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SME Finance

Eighth Report of Session 2023–24

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Summary

The last five years have been a torrid time to be running a business. A global pandemic and an energy price shock have made trading conditions difficult for everyone and every business. After rising steadily from 4.5 million small and medium-sized enterprises in 2010 to 6 million SMEs in 2020, these two shocks have reduced the number to 5.6 million. While the Government has launched a range of initiatives to help businesses both during the pandemic and since, the Treasury Committee launched this inquiry to consider the wider issue of Access to Finance and what more can be done to help these businesses grow.

Confidence amongst small and medium-sized enterprises (SMEs) in accessing finance has fallen and acceptance rates for business credit has lowered significantly. This is accompanied by increasing de-banking and ineffective recourse for bank disputes. Over 140,000 SMEs had their accounts closed in 2023. Unfair banking practices (such as the alleged requirement of collateral for disproportionately small loans) may have further limited access and suppressed demand. This difficult small business environment is disincentivising risk-taking, innovation and, potentially, growth.

SMEs make up over 99 per cent of the UK's business population and provide nearly half of employment in our economy. They include everything from early-stage startups to local businesses and rapidly growing innovators. Access to finance for SMEs must not be jeopardised further. Our report identifies areas where the burden can be eased.

- The Prudential Regulation Authority's introduction of the new Basel 3.1 standards risks tightening conditions for SMEs even further. Any more stringent capital requirements for SMEs should be abandoned. The removal of the SME support factor could pull millions of pounds of funding out of the market. It also puts the UK at odds with international peers in the USA and European Union.

- The Government must find a way to support the 55,000 SMEs currently served by the Business Banking Resolution Service (BBRS). BBRS has been ineffective and perceived as lacking in independence, and should close as planned. However, SMEs above the Financial Ombudsman Service (FOS) turnover thresholds still need a route to complain about treatment from their bank. A consultation on a new mechanism should take place by year end 2024.

- The Financial Conduct Authority (FCA) must provide clearer instructions on the use of 'risk appetite' and 'reputational risk' criteria. SMEs conducting legal operations must have access to banking services and banks should not be able to use risk appetite assessments to close accounts. HM Treasury's recently announced rule changes, to provide greater transparency when business accounts are closed, should be implemented by summer 2024.

- The Government must conduct annual assessments of the effectiveness of the British Business Bank (BBB). The organisation plays an important and positive role in providing both debt and equity solutions to SMEs seeking finance, including the rebranded 'Growth Guarantee scheme', but awareness of BBB and its schemes is too low.

- The FCA must also use their announced review and existing powers to tighten rules around any misuse of personal guarantees and provide the FOS with the appropriate remit to address related business complaints.

Introduction

1. We conducted this inquiry into access to finance for small and medium-sized enterprises (SMEs) as a follow-up to the 2018 report of our predecessor committee.[1] We received 119 written evidence submissions and held four oral evidence sessions, and would like to thank everyone who took the time to contribute.

What is an SME?

2. The UK Government defines SMEs as any organisation that has fewer than 250 employees.[2] As of 2023, there were more than 5.55 million SMEs in the UK, compared to around 8,000 large businesses.[3]

3. The Department for Business and Trade (DBT) breaks down the constituent elements of the wider SME population as follows:

Table 1: SME definitions

Term	Headcount
Medium-sized business	a business with 50 to 249 employees
Small business	a business with 10 to 49 employees
Micro-enterprise	A business with 0–9 employees

Source: DBT[4]

4.1 million businesses have no employees at all, while 5.51 million have between 1 and 49 employees and 37,000 have 50 to 249 employees.[5]

4. SMEs make a large contribution to the economy. The Department for Business and Trade (DBT) estimates that SMEs provide around 16.7 million jobs in the UK (61 per cent of the total employment at businesses), and £2.4 trillion in annual turnover (53 per cent of total business turnover).[6] This category therefore represents the bulk of the UK business population and a sizeable proportion of private sector employment and turnover. It follows that the health of the SME market has significant implications for the livelihoods of millions and for wider UK prosperity.

Current conditions in the SME finance market

5. We heard that 2024 is a difficult time to be an SME seeking finance, and that conditions may have worsened since our 2018 report. We concluded then that pessimism around lending conditions reduced demand for finance:

1 Treasury Committee, Twenty-Fourth report of the Session 2017–19, SME Finance, HC805
2 Department for Business and Trade, Business population estimates for the UK and regions 2023: statistical release, October 2023
3 Department for Business and Trade, Business population estimates for the UK and regions 2023: statistical release, October 2023
4 Department for Business and Trade, Business population estimates for the UK and regions 2023: statistical release, October 2023
5 Federation of Small Businesses, UK Small Business Statistics, 2023
6 Federation of Small Businesses, UK Small Business Statistics, 2023

> The reluctance amongst many business owners to seek external finance is driven by a variety of factors, though it is clear that a lack of trust in lenders and an often misplaced fear of rejection are key contributors.[7]

These attitudes persist in 2024, but while acceptance rates on finance applications were higher in 2018 than SMEs perceived them to be, pessimism may be more justified now. The Impact Investing Institute, a non-profit focusing on a sustainable economy, told us that the success rate of SME applications for bank loans fell from 80 per cent in 2018 to around 50 per cent as of 2023.[8] Likewise, the Federation of Small Businesses (FSB) reported that the success rate for all types of finance was falling, and fell from 65 per cent before the pandemic to a low of 45 per cent in 2022.[9]

6. Taking a longer view, credit conditions for SMEs appear to have tightened since the global financial crisis. Data from the Bank of England observed a sustained reduction in large bank lending to SMEs between 2012 and 2019.[10] Innovate Finance, the trade body for FinTechs, argued that a decline in SME funding by large high street banks after the crisis had led to a c.£95bn finance gap between 2015 and 2022, which had needed to be met by emerging challenger banks and alternative finance providers.[11] Data from the British Business Bank has shown that the share of total lending to SMEs by these challenger and specialist banks rose to around 60 per cent in 2023, whilst the five largest banks dropped to around 40 per cent, compared to over 60 per cent in 2012.[12]

7. In this context, it is unsurprising that business attitudes are becoming more pessimistic. In their confidence survey of 500 SMEs, Bibby Financial Services (a finance provider) noted that 67 per cent of respondents felt that banks were less likely to lend to them in October 2023 than had been the case six months earlier.[13]

8. Perhaps more concerning is increasing 'finance apathy' within the business population. The British Chambers of Commerce told us that many SMEs are now not seeking finance at all because they expect to be unsuccessful or are simply not looking to grow.[14] While alternative providers may have emerged in the years following the financial crisis, SMEs are not necessarily aware of them and do not tend to seek them out. Data from the British Business Bank suggests that SMEs have little interest in shopping around - only 5 per cent of respondents would consider another lender if not offered the full loan amount from their own Bank.[15]

9. Cost pressures and higher interest rates in the present economic environment are also affecting SME confidence. The British Chambers of Commerce highlighted that in their 2023 survey 41 per cent of businesses had become concerned about high interest rates and their consequences for the cost of finance.[16] Bibby Financial Services' October 2023 survey noted that 43 per cent of businesses had an increased need for finance to

7 Treasury Committee, Twenty-Fourth report of the Session 2017–19, SME Finance, HC805, para 16
8 Impact Investing Institute (SMEF0056)
9 Federation of Small Business (SMEF0105)
10 Bank of England, Open data for SME finance, March 2020, p.8
11 Innovate Finance (SMEF0059)
12 British Business Bank, Small Business Finance Markets 2022/23, Small Business Finance Markets 2023/24, March 2023 & March 2024, p.134 & p.30
13 Bibby Financial Services, SME confidence tracker, October 2023
14 British Chambers of Commerce (SMEF0063)
15 British Business Bank & Ipsos Mori, SME Finance Survey, March 2023, p.12
16 British Chambers of Commerce (SMEF0063)

meet these higher costs, but more than half of respondents felt that accessing that finance had become harder than six months before.[17] There is a possibility that the inability of businesses to access funding during difficult times will undermine the types of investment needed to build for the long term.

Conditions for micro-enterprises

10. The Department for Business and Trade estimates that more than 1 million micro-enterprises (with nine or fewer employees) and more than 4 million businesses had no employees, as of October 2023.[18]

11. Due to their small size and comparative lack of resources, micro-enterprises often particularly struggle to access finance. Mercia Asset Management (a venture capital firm) argued that banks may perceive them as "too high-risk due to their small size and potentially limited trading history", and that their lack of collateral or a comprehensive business plan would make it harder for them to secure financing.[19]

12. Present economic conditions can have more of an impact on micro-enterprises as they have less resilience and fewer sources of financing to make investments. Dr Rachel Doern of Institute of Management Studies, Goldsmiths, University of London, told us that issues of access to finance were compounded for micro-enterprises:

> From our research, we see that the smaller the business, the less it is aware of alternative sources of funding and the more likely it is to be rejected for more traditional sources of funding in relation to bank loans or venture capital.[20]

Dr Doern also noted that pessimism was felt strongly at the smallest end of the business population:

> we also have to consider some of the demand-related issues around whether small businesses, especially micro enterprises, feel comfortable putting themselves in a position where they are going to be carrying a load of debt or sharing equity in their businesses with investors.[21]

13. **Small and medium-sized enterprises make a large contribution to the UK economy, accounting for over half of total business employment and turnover. SMEs are struggling with narrow access to finance in the face of rising cost pressures and higher interest rates and are generally pessimistic about their ability to raise funds. Furthermore, apathy about seeking finance is a concerning trend amongst SMEs, and this further reduces access to and awareness of potential sources of business investment. All these pressures will be felt most acutely by the smallest businesses in the SME population, who may have the least resources to withstand difficult economic conditions.**

17 Bibby Financial Services, SME confidence tracker, October 2023
18 Department for Business and Trade, Business population estimates for the UK and regions 2023: statistical release, October 2023
19 Mercia Asset Management (SMEF0055)
20 Q4
21 Q19

1 Basel 3.1 and the SME supporting factor

14. Basel III is an internationally agreed set of measures developed by the Basel Committee on Banking Supervision in response to the financial crisis of 2007–09. The measures aimed to strengthen the regulation, supervision and risk management of banks.[22]

15. In November 2022, the Bank of England's Prudential Regulation Authority (PRA) launched a consultation on the adoption of further elements of the Basel standards, called 'Basel 3.1'. These proposals predominantly addressed the calculation of risk-weighted assets (RWAs), which are used to determine the minimum amount of capital a bank must hold in relation to the risk profile of its lending activities and other assets. This is done to reduce the risk of insolvency and protect depositors. The riskier an asset is determined to be, the more capital a bank has to hold. The changes are due to be implemented in 2025.[23]

16. The SME supporting factor is a mechanism introduced in the European Union in 2014. It lowers capital requirements on lending to smaller businesses. For exposures to businesses with a turnover below €50 million and a total outstanding loan not exceeding €1.5 million, a support factor equal to 0.7619 can be applied to Risk Weighted Assets.[24] SME lending can be perceived as risky by lenders, and the Federation of Small Businesses (FSB) argued in written evidence that this policy incentivises banks to lend to SMEs as the capital requirements are reduced by around a quarter.[25] The vulnerability of such a measure is that lower capital requirements on potentially risky loans reduces the resilience of banks.

