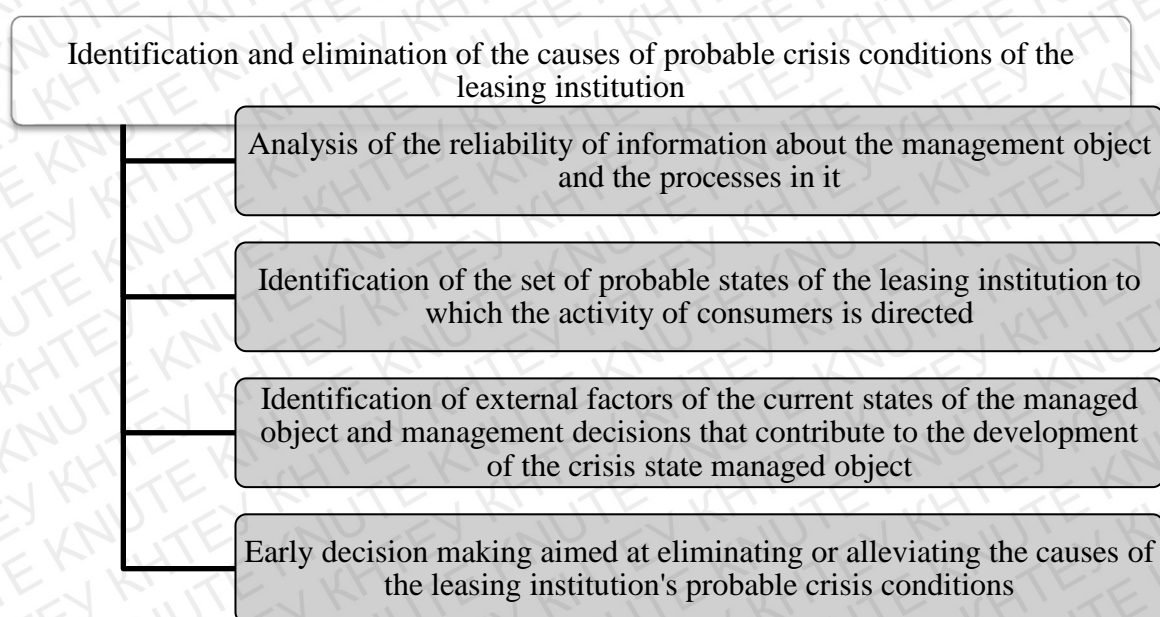
Adequate legal framework in which the mechanism of risk prevention for leasing consumers should be laid

Ensuring the financial literacy of consumers of leasing services is increased

Formation of accessible and reliable information base on the parameters of leasing services provided

Risk management mechanism for leasing consumers





*Fig. 3.4. Model of formation of preventive system of consumer protecting rights of leasing services **

* Note: by the author

In our view, the preventive system of protection of the rights of consumers of leasing services should contain the following elements: adequate legislative framework, which should lay the mechanism of risk prevention for both leasing institutions and consumers of leasing services, ensuring the increase of financial literacy of leasing services consumers, formation an accessible and reliable information base on the parameters of the leasing services provided, a mechanism for managing the risks of leasing services consumers.

Also, in order to overcome the institutional constraints in the consumer protection system and to approximate the EU standards in the field of consumer protection for leasing services, we propose the involvement of German experience in protecting the rights of leasing consumers.

In particular, Ukrainian legislation needs to adapt state policy in the field of rights protecting of leasing services consumer, the public sphere and institutions to the interests of consumers, as demonstrated by German experience.

It is also necessary to identify a competent authority that will formulate policies to protect of consumers rights of leasing services, conduct comprehensive market monitoring, create bills, regulations, etc.

Considering the German experience, it is worth delegating the authority to protect of consumers rights of leasing services at the local level (information and advisory support, pre-trial mediation, representation in courts) to the most active non-governmental organizations specializing in the protection of human rights. Also, it is necessary to provide for the possibility of partial budget financing, state grant programs, institutional assistance from the state, etc.

According to German experience, the protection of the rights of consumers of leasing services should be guided by the philosophy of "consumer rights first and foremost" [41]. Such a principle will only be possible to work if a centrifugal, extensive consumer protection system is set up in Ukraine with a specific and clear division of powers between public authorities and sectors.

In this context, an example of the initiative activity of the program "Public Field Control". So, at present, active representatives of the initiative carry out public audits, monitor the process and quality of work of local self-government bodies, financial institutions, public services, medical institutions, transport, etc. In case of consumer rights violations, the initiative draws attention to these cases at the state level and facilitates their resolution.

