Lease Cancellation Charges

1. Overview / Objective

The purpose of this document is to define the rules, system behavior, and financial treatment of **Lease Cancellation Fees** in BAT Connect.

A Cancellation Fee is a charge applied when a lease is **terminated early by BAT or the driver before the agreed lease end date**. This fee represents compensation for breaking the contract before completion.

This document does **not** cover:

- Natural lease expiry (end-of-term or completion of planned segments)
- Cancelled leases that never became Active (pre-activation cancellation)
- Automatic renewals or mid-cycle lease extensions

2. Scope

Included	Excluded
Leases that are in **Active** or **Suspended** status and terminated early	Leases in **In Progress** or **Cancelled (pre-activation)**
All Lease Types: DOV, Long-Term, Medallion-Only, True Weekly, etc.	Natural expiry / scheduled completion
Cancellation fee definition, validation, editing, and ledger posting	Deposit settlement, DTR generation, and refund rules (covered separately)

3. Key Business Rules – Lease Cancellation Fee

Rule	Description

3.1 Fee Setup at Lease Creation	A cancellation fee amount is recorded as part of the lease terms when the lease is created. No payment is taken at this stage.
3.2 Fee Applicability	The fee is only charged if the lease is terminated early (Lease Status = Active or Suspended). No fee applies if the lease expires naturally or is cancelled before activation.
3.3 Default & Editable on Termination	At the time of termination confirmation, the system defaults the cancellation fee to the recorded amount but allows staff to edit it (e.g., based on negotiation or management decision).
3.4 Ledger Posting Timing	Once the termination is confirmed, the final cancellation fee is **immediately posted to the Ledger**. It is **not delayed** until deposit release or next DTR.
3.5 Ledger Accounting Treatment	The fee is recorded as income for BAT (e.g., "Cancellation Fee Revenue" ledger account). If deposit balance exists, fee is deducted against deposit balance first (if applicable).
3.6 No Charge = No Posting	If the final cancellation fee is set to 0, no financial posting is created.
3.7 Audit & Traceability	Any fee change from the originally recorded amount must be logged with user, timestamp, and comments for audit purposes.
3.8 Interaction with Deposit Hold	Cancellation fee is **separate from the 30-day deposit hold logic**. Deposits are held for delayed charges; cancellation fees are charged immediately at termination.

4. Workflow & System Behavior – Cancellation Fee

4.1 Where It Appears in the Lease Termination Flow

Step	System Behavior
Initiate Termination	User selects **Terminate Lease** from Manage Leases (only available if lease is Active or Suspended).
Pre-checks completed (Repairs/Loans posting)	System ensures all Repair and Driver Loan installments are posted.
Termination Details Screen	The system displays a **"Cancellation Fee" field** with the amount recorded at lease creation (default value).
User Interaction	• Field is editable. • User can adjust the amount (e.g., waive, reduce, or increase based on negotiation). • User can optionally add a note if modified.
Confirm Termination	On clicking Confirm: ✔ Lease status → Terminated ✔ Vehicle & Medallion → Available for Lease ✔ Deposit Hold is created (separate logic) ✔ **Cancellation Fee is immediately posted to the Ledger**.

4.2 System Actions When Confirmation Happens

System Action	Description
Ledger Posting	A financial transaction is created in `Ledger_Postings` with: • Posting Type: Cancellation Fee • Amount = final fee value • Timestamp = Termination Confirmation Time • Linked to Lease ID & Driver ID
Deposit Interaction (if applicable)	If deposit exists, system may apply fee using deposit balance in Ledger (deducting from

	deposit credit).
Lease History Logging	System records: user, timestamp, original fee, final fee, and reason/comments.
Visibility	The fee is visible in: • Lease Financial Summary • Driver Ledger Statement • DTR (if included as part of balance adjustment)
Audit Trail	Any changes to fee amount are logged for compliance.

4.3 User Interface – Minimum Fields Required

Field	Default Value	Editable?
Cancellation Fee	Pulled from Lease Creation data	✅ Yes
Final Fee Amount	Same as default	✅ Yes
Notes / Comments	Empty	Optional (required if fee changed)

5. Ledger Posting Logic – Cancellation Fee

5.1 When is the Fee Posted?

• The **cancellation fee is posted immediately** when the user confirms termination.
• It is **not delayed to DTR generation** and **not part of the deposit 30-day hold logic**.

5.2 Ledger Posting Details

Field	Description
Posting Trigger	Lease termination confirmation
Posting Table	`Ledger_Postings`
Posting Type / Category	`Cancellation Fee`

Debit Account	Driver Ledger Balance (Amount owed by driver)
Credit Account	BAT Revenue → "Cancellation Fee Income" (or equivalent GL account)
Posting Date	Termination Confirmation Date
Reference Fields	Lease ID, Driver ID, Vehicle ID, Termination ID (if applicable)
Amount	Final cancellation fee value entered by the user
Notes / Narration	"Cancellation Fee for Lease [Lease ID] – Early Termination"

5.3 Interaction with Deposit

Scenario	System Behavior
Deposit exists and fee ≤ deposit amount	Fee is deducted from deposit balance (internal ledger offset).
Deposit exists but fee > deposit	Deposit is used first; remaining balance posted as payable by the driver.
No deposit available	Entire fee amount is posted as a payable balance in driver ledger.
No fee (final amount = 0)	No ledger posting created.