17. In implementing Basel 3.1, the PRA proposed to remove the SME supporting factor. The PRA were unconvinced of the tangible impacts of the factor, citing research by the European Banking Authority (EBA) in 2016, which found evidence on the effectiveness of the mechanism to be inconclusive.[26] The PRA also noted that the factor may misrepresent the risk profile of lending:

> [The SME support factor] would result in RWAs that do not adequately reflect the risk of the exposures, which the PRA considers could pose a threat to the safety and soundness of firms.[27]

Under Basel 3.1, the PRA proposed introducing a new treatment for SME exposures, which would receive a risk weight of 85 per cent, compared with around 75 per cent currently.[28] This would provide a materially lower discount on SME lending going forward.

18. We received a large volume of evidence on the potential consequences of the PRA's reduction of the risk-weighting discount on SME lending. AllicaBank, a bank serving SMEs, argued in its written evidence that the implementation of Basel 3.1 was "the most critical issue facing SME lending in the UK". Allica commissioned research which found that the PRA's changes could:

22 Prudential Regulation Authority, CP16/22 – Implementation of the Basel 3.1 standards, November 2022, p.4
23 Prudential Regulation Authority, CP16/22 – Implementation of the Basel 3.1 standards, November 2022, p.5
24 Prudential Regulation Authority, CP16/22 – Implementation of the Basel 3.1 standards, November 2022, p.83
25 Federation of Small Business (SMEF0105)
26 European Banking Authority, EBA publishes the report on SMEs and the SME Supporting Factor, March 2016
27 Prudential Regulation Authority, CP16/22 – Implementation of the Basel 3.1 standards, November 2022, p.84
28 Prudential Regulation Authority, CP16/22 – Implementation of the Basel 3.1 standards, November 2022, p.85

- reduce the supply of SME lending by up to £44bn;
- increase the cost of borrowing for SMEs by 1–1.5 per cent, when SMEs are already struggling with higher debt servicing costs; and
- incentivise challenger banks to focus on higher risk lending—going directly against the prudential aim of the PRA's proposals.[29]

19. The FSB raised concerns in their evidence that Basel 3.1 could make it even harder for SMEs seeking finance to be accepted (noting that acceptance rates are already low) while increasing already tight cost pressures on firms with higher interest rates on loans.[30] UK Finance concurred, noting that without the SME support factor, "the cost of lending to a critical component of the UK economy will increase and borrowing demand consequently reduce".[31]

20. We discussed the SME support factor with lenders. Andrew Harrison, Managing Director, Customer Propositions & Delivery, NatWest, noted that large high street banks such as NatWest would need to hold more capital, and this would make lending pricier:

> The research suggests that the additional capital that the industry would need to hold is something around £44 billion. You are taking capital out of the sector that would be supporting small business lending. Therefore, due to the additional capital that needs to be held, it is likely that the price will go up and it will become more expensive.[32]

Mikael Sørensen, CEO of the challenger bank Handelsbanken, told us that smaller UK lenders would be similarly affected.[33]

International alignment

21. A further concern raised around the PRA's implementation of Basel 3.1 is that the treatment of SME lending is out of step with the UK's international peers and competitors. The British Chambers of Commerce (BCC) wrote to us in March 2023, outlining that these proposed rules on the support factor would be more restrictive of SME lending than those pursued in both the European Union and the United States, and noting the damage it could therefore do to the UK banking sector:

> This may lead to situation whereby EU/US banks via their UK branches can under-cut UK banks in their service provision. Furthermore, we remain of the belief that given the EU/US position, the PRA will inevitably have to delay these reforms anyway to ensure the UK is not left behind.[34]

The National Association of Commercial Finance Brokers (NACFB), similarly warned about the impacts Basel 3.1 would have on competitiveness:

29 Allica Bank (SMEF0106)
30 Federation of Small Business (SMEF0105)
31 UK Finance (SMEF0061)
32 Q144
33 Q145
34 British Chambers of Commerce, Letter to the Chair regarding Basel 3.1, March 2023

> there is [a] distinct possibility that [Basel 3.1] could make the UK lending sector uncompetitive when compared to our European lending counterparts, who are not set to adopt the framework's requirements as stringently.[35]

22. Oaknorth, a challenger bank, noted that pursuing these changes would make the UK an international outlier, going against global trends on capital requirements for SME lending:

> If implemented, these changes will mean the UK would be an outlier in comparison to peer jurisdictions such as the European Union … we are unclear why the PRA is proposing this path, given that UK capital requirements are already some of the highest in the world. For example, peer banks in the US are usually subject to less intensive capital requirements, than those in the UK.[36]

Andrew Harrison of NatWest made the same point in oral evidence:

> The other thought we have, which we think should be given some consideration, is that banks in Europe are not following the same trajectory on this.[37]

23. We relayed these industry-wide concerns to Bank of England Governor, Andrew Bailey. He conceded that the PRA's approach was out of step with the EU:

> The European Union decided to implement something that was not in the Basel framework, for which it received from the Basel Committee a "non-compliant" judgment afterwards.[38]

The Governor acknowledged the backlash and stated that the Bank was considering next steps:

> We have had feedback. We are looking at it. What I can say to you is that we are going to try to come out with something that works all round, taking into account our secondary as well as our primary objectives. We are giving it a lot of consideration. We will come out with something that I hope people will feel is an acceptable balance, so we are cognisant of the point.[39]

Sam Woods, Deputy Governor and head of the PRA, also told us that further work was being done to understand the impact of Basel 3.1 on SME lending.[40]

24. We put this to Economic Secretary to the Treasury (EST), Bim Afolami MP. He noted that HM Treasury did not have an internal estimate on the impact of the reforms, but that there was concern over any changes that might damage lending to SMEs. The Minister said that HM Treasury would not rule out discussions with the PRA over a resolution if they felt that their final package was too punitive:

35 National Association of Commercial Finance Brokers (NACFB) (SMEF0020)
36 OakNorth (SMEF0057)
37 Q145
38 Oral evidence taken on 10 January 2024, HC 208, Q345
39 Oral evidence taken on 10 January 2024, HC 208, Q345
40 Oral evidence taken on 7 February 2024, HC 222, Q145

> The important thing is that the PRA has not finalised where it is going to get to … if we feel, once the finalised package is there, that there is an issue, we will be talking to the PRA and trying to understand how we are going to deal with that issue. I repeat that that does not mean necessarily restoring the EU version of the support to SMEs, but we need to make sure that we keep the provision of finance to SMEs as strong as possible.[41]

25. **The removal of the SME supporting factor under Basel 3.1 threatens to undermine the UK's SME finance market by increasing capital requirements on lenders to SMEs. This will drive up the cost of finance for SMEs and may restrict the supply of lending as banks shift their loans away from the market. At a time when costs are tight and acceptance rates for finance low, anything that unnecessarily damages the availability of finance to SMEs is unacceptable. Other jurisdictions like the United States and European Union are also not pursuing as strict an interpretation of Basel with regards to SME lending so removal of the SME support factor risks putting the UK out of step with international peers and competitors, with negative consequences for the competitiveness of the UK market.**

26. ***The PRA must ensure that the final implementation of the Basel 3.1 standards leaves capital requirements on SME lending no more stringent than they are under the current system and that international competitiveness with the EU and the US is not harmed.***

41 Q258

2 Dispute resolution

The role of the Financial Ombudsman Service

27. Aside from pursuing litigation through the courts (which is in practice very costly for a small business), SMEs in dispute with their bank retain the option of dispute resolution services. Depending on their size, this will either be through the Financial Ombudsman Service (FOS), or the Business Banking Resolution Service (discussed later).

28. The vast majority of SME cases will be conducted through the FOS. The remit of the FOS is determined by the Financial Conduct Authority (FCA), and since April 2019, a business can appeal to the FOS if it has:

> an annual turnover of less than £6.5m (or its equivalent in any other currency); and
>
> i. employs fewer than 50 people; or
>
> ii. has a balance sheet total of less than £5m (or its equivalent in any other currency).[42]

29. Our evidence was broadly complimentary about the service provided by the FOS, though concerns were raised that it did not have the necessary resources and expertise to handle some of the more complex SME cases. The Federation of Small Businesses (FSB) recommended Government increased resources and capability in this area.[43]

30. We raised this with Chief Ombudsman Abby Thomas, who cited additional measures the FOS had put in place:

> I would point to our dedicated small business team—that is 55 individuals who were recruited for that expertise—and the fact we engage with our advisory panel, which is a portfolio of bodies that can speak really knowledgeably for the small business community to provide us with that guidance, like chambers of commerce or the FSB again.
>
> Finally, we also have an expert panel, which is designed to provide us with specialist knowledge for the small number of cases where we might benefit from that.[44]

31. Treasury officials told us that they had "conversations with the FOS about ensuring that it has appropriate resources in place".[45]

32. **We support the Financial Ombudsman Service in its role as the primary mechanism for SME banking disputes. We note concerns that the FOS is primarily equipped to deal with less complex cases but note the efforts undertaken by the organisation to improve specialist resource.**

42 FCA, FS23/5, Findings of review of rules extending SME access to the Financial Ombudsman Service, October 2023, p.3
43 Federation of Small Business (SMEF0105)
44 Q199
45 Q317

33. ***HM Treasury and the FCA should continue their dialogue with the FOS and keep resourcing under active review, to ensure that it has the prerequisite capacity and capability to serve the majority of the SME community.***

Consequences of the thresholds on eligibility to use the FOS

34. The FOS' thresholds of support mean that more than 99 per cent of businesses in the UK are eligible to bring complaints to the FOS.[46] However, within the defined SME population, round 55,000 businesses are too large to use the FOS' services.[47] These 55,000 businesses represent the largest SMEs, but are still not considered large businesses (which would always be expected to use the courts).

35. The FCA considered expanding the thresholds for accessing the FOS in 2023 but chose not to do so, considering it to be a disproportionate use of resources:

> Enabling businesses with significant resources or bargaining power, who are likely to be better placed to negotiate contracts and resolve disputes themselves, to access the ombudsman service would place additional burden and costs on the ombudsman service, and result in a disproportionate increase in regulatory costs.[48]

36. The FOS also said that these businesses could use litigation as a vehicle to redress grievances:

> … they will of course still have access to the courts (and greater resources and expertise than most consumers or small businesses eligible to refer a complaint to us).[49]

37. When our predecessor Committee reviewed the SME Finance market in 2018, they concluded that the gap beyond the FOS' thresholds should be filled by a Financial Services Tribunal (FST) that could handle more complex disputes with larger firms.[50] However, at that time, the FOS only covered complaints from micro-enterprises.