In Figure 3.5 we present a model of reforming the system of protection of the rights of consumers of leasing services according to German experience:

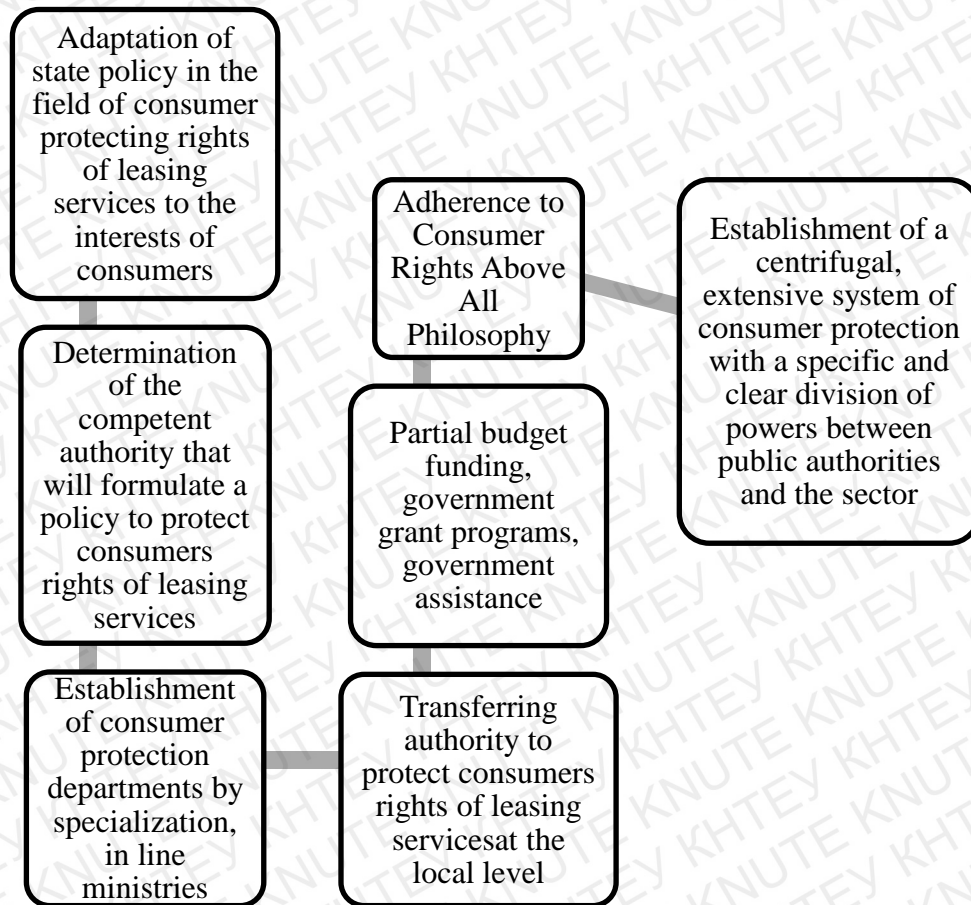


Fig. 3.5. Model of reforming the system of protecting rights of leasing services consumers [42]

In addition, the creation of a legal framework in which leasing entities can effectively operate is a significant success factor in securing the most favorable conditions for leasing development in Ukraine and for activating the investment process based on it. Together with the legal regulation, the Ukrainian authorities should also cooperate closely with the European Association of Leasing Companies and take effective measures at the governmental level to accede to the 1988 Ottawa Convention on International Financial Leasing.

In today's world, there is an increase in the improvement of the state and private mechanism for the consumer protecting rights of leasing services. Thus, a new version of the Financial Leasing Law has been registered in Parliament.

The above Bill № 6395 proposes to introduce a number of innovations to the Criminal and Civil Codes, the Laws of Ukraine “On Road Traffic”, “On Recovery of the Debtor's Solvency or Bankruptcy” and the Decree of the Cabinet of Ministers of Ukraine “On State Duty”. Thus changes in legislation will contribute:

- Increasing the level of protection of the rights of consumers of leasing services at the legislative level from fraudulent actions of lessors regarding the non-transparent structure of payment for such services, a significant overstatement of fees for services, fraudulent actions;
- Enhancing the supply of Ukrainian enterprises in the market of long-term resources for Ukrainian enterprises, enhancing their competitiveness;
- Increase in the financial revenues from the budget, which will be conditioned by the increase in the production of services and goods produced on the fixed assets acquired through the leasing contract;
- Reduction of the cost of leasing operations;
- Reduction of risks of participants of leasing legal relations;
- Development of stable, competitive and diversified financial market of Ukraine.