5.4 Impact on Driver Trip Report (DTR)

- Cancellation Fee will **appear as an immediate charge** if the termination occurs before the next DTR.
- If termination is already confirmed, the DTR reflects an **adjusted balance (carry-forward)** rather than computing this fee separately.
- It is **not calculated as part of trip-based earnings** — it is a direct ledger transaction.

5.5 Audit & Traceability

Requirement	Behavior

Fee Modification Tracking	Original fee (from lease creation) vs. Final fee is stored.
Change Logging	System logs User, Timestamp, Reason/Comments for edits.
Financial Transparency	Posting is visible in Driver Ledger, Lease Financial Summary & Admin Reports.

6. Fields & Data Capture – Cancellation Fee

Field Name	Description / Purpose	When Captured	Editable?	Stored In
Cancellation Fee (Base Value)	Fee amount agreed at lease creation; used as default during termination.	Lease Creation	No	Lease Master Record
Final Cancellation Fee	Actual fee charged at termination. Defaults to base value, but editable.	Lease Termination (Confirmation screen)	✅ Yes	Lease Termination Record & Ledger Posting
Fee Modified Flag	Indicates if the fee was changed from the originally recorded value.	Auto-set on change	Auto	System Log / Audit
Fee Modification Reason / Comments	Notes to justify waiver/reduction/increase of fee.	Lease Termination (if fee edited)	Optional (Mandatory if fee ≠ base value)	Lease Termination Log

Ledger Posting ID	Unique reference for the financial posting.	Auto on termination confirmation	No	Ledger_Postings
Debit Account	Driver ledger balance (money owed).	Auto	No	Ledger_Postings
Credit Account	Cancellation Fee Revenue / BAT Income account.	Auto	No	Ledger_Postings
Posting Timestamp	Date & time when the fee is officially charged.	Auto on termination confirmation	No	Ledger_Postings
User / Staff Name	Who confirmed the termination.	Auto	No	Lease History / Audit Trail
Linked Lease ID	Lease reference for tracking.	Auto	No	Ledger_Postings / Lease History
Linked Driver ID	Driver responsible for fee.	Auto	No	Ledger_Postings

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7. Assumptions & Notes (Table Format)

#	Assumption / Note
1	Cancellation fee is only **recorded at lease creation**, not collected or posted at that stage.
2	Fee applies **only when a lease in Active or Suspended status is terminated early**.
3	**No cancellation fee** is applied if the lease is cancelled before activation (In Progress / Cancelled status).
4	**Fee is posted to Ledger immediately** when termination is confirmed — not during DTR and not after the 30-day deposit hold.

5	The fee **defaults to the recorded amount** during termination but is **editable by staff** before confirmation.
6	**Cancellation fee and Deposit are treated separately** — deposits follow the 30-day hold; cancellation fee is charged instantly.
7	Any change to the fee amount must be **logged with user, timestamp, and comment (if modified)** for audit.
8	**Finance confirmation is required** to determine if the cancellation fee is taxable or needs a separate tax component.
9	If the final cancellation fee is set to **0**, system will **not create a ledger posting**.
10	The fee should be **visible in Driver Ledger, Lease Financial Summary, and Admin Reports**.

8. Validations – Cancellation Fee

Validation ID	Validation Rule	Condition / Logic	System Behavior / Message
Eligible Lease Status	Cancellation fee can only be applied if the lease is eligible for termination	Lease.Status $\in$ {Active, Suspended}	If not eligible → *"Cancellation fee cannot be applied. Lease is not Active or Suspended."*
Cancellation Fee Exists	A cancellation fee value must exist from lease creation	Lease.CancellationFee Amount is not null	If null → prevent termination and show: *"Cancellation fee not defined in lease terms."*
Fee Amount Cannot Be Negative	Final fee value cannot be less than zero	FinalCancellationFee $\geq$ 0	If < 0 → *"Cancellation fee cannot be negative."*

Fee Change Justification	If final fee is modified from originally recorded value, user must provide a reason/comment	If FinalFee ≠ RecordedFee	System prompts for comment before allowing confirmation
Pre-Termination Ledger Completion	All Repair and Driver Loan installments must be posted before applying fee or terminating lease	Repairs.Posted = True AND Loans.Posted = True	If not → block termination until resolved
Posting at Confirmation	Cancellation fee must be posted immediately on confirmation	On Confirm Termination	Failure to post results in validation error and rollback of termination
No Direct Deduction from Deposit at Posting	Cancellation fee posting should not directly reduce deposit balance at time of posting	On posting of cancellation fee	Deposit remains in "Hold" until separate deposit settlement logic applies
Prevent Duplicate Fee Posting	Fee cannot be applied twice for the same lease	If Lease.Status = Terminated AND CancellationFeePosted = True	Hide fee field and prevent posting again
Valid Termination Date	Termination date must be valid and is required for fee posting	TerminationDate ≤ Today AND ≥ Lease.StartDate	Show error if invalid date is selected