The Business Banking Resolution Service

38. The Business Banking Resolution Service (BBRS) was established in 2021 as a dispute resolution service for SMEs too large to be eligible for the FOS and considered not sufficiently sophisticated to go through litigation.[51] The service is funded by seven participating Banks that make up the scheme,[52] Larger businesses not served by those banks would not be in scope of the mechanism.

39. The BBRS included a contemporary scheme dealing with new cases, as well as an historical scheme looking at previous banking disputes. At the point of inception, estimates

46 Financial Ombudsman Service (SMEF0019)
47 Federation of Small Business (SMEF0105)
48 FCA, FS23/5, Findings of review of rules extending SME access to the Financial Ombudsman Service, October 2023, p.13
49 Financial Ombudsman Service (SMEF0019)
50 Treasury Committee, Twenty-Fourth report of the Session 2017–19, SME Finance, HC805, para 138
51 Business Banking Resolution Service (SMEF0026)
52 *The seven banks include: Barclays Bank, Danske Bank, HSBC UK, Lloyds Banking Group, NatWest Group, Santander UK plc, Virgin Money.* BBRS website, about us

of the BBRS' potential caseload varied widely from hundreds to thousands.[53] Since 2021, more than 1,000 cases have been registered, fewer than many had anticipated. Of that total, 146 cases were found to be eligible for the scheme, with 113 customers ultimately receiving financial adjudication awards or settlements.[54] By comparison, the FOS Small Business Team resolved more than 13,500 complaints between 2019 and 2023 (although their share of the SME population is considerably higher).[55]

40. The BBRS have detailed the full breakdown of the 1,006 closed cases by the most common reasons for closure:

Table 2: BBRS closed case outcomes

Closed case outcomes	1,006
Determined	74
Settlement	58
Mediated	3
Conciliated	11
Assessed as ineligible	152
Dismissed without merit	87
No response from customer	284
Closed for another reason	147
Duplicated registration	97
Customer withdrew complaint	93

Top closure reasons	Count
Case was likely to be eligible for the FOS	131
At the time the case was referred to the bank, the business did not meet the required BBRS financial criteria for turnover and/or balance sheet limit.	115
Customer out of contact	36
No reasonable prospect of success	31
Cases eligible for another scheme	29
Settled prior to registration	23
Part of the case is time barred	22
Customer did not comply with deadlines	19
Already considered by FOS	17
Not a banking service under BBRS rules	15
Not a complainant or not a complaint	15
The case has been the subject of a court claim, or formal pre-action correspondence	15

Source: BBRS[56]

53 Business Banking Resolution Service (SMEF0026)
54 BBRS, BBRS Quarterly Data - as of 31 March 2024, April 2024
55 Financial Ombudsman Service (SMEF0019)
56 BBRS, Stakeholder report, March 2024

41. In total, the BBRS has delivered less than £2 million in settlements at an operational cost of over £40 million, representing, in its own assessment, questionable value for money. The BBRS has argued that low demand and high relative costs have made the ongoing viability of the service unjustifiable:

> The data on which BBRS was founded was optimistically high … The conclusion therefore is that there was never any case to answer, and the 'tip of the iceberg' proved to be the whole iceberg … At a set-up cost of £23m, and with £19.5m running costs for 2021 and 2022, with substantial legal and management consultancy fees, delivering a considerably over engineered organisation, it is appropriate for these observations to be made and lessons taken.[57]

By comparison, resolving a case with the FOS costs around £1,000 per case to the industry.[58]

42. The BBRS proposed that the scheme would close at the end of 2023. However, the participating banks subsequently provided an operational extension into 2024.[59] Mark Grimshaw, BBRS CEO, explained that continuation of the scheme was a decision for the banks and that it had been partially motivated by recent events such as the FCA review of FOS thresholds, and our own inquiry into SME finance.[60]

43. We asked FSB Policy Director, Paul Wilson, about the planned closure and while he believed it appropriate that the BBRS close, he raised concerns that those SMEs too large for the FOS would once again be left without recourse.[61]

Criticisms of the BBRS and lessons learned

44. We received a great deal of evidence on the alleged failures of the BBRS to provide dispute resolution to SME customers. These complaints centre chiefly on two criticisms:

i) the eligibility criteria for cases to be considered by the BBRS is too narrow; and

ii) the participating banks have too much control over the service, undermining its independence.

Eligibility criteria

45. Evidence we received argued that far too many cases were out of scope of the regime, with the BBRS being uninterested, or unable, to make changes to cover a wider range of SME cases. The FSB noted:

> One lesson learned from the failure of the BBRS was that it was far too restrictive in eligibility, with little willingness from the BBRS to address this.[62]

57 Business Banking Resolution Service (SMEF0026)
58 Financial Ombudsman Service (SMEF0019)
59 BBRS, Operational extension for the Business Banking Resolution Service, November 2023
60 Q152
61 Q3
62 Federation of Small Business (SMEF0105)

The All-Party Parliamentary Group on Fair Business Banking were similarly critical, citing restrictive criteria as a key failure of the service:

> […] we can only conclude that the BBRS has been a terrible waste of time and money. Over-engineered, inflexible and with excessively restrictive eligibility criteria.[63]

46. Mark Grimshaw, CEO of the BBRS, laid the criteria out to us in oral evidence:

> In terms of eligibility, the case has to be against one of the seven banks we are funded by. That is not always the case, and if you are with one of the other banks, we cannot do anything for you, because they are not part of the scheme.
>
> The case also has to be brought within six months of receiving a final response letter—there is a little flexibility around that that leads to concessionary cases, which we will press the banks to take on board if we feel there is validity in doing so. And, quite clearly, the case has to relate to a banking service.
>
> This is where it becomes really quite important: the complainant cannot be part of an excluded scheme, they cannot have had a settlement from the banks historically and, most importantly of all, they cannot be involved in, or have been through, judicial proceedings.[64]

Mr Grimshaw reiterated the view that demand from SMEs within these criteria was very low:

> despite great efforts to communicate the service, there simply was not the demand for it out there—as you say, the tip of the iceberg turned out to be the whole iceberg.[65]

47. When pressed on why the eligibility criteria were drawn so narrowly, Mr Grimshaw asserted that this was a decision collectively agreed when the BBRS was set up:

> The eligibility criteria was reached by discussions between the SME community, banks and various representatives from much broader business organisations, and with some input from policymakers within Government. The key here is that the decision to go forward with the eligibility criteria that was created at the time was unanimous—everybody signed up to the eligibility criteria, on the view that there would be the yet-to-materialise 6,000 cases.[66]

48. Considering the low uptake and dissatisfaction with the service from the SME community, we put it to Mr Grimshaw that the criteria ought to be widened. His response was that the BBRS could not widen the criteria, and that this would require agreement between various stakeholder groups, including the participating banks:

63 Fair Business Banking APPG (SMEF0093)
64 Q191
65 Q184
66 Q173

> The BBRS cannot change the criteria […] the rules we operate within say that the banks collectively, and the SME community collectively, have to reach agreement; they have to determine what the change to the eligibility is going to be, and unanimously present that to the BBRS to be put into action. Both sides have to get together and agree a way forward.[67]

Independence of the service

49. Some of the evidence we received asserted that the BBRS was not independent from the banks who fund the scheme and that the influence of the seven banks was a driving force in mitigating the effectiveness of the organisation, for instance, by the setting of narrow eligibility criteria detailed above. The SME Alliance, an SME campaign group, claimed that the BBRS was a "sham", controlled by an entity known as the "Bank Appointed Member Limited Company" which sits on the BBRS board,[68] while the FSB questioned whether SME voices were adequately listened to:

> The failure of the BBRS to take on the advice of the SME liaison panel, which was set up to feed SME concerns back to the organisation, has contributed to its lack of effectiveness.[69]

50. The SME Liaison Panel was ultimately disbanded in March 2023 following the resignation of Chair Antony Townsend. In his resignation statement, Mr Townsend alluded to friction between the panel and other stakeholders:

> Despite the best efforts of fellow panel members, and of some within the BBRS, it has proved very difficult to make progress […] The very low numbers of cases resolved by BBRS and the banks suggest an inflexible system, and I do not detect the necessary willingness and imagination within the existing system to resolve this.[70]

51. We questioned Andrew Harrison, Managing Director, Customer Propositions & Delivery, at NatWest, on the topic of BBRS independence. He argued firmly:

> [The BBRS] was set up absolutely independently from the banks […] Although it is funded by the industry, it is completely independent. It has been subject to independent reviews to establish whether it is operating independently and whether it is delivering against its purpose. Both those reviews have been very positive about it. I have no concerns about how it is operating.[71]

52. The post-implementation reviews alluded to by Mr Harrison did conclude that the BBRS was structurally independent but commented on the need for the participating banks to authorise changes to any element of the structure:

67 Qq188–189
68 SME Alliance Ltd (SMEF0032)
69 Federation of Small Business (SMEF0105)
70 BBRS, SME Liaison Panel Update, March 2023
71 Q126

> The Legal Architecture of the BBRS provides for a structure which is independent of the banks and the SME community although none of it can be changed without the agreement of BBRS Independent Directors and, directly or indirectly, the Participating Banks.[72]

53. We put the independence of the BBRS to Mark Grimshaw and the close relationship alleged between the BBRS management and the bank representatives:

> Dame Angela Eagle: You seem to be very identified with the banks. Why is that?
>
> Mark Grimshaw: I do not recognise that relationship; we are independent.[73]

54. On the bank-appointed member, Mr Grimshaw subsequently wrote to us, asserting that it had no ability to influence the activities of the organisation:

> As the funding entities, the seven participating banks interact with the BBRS via a corporate body called the Bank Appointed Member (BAM) […] Unlike the other six independent, Voting Member, Non-Executive Directors [on the BBRS board], the BAM has no voting rights. The BAM has no leverage on any case matters and it does not influence the adjudication process in any form.[74]

55. Regarding the SME Liaison Panel, Mr Grimshaw indicated that the closure of the panel coincided with wider plans to wind up the service:

> […] the BBRS board knew that it would probably take the best part of three to four months to recruit a new chairman, and we were slated to close at the end of 2023. So the decision to close the panel was taken by the BBRS board, essentially in conjunction with the chair of the SME Liaison Panel.[75]

Dispute resolution after the BBRS

56. We discussed the operation of the BBRS with Economic Secretary to the Treasury, Bim Afolami MP. He agreed that access to dispute resolution was important for SMEs:

> We should always make sure that there is provision for appropriate alternative dispute resolution, because that is good for the economy and the sector.[76]

Mr Afolami would not, however, commit HM Treasury to setting up a new dispute resolution service:

> We will keep how it is working under review. I repeat, if the sector sets up a resolution service that does not have confidence from the people who it is

72 BBRS, BBRS Post-Implementation Review, February 2022, p.16
73 Q159
74 Treasury Committee, Letter from Mark Grimshaw, British Banking Resolution Service, following oral evidence on the 'SME Finance' inquiry, February 2024, pp. 3–4
75 Q186
76 Q267

