

How effective is the Bank Referral Scheme?

Over the past 12 months, Number Eight Business Finance has worked with businesses of all shapes and sizes. For example, we have helped a micro company with a turnover less than £100k and we have been able to assist with raising over £2m for a large size business with a turnover in excess of £75m. In both cases, their respected banks were not supportive.

In most cases, we have been introduced to our customers because their bank has said “no” or their bank has said “yes”, but the set of covenants or conditions of offer have proven unworkable or inflexible.

The Human Interaction

Accessing any form of business finance is an art form these days. How can any business owner be confident that they are being provided with the best advice, to ensure that they are introduced to the best-fit finance product? In short, people like dealing with people and that is why, we believe, business owners prefer human interaction to, say, an online credit broker.

Low Conversion Success

The proof of the pudding is in the eating, they say. Depending on what set of statistics you read or believe, as low as 45% of enquiries received through the government’s Bank Referral Scheme are being funded successfully. Some lenders that we have spoken with are confirming that the enquiry levels from the scheme are plentiful but, disappointingly, the conversion rates are low.

The Advisory-Led Process

Conversely, the Advisory-led Intermediary (AIL) model is working well for both businesses and lenders alike and the reasons are simple. AIL organisations are filling the void that has been left by the old school bank manager. Typically, they will meet with the business owners. It is vital that an understanding of the business and the business owners is achieved, and this will help identify the type of finance needed. Thereafter, an AIL will package and submit a full and complete application to meet with the chosen lenders underwriting criteria. Needless-to-say, the conversion rates are over 90% and in the case of Number Eight, the rate exceeds 95%.

In Summary

There is evidence to suggest that the Bank Referral Scheme is not working effectively – is it doing enough to ensure that UK businesses are given the best opportunity to secure the finance that is best suited to their needs? If government is truly committed to supporting the financial needs of SMEs, then more human interaction is required and quickly.

Despite the politics, and how difficult it has become to discuss these issues with anyone at policy-making level, we and others like us will continue to make the case by example and maybe, something will change. If small businesses are still considered to be the “backbone of Britain”, then reform is needed... and soon. ■