

Should you run your vehicle for longer or replace it?

A practical guide for fleet operators on extending, retaining or replacing vehicles

When a vehicle agreement is coming to an end, the decision isn't always straightforward.

Extending a lease to hold onto an existing vehicle can reduce costs and maximise value, but rising maintenance bills, increased downtime and changing business needs can make replacement the smarter call.

The right answer depends on your specific situation: the condition and reliability of the vehicle, its total cost of ownership, your future fleet requirements and what end-of-contract options are available to you.

This guide walks through the key factors to help you make the decision with confidence.



What are your options?

Depending on your funder and vehicle agreement type, you may have several options available at the end of your contract.

Contract Hire

- Return and replace the vehicle
- Extend the agreement
- Move to a FlexiHire (short-term rental) solution while awaiting replacement

Finance Lease

- Introduce a buyer
- Sell the vehicle and potentially benefit from surplus value
- Refinance or continue under a secondary rental arrangement



Check what’s available early

Most businesses only start thinking about end-of-contract options when the deadline is already close. That’s understandable, but it limits your choices.

Speaking to DriveElectric or your funder a few months before the agreement ends gives you time to explore all the options properly, compare costs and avoid making a rushed decision.

Early planning can also help you manage replacement lead times, budget accurately and avoid unnecessary disruption for drivers and your business.



Potential advantages of extending

Extending a vehicle agreement can be an effective way of maintaining operational continuity while providing additional flexibility.

For many fleets, an extension can provide valuable breathing space while longer-term vehicle strategies are finalised.



Potential benefits include:

- Avoiding the cost and disruption of replacing a vehicle
- Bridging the gap while awaiting replacement vehicles
- Preserving cash flow and delaying replacement expenditure
- Potentially securing a similar or lower monthly rental
- Avoiding the time and resource involved in sourcing a replacement vehicle
- Providing flexibility while fleet requirements or market conditions evolve

Potential drawbacks of extending

Extending a vehicle agreement is not always the most cost-effective solution.

As vehicles age, operating costs and risk profiles often change.

While an extension may reduce short-term costs, it is important to consider the wider financial and operational impact of running an older vehicle.



Potential drawbacks include:

- Higher maintenance and repair costs, with greater exposure to unexpected bills
- Increased breakdown risk and vehicle downtime
- Reduced range, charging speed and battery performance on older EVs
- Older safety technology and driver assistance systems
- Driver satisfaction starting to reduce
- Potential compliance considerations as regulations evolve



Running an older vehicle

Don't just compare monthly rentals.

An extended vehicle agreement may appear cheaper than replacing a vehicle, but the monthly rental is only one part of the equation.

The real question is whether the savings

achieved by extending are outweighed by increasing maintenance costs, downtime, fuel consumption and lost productivity.

When assessing whether to extend or replace a vehicle, fleet operators should consider the vehicle's total cost of ownership, not just its monthly payment.

The hidden cost of downtime

The cost of a vehicle being off the road is often far greater than the repair itself.

Downtime can result in:

- Missed appointments
- Lost revenue
- Replacement hire costs
- Driver inefficiency
- Reduced customer service levels

When assessing whether to extend or replace a vehicle, downtime should be considered alongside rental, maintenance and fuel costs.

Fleet managers should assess:

- Current maintenance costs and whether they are rising
- The risk of major future repairs or component failures
- Breakdown frequency and vehicle reliability
- Time spent off the road
- Driver satisfaction and operational suitability
- The true cost of downtime to the business

Consider current market conditions

The right decision is not always determined by the vehicle itself.

External market conditions can influence whether extending or replacing represents better value.

For some businesses strong used vehicle values can make replacement more attractive, while weaker used vehicle values could boost the appeal of extending for another 12 months and provide valuable flexibility while market conditions improve.

Things to consider:

- Current replacement vehicle pricing
- Manufacturer support and discounts
- Interest rates and funding costs
- Vehicle availability and lead times
- Current used vehicle values
- Emerging vehicle technologies

Five questions every fleet manager should ask

1. Is the vehicle still reliable?

If the vehicle remains dependable and spends minimal time off the road, it may still offer excellent value.

Recurring faults or increasing downtime may indicate that replacement should be considered

2. Are maintenance costs increasing?

Maintenance costs often rise as vehicles age. The key question is whether those costs remain lower than the cost of replacement.

For vehicles without a maintenance package, it's worth factoring in the risk of unexpected repair bills as a vehicle ages.

The good news for electric fleets is that EVs have far fewer components that can fail. That said, wear items and ancillaries can still generate unplanned costs on an older vehicle, which can change the economics of keeping a vehicle for longer.

3. Does the vehicle still meet operational requirements?

Business needs evolve over time.

Changes in payload requirements, mileage, routes, technology needs and driver expectations can all influence replacement decisions.

4. What does downtime cost your business?

For many fleets, downtime is often more expensive than maintenance.

Missed appointments, hire vehicles, lost productivity and customer disruption can quickly outweigh any savings from delaying replacement.

5. Would a newer vehicle deliver meaningful savings?

Newer electric models continue to improve with every generation; better real-world range, faster charging, improved efficiency and more advanced driver assistance technology.

The key question is whether those gains are significant enough to justify the cost of replacement today, or whether your current vehicle is still delivering good value for your operation.



Compliance and duty of care

Fleet operators have responsibilities that extend beyond cost control.

As vehicles age, they can remain mechanically sound while becoming less suitable from a compliance or driver welfare perspective.

Fleet operators should keep an eye on:

- Duty of care obligations
- Environmental regulations
- Clean Air Zone or Low Emission Zone charges
- Whether the vehicle still meets operational requirements

When extending may make sense

- Reliability is strong and maintenance costs are predictable
- The vehicle is still fit for purpose
- Replacement vehicles are delayed or unavailable
- Cash flow or short-term flexibility is a priority
- A maintenance package keeps running costs under control
- Market conditions favour waiting

When replacement may be the better option

- Downtime is increasing or reliability is affecting operations
- Maintenance costs are rising significantly or major repairs are becoming likely
- Fuel or energy costs are becoming excessive
- Compliance or duty of care concerns are emerging
- The vehicle no longer meets business or operational requirements
- A newer model would meaningfully improve efficiency, safety or productivity

Why van decisions are different

A van generating revenue for the business often reaches its replacement point earlier than a company car because the operational impact of failure is significantly greater.

Fleet operators managing vans should place greater emphasis on:

- Vehicle uptime
- Payload requirements
- Driver productivity
- Service delivery
- Cost of downtime



Questions to ask your funder

- Is an extension available?
- What will the revised rental be?
- How long can the vehicle be extended for?
- Are there mileage restrictions?
- What happens if a replacement vehicle arrives early?
- Are there any extension fees?

The bottom line

There’s no universal replacement cycle. Every vehicle is different, and the best decision comes down to its condition, running costs, reliability and how well it still serves your operation.

What we’d always recommend is reviewing each vehicle on its own merits rather than defaulting to a fixed replacement cycle. A well-maintained vehicle can continue delivering value long after its original agreement ends. Equally, every

vehicle reaches a point where replacement becomes the smarter operational and financial decision.

If you’re not sure which way to go, we’re happy to help you work through it. We’ll give you an honest view of the options and help you find the best outcome for your fleet.

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