> meant to be resolving it with, that is a problem and the sector needs to work with them to do that. That is not something that is being run through the Treasury.[77]

57. HM Treasury has historically committed to keeping this matter under review. In 2019, Lord Hammond of Runnymede, the then-Chancellor, commented in correspondence with UK Finance during the early implementation of BBRS:

> If it transpires that the scheme is not bringing resolution to a meaningful number of complaints […] then I would expect there to be further discussions around the scope of and eligibility for the backward-looking scheme.[78]

58. **The BBRS has seen a far smaller number of cases than some expected. This could be due to low demand, but is also likely to be due to the nature of the eligibility criteria attached to it, as shown by the rejection rate of cases. In the best-case scenario, the 55,000 businesses outside of the FOS' remit would never have been fully served by the scheme, because only the seven participating banks were in scope.**

59. **There is no clear evidence that the seven participating banks control the BBRS on an operational level. However, the structure and remit of the BBRS were determined with their consent. Dispute resolution must be independent, and perhaps as importantly, be seen to be independent of the financial services industry. Despite the assurances we have been given to the contrary, this does not appear to have been the case with the BBRS.**

60. ***The BBRS is not fit for purpose in providing alternative dispute resolution to the 55,000 SMEs who fall outside of the FOS' thresholds and this service should close as originally planned.***

61. ***HM Treasury must find a way to continue to meet the dispute resolution needs of those SMEs ineligible for FOS access (including considering whether the FCA was correct in assuming that expanding the FOS' thresholds would be a disproportionate cost). A consultation on a replacement mechanism must take place by year end 2024.***

62. ***HM Treasury and the FCA should also continue to the keep resourcing of the FOS under active review to ensure that it has the prerequisite capacity and capability to serve the majority of the SME community.***

77 Q270
78 Letter from Chancellor Phillip Hammond to UK Finance, January 2019

3 Business debanking

63. It is illegal, under the Equalities Act 2010, for a financial service provider to discriminate against customers on the basis of protected characteristics such as race, sex, disability or sexuality.[79] However, no such legal protection applies to the personal and political views of a business or business owner, nor to the nature of the business they conduct.

64. We received evidence suggesting that certain SMEs were being excluded from banking services based on the type of work that they carried out. The National Pawnbrokers Association claimed that banks systematically refused financing and accounts to their whole industry:

> It is virtually impossible to access bank financing, and pawnbrokers live in constant fear of bank account closures. Borrowing from banks is not achievable despite excellent profit opportunities at very low risk and high loan security for the banks. This is because banks have made higher level decisions to ban lending to the whole sectors of pawnbroking and also pawnbrokers who supply travel money to the public.[80]

The Association claimed that banks were opaque in their reasoning for a closure, and unmovable when challenged on the decision, while also providing very little notice. They noted that over the last nine years more than half of their members' accounts had been closed, and that there were no instances where a bank had reviewed the closure and changed their mind.[81]

65. Bacta, the trade association of the amusement machine sector, also asserted that banks withdraw services to its members based on judgements over their work. Bacta claimed that this was for reasons of reputational risk:

> The banks consider gambling to pose a reputational risk which, they say, offends their CSR [Corporate Social Responsibility] policies […] Gambling (and not all we do is gambling) is a lawful, well-regulated part of our economy. Irrespective of anyone's moral perspective on gambling, there should be no circumstances other than illegality, for a bank not to offer banking services to any of our members.[82]

66. We put these allegations of debanking based on sector of work to Andrew Harrison, Head of Customer Propositions and Delivery at NatWest. Mr Harrison argued that most account closures and refusals of service were for fraud and financial crime concerns, and that the rules around this limited how transparent a bank could be with its client:

> 99 per cent of any exit we make as an institution is for fraud and financial crime reasons […] In those situations, because of law and regulation, we are very limited in what we can say to those businesses without tripping over some of the legal aspects around tipping off.[83]

79 Equality Act 2010, sections 13–27
80 National Pawnbrokers Association (NPA) (SMEF0005)
81 National Pawnbrokers Association (NPA) (SMEF0005)
82 Bacta (SMEF0011)
83 Qq88–89

67. We subsequently wrote to a number of banks, including the largest high street providers, to seek further clarity on what their policies were towards debanking. We asked HSBC, Barclays, NatWest, Lloyds, Santander, TSB, Paragon, Metro Bank and Handelsbanken for the number of SME business accounts held; the number closed at the instigation of the bank in 2023, and the reasoning for the closure of these accounts.[84] We aggregate the total closure figures in Table 3:

Table 3: SME accounts closed by high street banks in 2023

	Customers	Accounts
NatWest	1,380,000	20,400
Lloyds	1,310,313	8,115
Barclays	1,050,000	78,750
HSBC	713,961	25,395
Santander	477,750	2,143
Metro	200,633	5,051
TSB	131,161	1,443

Source: Treasury Committee[85]

The data show that more than 140,000 business accounts were closed at the instigation of the lender in 2023.[86]

68. Banks cited fraud and financial crime, as well as a failure to comply with information sharing under 'know your customer' regulations, as the reasons for account closure in the overwhelming majority of cases. However, three banks (NatWest, Santander and Barclays) cited 'risk appetite' as another reason for closure of some. While a small proportion of the 140,000, this still amounted to 4,214 account closures.[87]

69. Santander was the only bank that provided a public definition of a "risk appetite" account closure:

84 Treasury Committee, Letters from the Chair to Barclays, HSBC, TSB, Lloyds, Santander, NatWest, Metro, Handelsbanken and Paragon, relating to the debanking of business customers, December 2023
85 Treasury Committee, Letters from Barclays, HSBC, TSB, Lloyds, Santander, NatWest, Metro, Handelsbanken and Paragon, to the Chair, relating to the debanking of business customers, December 2023 - February 2024
86 Treasury Committee, New de-banking figures show more than 140,000 business accounts closed by major banks, February 2024
87 Treasury Committee, New de-banking figures show more than 140,000 business accounts closed by major banks, February 2024

> **Risk Appetite/Non-compliance to policy:** These exits will include where the relationship does not align to our internal risk appetite statements or policy. Examples may be where we have limited appetite based on high geographical risks or the nature of business the customer is involved in.[88]

Under current regulations, banks are free to define risk appetite as they please. The absence of acknowledgement or explanation from the other respondents does not, therefore, rule out the possibility of its being used internally by those banks who did not explicitly list it in their criteria.

70. We received oral evidence from Handelsbanken CEO Mikael Sørensen, who suggested that banks may exclude certain sectors based on these types of assessments, including policies around Environmental, Social and Governance (ESG):

> **Chair**: On this debanking question […] You did refer to ESG […] Would you give a bank account to BAE Systems, for example?
>
> **Mikael Sørensen**: I cannot give you that answer here. There are restrictions on financing the defence sector, but that depends—
>
> **Chair**: You would not give a bank account to the people who keep us safe.
>
> **Mikael Sørensen**: No, I can say that our bank has financed the defence industry, but there are certain parts of the defence industry that we want to stand outside of.[89]

Role of the FCA in debanking

71. The FCA collected data on bank account access and closures in 2023. Their initial findings were that "no firm closed an account between July 2022 and June 2023 primarily because of a customer's political views". However, the FCA also highlighted that more work was needed to understand better the reasons behind some account closures, notably "reputational risk".[90] The review, like our own data collection exercise, found a great deal of inconsistency in how this criterion was used:

> 4.11 […] There has been inconsistency in firms' responses (and the significant majority of the cases cited with this reason for closure are from payments firms). While reputational risk may be legitimately considered, for example in decisions about relationships with sanctioned individuals or their close associates, we want to assure ourselves that this criterion is not being interpreted too broadly.[91]

72. We raised the FCA's and our findings with Economic Secretary to the Treasury, Bim Afolami MP. He suggested that the use of "reputational risk" or "risk appetite" in the closure of accounts represented a slippery slope, and that the focus of HM Treasury was on ensuring that the regulations were clear to prevent misuse of such criteria:

88 Treasury Committee, Letters from Barclays, HSBC, TSB, Lloyds, Santander, NatWest, Metro, Handelsbanken and Paragon, to the Chair, relating to the debanking of business customers, December 2023 - February 2024
89 Qq97–99
90 FCA, FCA sets out initial findings on bank account access and closures, September 2023
91 FCA, UK Payment Accounts: access and closures, September 2023, p.39

> It is a concern if that is what is happening. Once you start doing that, you go down a road that is quite problematic [...] I think what is mostly happening is a fear of a knock on the door from the regulator [...] It is about, if things go wrong, how the regulators deal with the industry and making sure that that is not too onerous or aggressive. It is the experience of that that means that, next time, that institution does not feel that it even wants to go close to a particular sort of institution. That would be a mistake.[92]

73. We also note, from data supplied to us by the FOS, that business debanking complaints have risen by 81 per cent from 2022/23 to 2023/24, from 367 to 666.[93] These data have only been collected for the past two years, and there is a general lack of publicly available data to analyse the trend in account closures and complaints.

74. We discussed how debanking data of this type might be used on an ongoing basis to provide transparency to the SME community. Paul Wilson of the FSB suggested that the FCA could manage the data collection of de-banking statistics:

> **Dame Andrea Leadsom:** Would you like to see the banks themselves publishing quarterly data on who they have de-banked, with some headlines as to why that is?
>
> **Paul Wilson:** Our suggestion … is that they send that data to the FCA, and then the FCA aggregates it, looks at it and maybe publishes aggregated data.[94]

HM Treasury review into debanking

75. The Treasury announced new rules in October 2023 designed to ensure that banks uphold the free speech rights of their customers. These changes would allow regulators to take action against banks who are judged to have discriminated against their customers in this way, while also extending the notice required to be given to a customer following an account closure from 60 days to 90 days, alongside a clear explanation for the reasoning behind the decision.[95] These changes have yet to be implemented.

76. We asked Economic Secretary to the Treasury Bim Afolami MP and Alanna Barber, Deputy Director, Banking and Credit, HM Treasury, when these rules would come into effect, and whether they applied to business accounts as well as consumer ones. Alanna Barber confirmed that the changes to termination rules would apply to business accounts:

> The account termination rule changes, so extending the notice period to 90 days and giving a clear reason except where it would be unlawful to do so, applies to business and personal accounts. The Department is going to be publishing regulations soon.[96]

77. **Any SME with a legal business should be able to access a bank account. Banks may need to close business accounts because of regulatory requirements and concerns**

92 Qq293–294
93 Treasury Committee, Debanking complaints surge in new figures published by Treasury Committee, April 2024
94 Q60
95 HM Treasury, Tougher rules to stamp out debanking, October 2023
96 Q295

around financial crime, but thousands of accounts are being closed for vaguely defined reasons relating to "risk appetite" or "reputational risk". What qualifies for this type of account closure varies from bank to bank with little regulatory guidance. SMEs deserve to know why their account has been closed, and the lack of transparency, alongside inconsistency in how criteria are being applied, is unacceptable.