As stated in the explanatory note to the draft law, the current legislation governing financial leasing relations requires systematic updating, not modernization of only certain legislative spheres, which will make it possible to bring it into line with European market practice.

The purpose of the bill is to create the preconditions for productive expansion of the use of financial leasing services by economic entities to increase the production of gross product, update the fixed assets and, consequently, the tax base for further filling the State budget. One of the main tasks of the bill is to protect the rights of consumers.

Improving the legal aspects of leasing relations regulation would significantly increase the use of leasing as a means of financing the acquisition of leasing assets and facilitate the effective use of this mechanism by economic entities.

Another important step towards improving the system of protection of the rights of consumers of leasing services is that the Verkhovna Rada of Ukraine adopted the Law of Ukraine “On Amendments to Some Legislative Acts of Ukraine on Consumer Protection of Financial Services” (before that - Bill № 1085-1) [43].

It was supposed that three regulators would monitor how financial institutions protect consumer rights - the National Bank of Ukraine, the National Securities and Stock Market Commission (NSSMC) and the National Commission for State Regulation of Financial Services Markets. The law requires financial institutions to disclose the true value of their products.

On September 12, 2019, the Verkhovna Rada of Ukraine adopted a law on improving the functions of state regulation of financial services markets (Law of Ukraine No. 79-IX ("Split Law")) [44], which provides for the liquidation of the National Commission for State Regulation of Financial Services Markets and the transfer of its functions to the National Bank of Ukraine and the National Securities and Stock Market Commission. Supervision and regulation of the market of insurance, leasing and factoring companies, credit unions and other financial companies will move from the National Commission for State Regulation of Financial Services Markets to the NBU, while the NSSMC will regulate the subjects of the pension system and the funds for financing the objects of construction or real estate operations.

At the request of the client, financial institutions must provide information about their performance indicators, state registration. This will allow the consumer to check the reliability of the financial institution and the legality of its activities.

In the Table. 3.2 shows the current state of the financial system and the expected result after the implementation of the law on protection of the rights of consumers of financial services.

Table 3.2

Current status and expected results in the financial system after the implementation of the Law on Consumer Protection of Financial Services in Ukraine *

Current status:	Expected results:
Imposing financial services	Security and reliability of financial institutions
Misleading information about the cost of financial services	Approximation of the financial market to European standards of work
Change commissions without notice	Reliable advertising and full disclosure of financial services
Failure to submit a draft contract for information	A single approach to addressing and improving the quality of responses to citizens
False information on the financial institution's website and advertising	Building confidence in the financial sector
There are no warnings about possible risks for the client	Improving the quality of financial services and increasing competition among financial institutions
Inability to compare information on the website of different financial institutions	Increasing the level of Financial Inclusion in Ukraine
A considerable number of appeals to the NBU	
Low level of public confidence in the financial sector	

** Note: compiled by the author on the basis of [45]*

Changing the interest rate will not be possible without the written consent of the borrower. It is forbidden to charge any consumer fees and penalties for early fulfillment of the terms of the contract.

For late delivery or lack of information on the conditions for receiving leasing services, administrative liability is provided in the form of a fine of fifty to one hundred tax-free minimum incomes of citizens (850 - 1700 UAH) [06].

The clear rules that will be met by the promotion of fine products will make their information transparent and accessible.

Another important point is that companies that do not have a license or certificate of registration of a financial institution's National Financial Services Commission will not be able to advertise financial products.

The NBU has already established a profile unit - the Consumer Protection Division. It will respond to consumer complaints, develop regulatory frameworks,

establish transparency and reliability of information, monitor the financial institutions' market behavior.

Offenders will be found by means of: on-site inspections; consumer complaints; site monitoring and advertising and secret shopping. But this method will only be used to obtain information without the right to use influence measures.

However, this law and these powers of regulators apply only to existing licensees and do not allow the suspension of activities of fraudsters who do not have a license, which is a significant drawback and needs further improvement.

Therefore, with the adoption of the recommendations above, part of the problems related to the imperfections of the Civil and Commercial Codes, as well as compliance with international standards and the needs of the modern leasing market will be solved.

Improvement of the institutional structure of consumer protecting rights of leasing services should be carried out by introducing effective mechanisms of state regulation of the processes of ensuring and coordinating control over the observance of legislation in the field of consumer protecting rights of financial services markets, as well as coordinating the activities of state regulators of this market.