78. ***The FCA should continue their work into better understanding how financial institutions are using criteria like "reputational risk" or "risk appetite" and report their findings by the end of Q2 2024. It is essential that the FCA publish clear instructions by Q3 2024 to the market about how such criteria can and cannot be used within the existing regulations. These instructions should be designed to ensure consistency between institutions and prevent the above criteria from being applied more broadly than the law permits. HM Treasury should keep the findings and subsequent action taken by the FCA under review, and it should be prepared to widen the FCA's remit as needed should the action taken not be robust enough under the current regulations.***

79. ***The FCA should also require banks to submit quarterly data on business account closures to assist their wider review. The FCA should publish an aggregated form of this data on a periodic basis to improve transparency over business debanking and allow SMEs to make informed decisions on their choice of finance provider. The FOS should also continue to publish statistics on complaints from businesses around account closures. We would not want Environmental, Social and Governance measures requested by investors to be interpreted as meaning that businesses engaged in perfectly legal defence or energy activities were unable to open a bank account.***

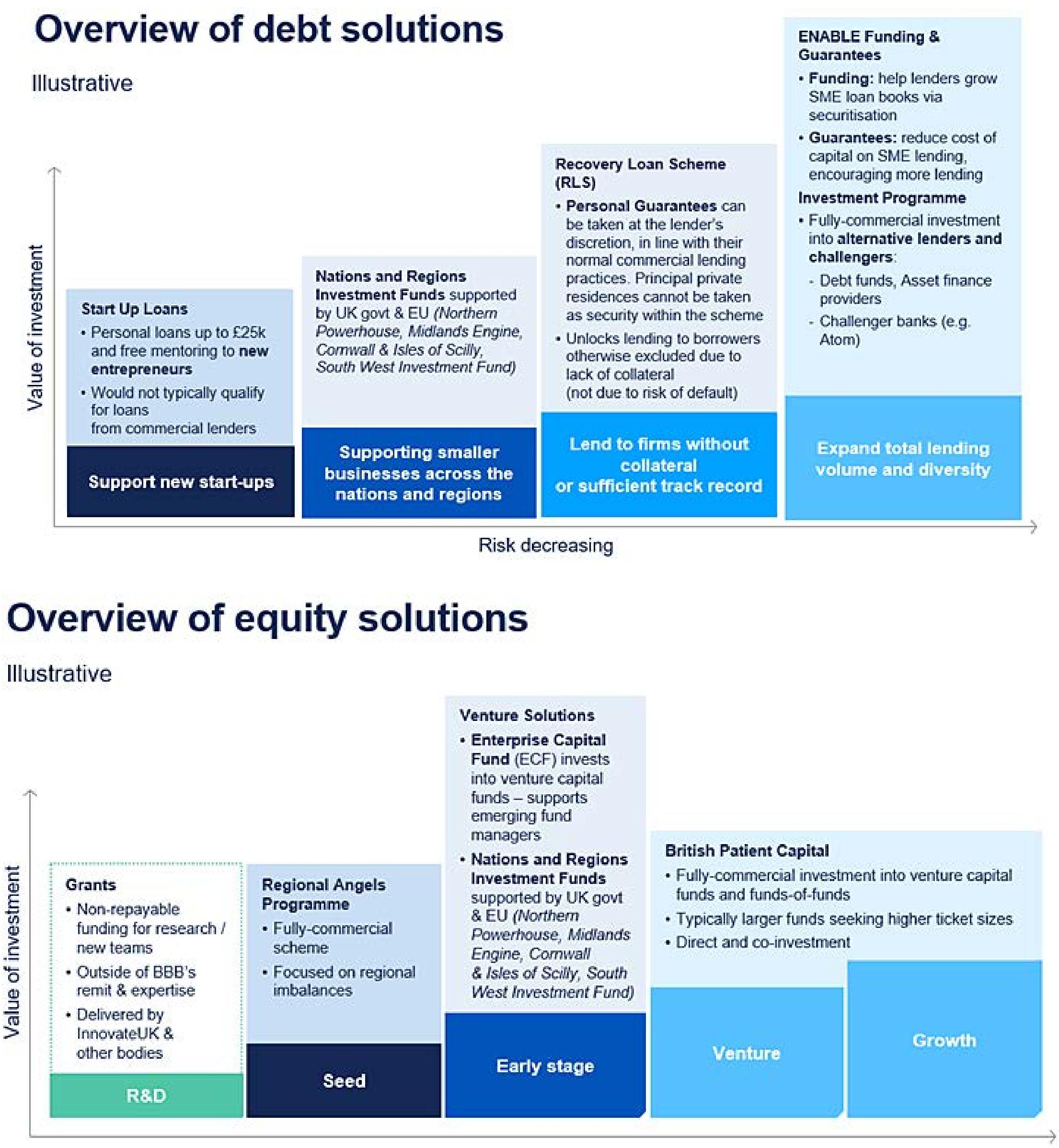
80. ***We welcome the Treasury's proposed rules changes on debanking, which will provide a greater deal of transparency to customers who suffer from an account closure. HM Treasury should introduce these regulations before the parliamentary summer recess, 2024.***

4 Role of the British Business Bank

81. The British Business Bank (BBB) was established in 2014 and serves as an economic development bank, designed to assist government in addressing market failures and improving access to finance for smaller businesses. The BBB mainly supports businesses through 200 'delivery partners', rather than lending or investing directly. As of 2023, the Bank's core programmes were supporting over £12 billion of finance for 96,000 smaller businesses.[97]

82. The Bank's programmes include a number of schemes targeting both debt and equity:

Figure 1: British Business Bank funding programmes



Source: British Business Bank[98]

97 British Business Bank (SMEF0102)
98 British Business Bank (SMEF0102)

83. The BBB's interventions have received positive feedback, but a key theme within our evidence was that awareness of services it offered, and even of the existence of the organisation, was low. The London Chamber of Commerce and Industry (LCCI), made this point:

> Views from LCCI's members were mixed on the effectiveness of the British Business Bank. For some, the Bank is useful in the resources it provides. For others who have tried to use the Bank's services, they have found no luck. One key takeaway was that there is not enough being done by financial institutions to educate and guide SMEs on how to access finance, and that the British Business Bank could perhaps fulfil this role.[99]

84. We discussed this with BBB CEO Louis Taylor. On awareness of the service, Mr Taylor stressed that many SMEs would either be sole traders or not be seeking finance, and that the Bank prioritised SME awareness of its delivery partners:

> The fact we are delivering what we deliver through all those delivery partners means we have more concern generally that our delivery partners know about us and are able to utilise what we are providing for them to the benefit of the SME, rather than that everybody knows the British Business Bank is there. Even though they know we are there, we are not necessarily going to directly provide them with the financing.[100]

Mr Taylor also pointed towards the BBB's 'Finance Hub', which provides information and support to SMEs:

> We have the Finance Hub online. It is a repository of a huge amount of information for small businesses to help them understand what type of finance they need and where they can get that finance, but not to give them advice. Having been on the Finance Hub, 67 per cent of people feel better informed and 70 per cent feel better able to act on the information they have.[101]

85. The BBB's Finance Hub was visited over 500,000 times 2023, though this represented less than 10 per cent of the 5.5 million SME population.[102] We challenged Louis Taylor on these numbers, but he argued that this level of take-up was encouraging:

> The half a million visitors to the site is a pretty good number. If you look at the number of sole trader businesses that are non-borrowers and serial non-borrowers, you exclude a very large proportion of that 5.5 million. It is not as though the finance community is providing no satisfactory service to small businesses, even if it is not perfect. So half a million represents a really good level of interest among businesses in how to find the right finance for them.[103]

99 London Chamber of Commerce and Industry (SMEF0111)
100 Q217
101 Q215
102 Q216
103 Q222

Mr Taylor also stressed that the BBB had a £200,000 marketing budget and utilised partnerships with industry bodies like the FSB to help publicise its services.[104]

86. We raised this with Economic Secretary to the Treasury, Bim Afolami MP. He agreed that there nevertheless remained some issues with SME awareness of the British Business Bank:

> There has been a complaint from many small businesses that they do not feel that they know where the information is. They do not know what type of bank to go to. They do not understand what type of finance they might need and they need advice and support. The British Business Bank, though it provides that service, can definitely highlight it more.[105]

87. **We commend the British Business Bank for its role in providing support to SMEs. We would like to see more smaller businesses visiting the Finance Hub and making use of its resources, as well as wider BBB programmes.**

88. ***Government, including HM Treasury and the Department for Business and Trade, should consult with the BBB on an ongoing basis to ensure that everything possible is being done to raise awareness and increase engagement from the SME community. This should include assessing whether the BBB has sufficient resources to publicise its services effectively. Government should subsequently implement criteria by which they can assess the effectiveness of the BBB in reaching SMEs, which they should publish annually.***

The Recovery Loan Scheme

89. The Recovery Loan Scheme (RLS) is a major support programme provided by the BBB. The RLS was initially introduced as a loan guarantee scheme in 2021, to secure access to lending during the Covid-19 pandemic. The scheme was administered by the BBB and offered a 70% government guarantee on loans to SMEs of up to £2 million in Great Britain, and £1 million in Northern Ireland.[106] Under the scheme, £4.34 billion was drawn down in the first two phases. From August 2022, the third phase of the scheme was introduced, offering support to SMEs as they looked to “invest and grow beyond the implications of Covid-19”.[107]

90. The evidence we received was supportive of the RLS. Allica Bank, which lends to SMEs, noted that the scheme provided crucial support to businesses both during and in the aftermath of the Pandemic:

> We believe the Covid schemes were essential in avoiding a huge jump in insolvencies in the wide range of business sectors impacted by Covid […] RLS plays an important role in SME finance, and it is important that is continued, particularly given the difficult macroeconomic conditions.[108]

104 Q218
105 Q276
106 Gov.uk, Recovery Loan Scheme, 2021–22
107 British Business Bank (SMEF0102)
108 Allica Bank (SMEF0106)

91. DSW Ventures Capital LLP, a Venture Capital firm, commented that the presence of the Covid guarantee loans made investing into growing companies more appealing:

> The various Covid support schemes were invaluable in supporting our portfolio companies through the pandemic. In many cases we followed on our investment, but were much more minded to risk more investor capital knowing that there was other capital going into these businesses.[109]

Theodora Hadjimichael, CEO of Responsible Finance (a body representing socially responsible and community development providers), provided detail on the impact of the RLS in supporting business founders who often struggle to receive finance:

> it is hugely important: 80% of CDFI [Community Development Financial Institutions] lending is guaranteed by RLS. A lot of the really excluded groups, like women, ethnic minorities and businesses in low-income areas, tend to have less security.[110]

92. The RLS was due to expire in June 2024. The evidence we received argued overwhelmingly in favour of extending the scheme. Allica Bank suggested that the scheme should be made permanent but rebranded away from "recovery", instead focusing on areas such as green finance (alongside the same core features as the current platform).[111] Similarly, Lisa Jacobs, CEO of Funding Circle (a digital finance platform), made the case for a permanent version of the RLS:

> [it] has been a really important way to support small businesses in getting access to finance. We would be very supportive of a longer-term Government guarantee, similar to what the US and Germany have […] It will be really important to make sure that there is either an extension or a long-term guarantee there in debt financing as well.[112]

93. We questioned BBB CEO Louis Taylor on the merits of extending the scheme. He was unequivocally in favour of doing so[113] and made the further point that a permanent version of the scheme ought to be something the government always had in place:

> […] it is probably a good idea for the Government to have some kind of guarantee scheme operational at any given time with a range of respectable lenders […] Having an operational guarantee scheme at a given time is quite a strong set of rails on which to build an emergency response.[114]

94. In March 2024, the Chancellor announced as part of the spring budget that the RLS would be extended to 2026:

> 5.99 Extension of the Recovery Loan Scheme (RLS)–The Recovery Loan Scheme has been renamed as the Growth Guarantee Scheme and extended

109 DSW Ventures Capital LLP (SMEF0006)
110 Q103
111 Allica Bank (SMEF0106)
112 Q103
113 Q231
114 Q230

until the end of March 2026. The scheme offers a 70% government guarantee on loans to SMEs of up to £2 million in Great Britain, and £1 million in Northern Ireland.[115]

95. **The Recovery Loan Scheme appears to have been successful in supporting SMEs with access to finance throughout the pandemic and beyond. We welcome HM Treasury's decision to extend and rebrand it into a "Growth Guarantee Scheme", which can provide support to many more businesses seeking to access finance in the coming years.**

96. ***HM Treasury and the BBB should consult on the merits of making the Growth Guarantee Scheme permanent, in order to provide a foundational support programme, which can be scaled up appropriately in a crisis. This would build long term security in the accessibility of finance for the SME population and provide a greater level of certainty.***

115 HM Treasury, Spring Budget, March 2024, p.79

5 Personal guarantees

97. A personal guarantee is a legally binding agreement between a lender and a business owner or director, which makes them personally liable for repaying the loan should the business default or become insolvent.[116] Lending to SMEs falls largely outside the Financial Conduct Authority (FCA) regulatory perimeter (only lending up to £25,000, for individuals or "relevant recipients of credit", is regulated), and as such there are very few restrictions on how personal guarantees can be used to secure business loans.[117]

98. We received evidence claiming that lenders were requiring disproportionate personal guarantees for smaller businesses seeking finance. Paul Wilson, policy director at the FSB, cited one such example:

> Someone was asked, in respect of a £5,000 loan, to put their house up as security. It was a young working mother and she decided not to go ahead and do that, so she did not take on the finance and grew the business more slowly.[118]

99. Evidence also suggested such use of personal guarantees was contributing to greater finance apathy among SMEs and reduced lending. Tees Valley Combined Authority, which claims to represent over 17,000 businesses, highlighted this issue:

> Lack of sufficient collateral can exclude businesses from obtaining finance […] This is problematic for businesses that do not own property or other assets. This can also apply to unsupported Directors Short Form Personal Guarantees if the individual(s) are reluctant to sign one.[119]

The Institute of Chartered Accountants in England and Wales (ICAEW), similarly argued that for many of the smallest businesses, who perhaps have not sought financing before, the prospect of a personal guarantee is very off-putting:

> Smaller businesses that lack a material business asset(s) can be reluctant to offer owners' homes as security. This may be more pronounced among businesses that took out loans under the COVID-19 Bounce Back Loan Scheme (BBLS), for which personal guarantees were not required and recovery action could not be taken over a principal private residence. For some businesses, a BBL was their first form of debt finance.[120]

100. Big Society Capital (an investor focused on tackling social issues), argued that widespread use of personal guarantees was particularly hurting businesses like social enterprises, or those operating in deprived areas:

> Social enterprises tend to work in the areas of highest deprivation, run by people from historically marginalised communities, who tend not to have assets of sufficient value to use as collateral and less likely to offer a personal guarantee from a director. For instance, credit decisions for most bank

116 BBB Website, A guide to personal guarantees for business borrowing,
117 Financial Conduct Authority (SMEF0118)
118 Q1
119 Tees Valley Combined Authority (SMEF0041)
120 ICAEW (SMEF0069)

> loans under £150,000 are automated, which means that social enterprises in more deprived areas without adequate collateral (given lower property values) have a lower chance of accessing finance from banks.[121]

101. We asked lenders about their use of personal guarantees, and found that they varied from firm to firm For example, Lisa Jacobs, CEO of Funding Circle, told us that "the presence of a personal guarantee decreases losses significantly."[122] However, Andrew Harrison, Managing Director, Customer Propositions & Delivery, NatWest, told us that personal guarantees were required by NatWest only for a limited range of cases:

> We would ask for a guarantee, but we would not take a charge on any personal property or a personal home or loans under £50,000. For that small business group, we will take a personal guarantee if it is a limited company, but not if it is a sole trader. We also would not take a charge on a personal property in that case.[123]

The FSB super-complaint

102. In December 2023, the FSB submitted a 'super-complaint'[124] to the FCA, regarding unfair use of personal guarantees by lenders. It asked that the FCA consider the following options:

- Asking government to extend the regulatory perimeter so that all business lending below a certain amount is clearly subject to FCA regulation, including lending to companies.
- (Assuming that the perimeter is extended.) Making specific rules in its Handbook relating to the use of personal guarantees in lending to companies, which balance the interests of borrowers and lenders appropriately.
- Making rules relating to the use of personal guarantees on currently regulated lending (to sole traders and partnerships).[125]

103. The FCA subsequently announced in March that they would investigate the use of personal guarantees in certain small business lending. The FCA emphasised that their remit did not presently include lending to limited companies. They did, however, undertake to do the following:

- Collect data (from April-June 2024) to understand the number of personal guarantees in place for sole traders and small partnerships borrowing less than £25,000.
- Review a sample of firms' policies and procedures to understand when personal guarantees are required for loans that come under the FCA's regulation.

121 Big Society Capital (SMEF0097)
122 Q141
123 Q143
124 The Financial Services and Markets Act 2000 (FSMA) gives designated consumer bodies the right to make a 'super-complaint' to the FCA where they consider there is a feature or a combination of features of a market in the UK for financial services that is or appears to be significantly damaging the interests of consumers. FCA, Finalised Guidance on super complaints and references under section 234D, 2013
125 FSB, Super-complaint on the approach taken by lenders to requiring personal guarantees for business loans, December 2023, p.8

- Work with the Financial Ombudsman Service (FOS) to monitor the levels of complaints about this issue.
- Consider whether lenders need further guidance on applying the FCA's rules and guidance within the Consumer Credit Sourcebook to situations where a personal guarantee is in place. If required, the FCA will consult on and publish guidance in the normal manner.[126]

104. The FSB's calls for a widening of the FCA's remit to deal with this issue would require commercial lending to enter the regulatory perimeter. The evidence we received was mixed on whether this would ultimately lead to positive outcomes. Funding Circle argued that this would negatively impact the accessibility of finance for SMEs:

> Bringing some, or all, of commercial lending within the perimeter would:
>
> Increase costs which would likely be passed on to SME customers.
>
> Make it harder for new lenders to enter the market, reducing competition.
>
> Stifle innovation from FinTech firms and prevent new products from being developed.
>
> Lower the commercial incentive for traditional lenders to serve less-profitable customers (these are often the smallest businesses).[127]

The National Enterprise Network similarly stressed that that this would "make it costlier to lend and will drive providers out of the market […] What may seem a well-intended action will lead to reduced options and increased market failure."[128]

105. The FSB noted that under the current system, one did not need to be authorised by the FCA to lend money commercially to SMEs. However, they also highlighted the downsides of extending the regulatory perimeter:

> Extending regulation to commercial lending should not be done lightly. The significant increases in FCA fees, and the costs and complexities of becoming (and staying) a regulated lender […] means that simply increasing the scope of the regulation to cover SME lending will likely lead to a short term reduction in the number of lenders in the market.[129]

The FOS and personal guarantees

106. Disputes concerning personal guarantees on business loans are largely outside the remit of the Financial Ombudsman Service (FOS). Abby Thomas, Chief Executive and Chief Ombudsman, highlighted that there were inconsistencies between how the FOS could assist SMEs versus consumers on the matter of personal guarantees:

> For example, if a small business is pursued for a personal guarantee that no director or decision maker in that business feels they took on, we cannot

126 FCA, FCA to investigate use of personal guarantees in certain small business lending, March 2024
127 Funding Circle (SMEF0044)
128 National Enterprise Network (SMEF0045)
129 Federation of Small Business (SMEF0105)

> help with that type of complaint. We could if that were a consumer; if a consumer were the guarantor, or seen to be the guarantor, and was being pursued for a guarantee they had not taken, we would be able to take that case on.[130]

107. The FOS later wrote to the FCA on the subject of gaps in their remit, highlighting further gaps in their coverage personal guarantees for business lending:

> We can't consider complaints from a guarantor of business lending against a different entity from the one which initially took the guarantee, eg where a debt and guarantee is sold on and a complaint arises against the second entity about how it seeks to enforce the guarantee.[131]

Other gaps in the FOS' remit

108. The FOS also highlighted other gaps in their remit regarding unincorporated associations, out-of-scope activities and individuals who do not qualify as consumers. Abby Thomas was unambiguous in her view that these gaps prevented the FOS from considering certain business cases, "despite the circumstances suggesting they are the kind of situation our service was intended to address".[132]

Government position

109. We discussed the issue of personal guarantees with the Economic Secretary to the Treasury, Bim Afolami MP. The Minister agreed that personal guarantees could be particularly burdensome for the smallest businesses, and committed HM Treasury to a review on what might be done to further alleviate this:

> In relation to the smallest type of businesses, let us see what we can do to loosen that a bit and to make people realise that, unless we allow more finance to go to some of the smallest businesses in certain forgotten parts of the country, we are not going to get the economy that all of us on all sides of the House want to see.[133]

110. **Disproportionate use of personal guarantees may be a factor in driving down access to finance, either owing to lack of collateral or simple risk aversion from businesses who do not wish to take them out. We support the FCA's investigation into the fair and proportionate use of personal guarantees that fall within its existing remit. The FCA's remit is set by Parliament, and we do not feel that widening it would be appropriate at this time. This is because the unintended consequences of introducing new regulatory frameworks to deal with specific issues in SME lending market could actually result in a reduction in the accessibility of finance for SMEs. We may revisit this in the future and will monitor the FCA's progress on the matter of personal guarantees.**

130 Q197
131 Treasury Committee, Correspondence between the Financial Ombudsman Service and the Financial Conduct Authority, relating to SME Finance, February 2024, p.4
132 Treasury Committee, Correspondence between the Financial Ombudsman Service and the Financial Conduct Authority, relating to SME Finance, February 2024, p.1
133 Q315