At present, there is no effective mechanism for resolving disputes between leasing institutions and consumers in Ukraine.

The new Financial Ombudsman Institution will become an independent institution that will facilitate a quick settlement of disputes instead of litigation. This will save the courts from overloading cases.

The creation of a new institution will create a single complaints body where the resolution of the dispute should not exceed three months.

The regulation of the legal aspects of leasing services will serve to develop leasing relations and the legal regulation of problematic aspects regarding the protection of leasing services consumers rights.

CONCLUSIONS

Today, the leasing market in Ukraine is developing actively and recovering after crisis and stagnation stage. There is an obvious increase in volume of leasing operations and number of consumers, which of course requires a clear regulatory framework for protection of consumer rights, improving the level of service and awareness for private consumers and SMEs.

In Ukraine, regulating leasing service standards, such as voluntary codes (codes of ethics), are insufficiently applied, leading to a decline in confidence in the financial sector.

The legal framework governing the leasing market is outdated and needs to be modernized.

The Government is directly responsible for establishing the regulatory framework for the provision and consumption of financial services.

Regulatory system of leasing market in Ukraine include: National Bank of Ukraine, The National Commission for Regulation of Financial Services Markets, National Securities and Stock Market Commission.

The specifics of consumer protection rights for leasing services are regulated by the Law of Ukraine "On Consumer Protection".

The main task of the National Commission for Regulation of Financial Services Markets in protecting the rights of consumers of leasing services as part of the control over the activity of leasing companies.

The "Consumer Protection Concept for Non-Banking Financial Institutions in Ukraine" aims at modernizing the system of protecting rights of leasing services consumers by eliminating the risks and consequences of individual financial obligations.

Unfortunately, the legal status of leasing services consumers is characterized by a low degree of the right protection and lack of mechanisms for regulating disputes between participants in the private and state level. Therefore, reforming

the modern domestic leasing market in Ukraine is impossible without taking into account international standards and requirements.

Analyzing the performance of financial institutions and legal entities that are non-financial institutions, we can identify the following trends in their development:

- there is a tendency for an increase in the number of companies providing financial leasing services, which indicates an increase in demand for this type of financial services;
- about 99.9% of all financial leasing services are provided by legal entities - non-financial institutions, which testifies to their greater competitiveness due to specialization in this type of economic activity;
- most financial leasing agreements are concluded with lessees representing the transport, construction, agriculture and services sectors.

The main violations of the rights of leasing services consumers: hiding the real value of leasing products; imposing unnecessary additional services on clients; transfer of personal data of consumers using the services of leasing companies to third parties; commission concealment and inaccurate interest rates on leasing services; providing false information to consumers on official websites and in advertisement.

To prevent breaches, the following guidelines should be followed at the level of leasing companies:

- strict compliance with the law;
- the correct disclosure of information on websites and in advertisement;
- standardization and completeness of information on websites;
- convenient tools for comparing the cost of services (calculator, examples);
- warning clients about potential risks ;
- reliability of information on financial services.

In order to protect of leasing services consumers and increase financial literacy at the state level, it is advisable to develop and adopt a National Strategy whose main objective would be to: improving the legal base of financial consumer protection, development of organizational and functional infrastructure of consumer rights protection, introduction of out-of-court mechanisms of disputes resolution, conducting national surveys of consumer protection level and implementation of programs to improve financial literacy for individual target audiences.

The establishment and effective implementation of the Financial Ombudsman Institute will have a positive impact on all financial market stakeholders. In particular, for consumers of financial services.

The implementation of this institute will improve the procedure of financial disputes between financial companies and customers, namely, by ensuring prompt and fair consideration of their complaints, which eliminates the need for them to spend time and money (legal aid, etc.), increase consumer protection from arbitrary individual leasing institutions, and financial companies will be protected from nonobjective customers complaints.

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**Distribution of sources of financing of leasing operations in Ukraine
during 2018 million UAH [25]**

Sources of financing	2018			
	Legal entities, mln. UAH	Share,%	Financial companies, mln.UAH	Share,%
advance payment	4 579,2	27,1	115,5	11,5
equity	5 300,8	31,3	576,0	57,5
bank loans	4 532,8	26,8	251,1	25,0
commercial loans from suppliers	1,8	0,01	0,0	0,0
issue of securities	148,8	0,9	0,0	0,0
funds of international financial institutions	0,0	0,0	0,0	0,0
State and local budgets	3,5	0,02	0,0	0,0
other sources	2 360,6	13,9	60,0	6,0
Total	16 927,5	100,0	1 002,6	100,0