111. **We agree with the FOS that the current approach to personal guarantees on business lending represents a gap in its remit that fails to provide the kind of support to SMEs that the service exists for. The fact that the FOS cannot assist business owners or directors over misapplied guarantees, but can do so for consumers, represents an unfair inconsistency in how the FOS supports consumer versus business cases.**

112. ***The FCA should provide the FOS with the necessary powers to address personal guarantees for SMEs, so that their service is consistent with consumers. The FCA should also investigate widening the FOS's remit to cover the other gaps they identified and keep the Committee informed of their conclusions.***

113. **Unfair use of personal guarantees has the potential to constrain growth and investment for SMEs, particularly the smallest businesses. We welcome HM Treasury's review on this matter, and look forward to seeing what it will do to ease the burden on the smallest businesses.**

Conclusions and recommendations

Introduction

1. Small and medium-sized enterprises make a large contribution to the UK economy, accounting for over half of total business employment and turnover. SMEs are struggling with narrow access to finance in the face of rising cost pressures and higher interest rates and are generally pessimistic about their ability to raise funds. Furthermore, apathy about seeking finance is a concerning trend amongst SMEs, and this further reduces access to and awareness of potential sources of business investment. All these pressures will be felt most acutely by the smallest businesses in the SME population, who may have the least resources to withstand difficult economic conditions. (Paragraph 13)

Basel 3.1 and the SME supporting factor

2. The removal of the SME supporting factor under Basel 3.1 threatens to undermine the UK's SME finance market by increasing capital requirements on lenders to SMEs. This will drive up the cost of finance for SMEs and may restrict the supply of lending as banks shift their loans away from the market. At a time when costs are tight and acceptance rates for finance low, anything that unnecessarily damages the availability of finance to SMEs is unacceptable. Other jurisdictions like the United States and European Union are also not pursuing as strict an interpretation of Basel with regards to SME lending so removal of the SME support factor risks putting the UK out of step with international peers and competitors, with negative consequences for the competitiveness of the UK market. (Paragraph 25)

3. *The PRA must ensure that the final implementation of the Basel 3.1 standards leaves capital requirements on SME lending no more stringent than they are under the current system and that international competitiveness with the EU and the US is not harmed.* (Paragraph 26)

Dispute resolution

4. We support the Financial Ombudsman Service in its role as the primary mechanism for SME banking disputes. We note concerns that the FOS is primarily equipped to deal with less complex cases but note the efforts undertaken by the organisation to improve specialist resource. (Paragraph 32)

5. *HM Treasury and the FCA should continue their dialogue with the FOS and keep resourcing under active review, to ensure that it has the prerequisite capacity and capability to serve the majority of the SME community.* (Paragraph 33)

6. The BBRS has seen a far smaller number of cases than some expected. This could be due to low demand, but is also likely to be due to the nature of the eligibility criteria attached to it, as shown by the rejection rate of cases. In the best-case scenario, the 55,000 businesses outside of the FOS' remit would never have been fully served by the scheme, because only the seven participating banks were in scope. (Paragraph 58)

7. There is no clear evidence that the seven participating banks control the BBRS on an operational level. However, the structure and remit of the BBRS were determined with their consent. Dispute resolution must be independent, and perhaps as importantly, be seen to be independent of the financial services industry. Despite the assurances we have been given to the contrary, this does not appear to have been the case with the BBRS. (Paragraph 59)

8. *The BBRS is not fit for purpose in providing alternative dispute resolution to the 55,000 SMEs who fall outside of the FOS' thresholds and this service should close as originally planned.* (Paragraph 60)

9. *HM Treasury must find a way to continue to meet the dispute resolution needs of those SMEs ineligible for FOS access (including considering whether the FCA was correct in assuming that expanding the FOS' thresholds would be a disproportionate cost). A consultation on a replacement mechanism must take place by year end 2024.* (Paragraph 61)

10. *HM Treasury and the FCA should also continue to the keep resourcing of the FOS under active review to ensure that it has the prerequisite capacity and capability to serve the majority of the SME community.* (Paragraph 62)

Business debanking

11. Any SME with a legal business should be able to access a bank account. Banks may need to close business accounts because of regulatory requirements and concerns around financial crime, but thousands of accounts are being closed for vaguely defined reasons relating to "risk appetite" or "reputational risk". What qualifies for this type of account closure varies from bank to bank with little regulatory guidance. SMEs deserve to know why their account has been closed, and the lack of transparency, alongside inconsistency in how criteria are being applied, is unacceptable. (Paragraph 77)

12. *The FCA should continue their work into better understanding how financial institutions are using criteria like "reputational risk" or "risk appetite" and report their findings by the end of Q2 2024. It is essential that the FCA publish clear instructions by Q3 2024 to the market about how such criteria can and cannot be used within the existing regulations. These instructions should be designed to ensure consistency between institutions and prevent the above criteria from being applied more broadly than the law permits. HM Treasury should keep the findings and subsequent action taken by the FCA under review, and it should be prepared to widen the FCA's remit as needed should the action taken not be robust enough under the current regulations.* (Paragraph 78)

13. *The FCA should also require banks to submit quarterly data on business account closures to assist their wider review. The FCA should publish an aggregated form of this data on a periodic basis to improve transparency over business debanking and allow SMEs to make informed decisions on their choice of finance provider. The FOS should also continue to publish statistics on complaints from businesses around account closures. We would not want Environmental, Social and Governance*

measures requested by investors to be interpreted as meaning that businesses engaged in perfectly legal defence or energy activities were unable to open a bank account. (Paragraph 79)

14. *We welcome the Treasury's proposed rules changes on debanking, which will provide a greater deal of transparency to customers who suffer from an account closure. HM Treasury should introduce these regulations before the parliamentary summer recess, 2024.* (Paragraph 80)

Role of the British Business Bank

15. We commend the British Business Bank for its role in providing support to SMEs. We would like to see more smaller businesses visiting the Finance Hub and making use of its resources, as well as wider BBB programmes. (Paragraph 87)

16. *Government, including HM Treasury and the Department for Business and Trade, should consult with the BBB on an ongoing basis to ensure that everything possible is being done to raise awareness and increase engagement from the SME community. This should include assessing whether the BBB has sufficient resources to publicise its services effectively. Government should subsequently implement criteria by which they can assess the effectiveness of the BBB in reaching SMEs, which they should publish annually.* (Paragraph 88)

17. The Recovery Loan Scheme appears to have been successful in supporting SMEs with access to finance throughout the pandemic and beyond. We welcome HM Treasury's decision to extend and rebrand it into a "Growth Guarantee Scheme", which can provide support to many more businesses seeking to access finance in the coming years. (Paragraph 95)

18. *HM Treasury and the BBB should consult on the merits of making the Growth Guarantee Scheme permanent, in order to provide a foundational support programme, which can be scaled up appropriately in a crisis. This would build long term security in the accessibility of finance for the SME population and provide a greater level of certainty.* (Paragraph 96)

Personal guarantees

19. Disproportionate use of personal guarantees may be a factor in driving down access to finance, either owing to lack of collateral or simple risk aversion from businesses who do not wish to take them out. We support the FCA's investigation into the fair and proportionate use of personal guarantees that fall within its existing remit. The FCA's remit is set by Parliament, and we do not feel that widening it would be appropriate at this time. This is because the unintended consequences of introducing new regulatory frameworks to deal with specific issues in SME lending market could actually result in a reduction in the accessibility of finance for SMEs. We may revisit this in the future and will monitor the FCA's progress on the matter of personal guarantees. (Paragraph 110)

20. We agree with the FOS that the current approach to personal guarantees on business lending represents a gap in its remit that fails to provide the kind of support to

SMEs that the service exists for. The fact that the FOS cannot assist business owners or directors over misapplied guarantees, but can do so for consumers, represents an unfair inconsistency in how the FOS supports consumer versus business cases. (Paragraph 111)

21. *The FCA should provide the FOS with the necessary powers to address personal guarantees for SMEs, so that their service is consistent with consumers. The FCA should also investigate widening the FOS's remit to cover the other gaps they identified and keep the Committee informed of their conclusions.* (Paragraph 112)

22. Unfair use of personal guarantees has the potential to constrain growth and investment for SMEs, particularly the smallest businesses. We welcome HM Treasury's review on this matter, and look forward to seeing what it will do to ease the burden on the smallest businesses. (Paragraph 113)

Formal minutes

Wednesday 1 May 2024

Members present

Harriett Baldwin

Dr Thérèse Coffey

Stephen Hammond

Danny Kruger

Dame Siobhain McDonagh

SME Finance

Draft Report (*SME Finance*), proposed by the Chair, brought up and read.

Ordered, That the Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 113 read and agreed to.

Summary agreed to.

Resolved, That the Report by the Eighth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Adjournment

Adjourned till Wednesday 8 May at 2.00 pm.

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Wednesday 08 November 2023

Dr Rachel Doern, Institute of Management Studies, Goldsmiths, University of London; **Alex Veitch**, Director of Policy & Insights, British Chambers of Commerce; **Paul Wilson**, Policy Director, The Federation of Small Businesses; **Professor Eric Yeatman**, Enterprise Committee member, Royal Academy of Engineering Q1–76

Wednesday 06 December 2023

Theodora Hadjimichael, CEO, Responsible Finance; **Andrew Harrison**, Managing Director, Customer Propositions & Delivery, NatWest; **Lisa Jacobs**, CEO, Funding Circle; **Mikael Sørensen**, CEO, Handelsbanken Q77–149

Tuesday 23 January 2024

Mark Grimshaw, CEO, Business Banking Resolution Service; **Abby Thomas**, Chief Executive & Chief Ombudsman, Financial Ombudsman Service Q150–208

Louis Taylor, CEO, British Business Bank Q209–239

Wednesday 28 February 2024

Bim Afolami MP, Economic Secretary to the Treasury, HM Treasury; **Alanna Barber**, Deputy Director, Banking and Credit, HM Treasury Q240–330

Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee's website.

SMEF numbers are generated by the evidence processing system and so may not be complete.

1 ACCA (SMEF0083)

2 Aldermore Bank (SMEF0073)

3 All Party Parliamentary Group for Ethnic Minority Business Owners (SMEF0095)

4 Allica Bank (SMEF0106)

5 Anonymised (SMEF0116)

6 Anonymised (SMEF0048)

7 Anonymised (SMEF0010)

8 Anonymised (SMEF0004)

9 Association of Accounting Technicians (AAT) (SMEF0039)

10 BGF (SMEF0085)

11 Bacta (SMEF0011)

12 BankConfidential C.I.C. (SMEF0081)

13 Banking Competition Remedies Ltd (SMEF0014)

14 Beaconsoft Ltd (SMEF0038)

15 Big Society Capital (SMEF0097)

16 Bishop, Mark (Member (former), SME Liaison Panel, British Banking Resolution Service) (SMEF0036)

17 Booksellers Association (SMEF0096)

18 British Business Bank (SMEF0102)

19 British Chambers of Commerce (SMEF0063)

20 British Venture Capital Association (SMEF0065)

21 Brown, Professor Ross (Professor, University of St Andrews) (SMEF0033)

22 Business Banking Resolution Service (SMEF0026)

23 Business Information Providers Association (BIPA) (SMEF0082)

24 Centre for Research in Ethnic Minority Entrepreneurship, Aston University (SMEF0027)

25 Codat (SMEF0024)

26 Commex Foods Ltd (SMEF0076)

27 Confederation of British Industry (SMEF0109)

28 Cumbria Local Enterprise Partnership (SMEF0089)

29 DSW Ventures Capital LLP (SMEF0006)

30 Doern, Dr Rachel (Reader in Entrepreneurship , Institute for Management Studies, Goldsmiths, University of London) (SMEF0094)

31 Dun & Bradstreet (SMEF0107)

32 Engineering and Machinery Alliance (SMEF0054)
33 Enterprise Investment Scheme Association (EISA) (SMEF0101)
34 Enterprise Research Centre (SMEF0064)
35 Fair Business Banking APPG (SMEF0093)
36 Federation of Small Business (SMEF0105)
37 Finance & Leasing Association (FLA) (SMEF0007)
38 Financial Conduct Authority (SMEF0118)
39 Financial Ombudsman Service (SMEF0019)
40 Finexos (SMEF0098)
41 Free Trade Hall Hotel Ltd (SMEF0037)
42 Funding Circle (SMEF0044)
43 Funding Xchange Ltd (SMEF0084)
44 Goldman Sachs (SMEF0103)
45 Hausfeld & Co LLP (SMEF0049)
46 Hume, Mr Brian (Managing Director, Martec International Ltd) (SMEF0002)
47 ICAEW (SMEF0069)
48 Impact Investing Institute (SMEF0056)
49 Inngot Ltd (SMEF0086)
50 Innovate Finance (SMEF0059)
51 Institute of Directors (SMEF0090)
52 KPMG Acceleris Limited (SMEF0051)
53 Lending Standards Board (SMEF0079)
54 Lloyd, Dr Michael (Associate Director, Global Policy Institute London) (SMEF0012)
55 London Chamber of Arbitration and Mediation (LCAM) (SMEF0042)
56 London Chamber of Commerce and Industry (SMEF0111)
57 Mastercard (SMEF0017)
58 Mercia Asset Management (SMEF0055)
59 NCVO (SMEF0050)
60 National Association of Commercial Finance Brokers (NACFB) (SMEF0020)
61 National Enterprise Network (SMEF0045)
62 National Pawnbrokers Association (NPA) (SMEF0005)
63 OakNorth (SMEF0057)
64 Octopus Group (SMEF0034)
65 Paragon Bank (SMEF0104)
66 Plunkett Foundation (SMEF0088)
67 Praetura Ventures (SMEF0003)
68 Purple Shoots Business Lending Ltd (SMEF0025)
69 Responsible Finance (SMEF0091)

70 River Power Pod Limited (SMEF0119)

71 Royal Society of Chemistry (SMEF0047)

72 SME Alliance Ltd (SMEF0032)

73 Sage (SMEF0016)

74 Social Enterprise UK (SMEF0075)

75 Social Market Foundation (SMEF0117)

76 Sonovate (SMEF0060)

77 Staplebarn Limited (SMEF0001)

78 Swishfund Ltd (SMEF0009)

79 Tech West England Advocates (SMEF0046)

80 Tees Valley Combined Authority (SMEF0041)

81 The Royal Academy of Engineering (SMEF0087)

82 The ScaleUp Institute (SMEF0099)

83 Thorpe, Mr Simon (Angel Investor,, Cambridge Angels) (SMEF0013)

84 Transparency Task Force (SMEF0068)

85 UK Business Angels Association (SMEF0058)

86 UK Export Finance (SMEF0018)

87 UK Finance (SMEF0061)

88 Way, Peter (SMEF0078)

89 What Works Centre for Local Economic Growth (SMEF0110)

90 Wilson, Mr Rob (Head of Portfolio, Outfund) (SMEF0067)

91 garside, Ms pamela (Chair, Cambridge Angels) (SMEF0015)

92 iwoca Ltd (SMEF0092)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

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1st	The digital pound: still a solution in search of a problem?	HC 215
2nd	Edinburgh Reforms One Year On: Has Anything Changed?	HC 221
3rd	Appointment of Nathanaël Benjamin to the Financial Policy Committee	HC 443
4th	The work of the Sub-Committee on Financial Services Regulations: January 2024	HC 496
5th	Quantitative Tightening	HC 219
6th	Sexism in the city	HC 240
7th	Appointment of Clare Lombardelli as Deputy Governor for Monetary Policy, Bank of England	HC 687
1st Special	The Digital Pound: A solution in search of a problem?: Government and Bank of England Response to the Committee's First Report	HC 535
2nd Special	Edinburgh Reforms One Year On: Has Anything Changed? Government Response to the Committee's Second Report	HC 585
3rd Special	Quantitative Tightening: Government, Bank of England and Debt Management Office Reponses to the Committee's Fifth Report	HC 688
4th Special	Edinburgh Reforms One Year On: Has Anything Changed?: Further Government Response to the Committees Second Report Fourth	HC 723

Session 2022–23

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1st	Future of financial services regulation	HC 141
2nd	Future Parliamentary scrutiny of financial services regulations	HC 394
3rd	The appointment of Dr Swati Dhingra to the Monetary Policy Committee	HC 460
4th	Jobs, growth and productivity after coronavirus	HC 139
5th	Appointment of Marjorie Ngwenya to the Prudential Regulation Committee	HC 461
6th	Appointment of David Roberts as Chair of Court, Bank of England	HC 784

Number	Title	Reference
7th	Re-appointment of Sir Dave Ramsden as Deputy Governor for Markets and Banking, Bank of England	HC 785
8th	Autumn Statement 2022 – Cost of living payments	HC 740
9th	Appointment of Ashley Alder as Chair of the Financial Conduct Authority	HC 786
10th	The work of the Sub-Committee on Financial Services Regulations	HC 952
11th	Fuel Duty: Fiscal forecast fiction	HC 783
12th	Appointment of Professor Randall Kroszner to the Financial Policy Committee	HC 1029
13th	Scam reimbursement: pushing for a better solution	HC 939
14th	The work of the Sub-Committee on Financial Services Regulations	HC 952-i
15th	Regulating Crypto	HC 615
16th	Tax Simplification	HC 723
17th	The appointment of Megan Greene to the Monetary Policy Committee	HC 1395
18th	The work of the Sub- Committee on Financial Services Regulations	HC 952-ii
19th	The venture capital market	HC 134
20th	Tax Reliefs	HC 723
1st Special	Defeating Putin: the development,implementation and impact of economic sanctions on Russia: Government Response to the Committee's Twelfth Report of Session 2021–22	HC 321
2nd Special	Future of financial services regulation: responses to the Committee's First Report	HC 690
3rd Special	Jobs, growth and productivity after coronavirus: Government response to the Committee's Fourth Report	HC 861
4th Special	Autumn Statement 2022 – Cost of living payments: Government response to the Committee's Eighth Report	HC 1166
5th Special	Fuel Duty: Fiscal forecast fiction: Government response to the Committee's Eleventh Report	HC 1242
6th Special	Scam reimbursement: pushing for a better solution: Payment Systems Regulator's response to the Committee's Thirteenth Report	HC 1500
7th Special	Regulating Crypto: Government Response to the Committee's Fifteenth Report	HC 1752
8th Special	Tax Reliefs: Government Response to the Committee's Twentieth Report	HC 1875
9th Special	Venture Capital: Government Response to the Committee's Nineteenth Report of Session 2022–23	HC 1876

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4th	The Financial Conduct Authority's Regulation of London Capital & Finance plc	HC 149
5th	The Future Framework for Regulation of Financial Services	HC 147
6th	Lessons from Greensill Capital	HC 151
7th	Appointment of Sarah Breeden to the Financial Policy Committee	HC 571
8th	The appointment of Dr Catherine L. Mann to the Monetary Policy Committee	HC 572
9th	The appointment of Professor David Miles to the Budget Responsibility Committee of the Office for Budget Responsibility	HC 966
10th	Autumn Budget and Spending Review 2021	HC 825
11th	Economic crime	HC 145
12th	Defeating Putin: the development, implementation and impact of economic sanctions on Russia	HC 1186
1st Special	Net Zero and the Future of Green Finance: Responses to the Committee's Thirteenth Report of Session 2019–21	HC 576
2nd Special	The Financial Conduct Authority's Regulation of London Capital & Finance plc: responses to the Committee's Fourth Report of Session 2021–22	HC 700
3rd Special	Tax after coronavirus: response to the Committee's First Report of Session 2021–22	HC 701
4th Special	The Future Framework for Regulation of Financial Services: Responses to the Committee's Fifth Report	HC 709
5th Special	Lessons from Greensill Capital: Responses to the Committee's Sixth Report of Session 2021–22	HC 723
6th Special	The appointment of Professor David Miles to the Budget Responsibility Committee of the Office for Budget Responsibility: Government response to the Committee's Ninth Report	HC 1184
7th Special	Autumn Budget and Spending Review 2021: Government Response to the Committee's Tenth Report	HC 1175
8th Special	Economic Crime: responses to the Committee's Eleventh Report	HC 1261

Session 2019–21

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1st	Appointment of Andrew Bailey as Governor of the Bank of England	HC 122
2nd	Economic impact of coronavirus: Gaps in support	HC 454
3rd	Appointment of Richard Hughes as the Chair of the Office for Budget Responsibility	HC 618
4th	Appointment of Jonathan Hall to the Financial Policy Committee	HC 621
5th	Reappointment of Andy Haldane to the Monetary Policy Committee	HC 620
6th	Reappointment of Professor Silvana Tenreyro to the Monetary Policy Committee	HC 619
7th	Appointment of Nikhil Rathi as Chief Executive of the Financial Conduct Authority	HC 622
8th	Economic impact of coronavirus: the challenges of recovery	HC 271
9th	The appointment of John Taylor to the Prudential Regulation Committee	HC 1132
10th	The appointment of Antony Jenkins to the Prudential Regulation Committee	HC 1157
11th	Economic impact of coronavirus: gaps in support and economic analysis	HC 882
12th	Tax after coronavirus	HC 664
13th	Net zero and the Future of Green Finance	HC 147
1st Special	IT failures in the financial services sector: Government and Regulators Responses to the Committee’s Second Report of Session 2019	HC 114
2nd Special	Economic Crime: Consumer View: Government and Regulators’ Responses to Committee’s Third Report of Session 2019	HC 91
3rd Special	Economic impact of coronavirus: Gaps in support: Government Response to the Committee’s Second Report	HC 662
4th Special	Economic impact of coronavirus: Gaps in support: Further Government Response	HC 749
5th Special	Economic impact of coronavirus: the challenges of recovery: Government Response to the Committee’s Eighth Report	HC 999
6th Special	Economic impact of coronavirus: gaps in support and economic analysis: Government Response to the Committee’s Eleventh Report	HC 1383