

## The aims of the Business Finance Taskforce

Since the onset of the global financial crisis, the subject of bank finance for small businesses has become a topic of national importance. We are told the banks are not lending enough; or that they are lending enough but the terms are too onerous; or that they are they are turning down loan requests from viable businesses.

Over the last two years, the subject of bank finance has become a topic of national importance. On the one hand, since the UK economy slowed in the wake of the financial crisis in 2008 there has been much comment that banks are not lending enough; that lending is conducted at rates that are too high; and that banks are turning down loan requests for viable businesses. On the other hand, over this same period, the banks have seen a steady decline in demand for loans and a steep increase in the cost of wholesale funding, upon which much of their lending depends. Securitisation markets remain subdued, with knock-on consequences for the flow of bank credit into the real economy.

Therefore the chief executives of the six largest UK banks decided in July to take a close look at how they could do more to help the UK return to sustainable growth. They acknowledge the special responsibilities they carry, both in the wake of the economic crisis and as engines of the economy.

The Business Finance Taskforce was set-up to analyse the facts, to create momentum: to ensure money is lent prudently to viable small to medium companies; and to support the economic recovery without initiating another credit surge.

### Working with Government

The Taskforce was announced in the Government's green paper *Financing a Private Sector Recovery*, published in July. It recognised that small and growing businesses constitute a vital contributor to economic recovery, as it is through them that many new jobs will be created. The Taskforce therefore focused its work on lending to business, especially small to medium business.

It is here that the banks have a critical role, ensuring these have proper access to secure and sustainable sources of finance.

Observers from HM Treasury, the Department for Business, Innovation and Skills and the Bank of England have been present throughout the project.

### Who are the members?

Senior people from Barclays, HSBC, Lloyds, RBS, Santander and Standard Chartered have worked together across the four workstreams, coordinated by the British Bankers' Association and supported by Government and Bank of England officials. As ideas developed, the Taskforce brought them to business representative groups and a range of other organisations to ensure their concerns were addressed.

### What are the conclusions?

The Taskforce banks have committed to 17 actions across three broad areas.

#### To improve customer relationships the banks will:

1. **Support a network of business mentors** by working with the business groups to deliver this free service to small businesses across the UK
2. **Improve service levels to micro enterprises** (those with a turnover of less than £50,000 per annum) by setting out in a new Lending Code the levels of service banks will provide and outlining additional sources of help and advice
3. **Publish lending principles** which clearly set out the minimum standards medium-sized and larger businesses can expect when asking banks for loans and other services
4. **Establish transparent appeals processes** for when loan applications are declined, with processes independently monitored by a senior independent reviewer, who will publish the results of their review, to ensure each bank has a fair and equitable appeals process
5. **Initiate a pre re-financing dialogue 12 months' ahead of any term loan coming to an end**, which will include a timely review of business and re-financing needs and an assessment of what needs to be in place ahead of loan expiry to maximise the prospect of successful re-financing.

#### To ensure better access to finance the banks will:

6. **Establish and invest in a new £1.5 billion Business Growth Fund** to fill a crucial gap in the market and provide capital for viable businesses which want to invest and grow

7. **Support the Enterprise Finance Guarantee Scheme**, seeking continued Government backing through to 2012, and accommodating any changes made by Government
8. **Help mid-sized businesses access syndicated debt markets** by raising customer awareness, training customer-facing staff and engaging more actively with business groups and customers
9. **Improve access to trade finance** through targeted SME awareness-raising campaigns and exploring possible regulatory adjustments with the FSA. Improve access to trade finance products for businesses that qualify for the Enterprise Finance Guarantee Scheme
10. **Signpost alternative sources of finance**, giving customers helpful information and advice if a loan is declined and raising awareness about the financial solutions they should consider
11. **Help improve the supply of credit to the wider economy**, working with the authorities to ensure that wholesale markets can support the necessary lending capacity as the economy recovers.

**To provide better information and promote understanding** the banks will:

12. **Fund and publish a regular independent survey**, commencing in early 2011, to a methodology agreed with Government and business groups, so there is an agreed and authoritative set of data on business finance demand and lending supply
13. **Enhance the cross-industry lending dataset** by broadening the statistics on lending available for wider bands of business activity; on lending to deprived areas; and on national and regional data on the provision of bank support to business start-ups
14. **Hold regional outreach events** throughout 2011 with business groups to enable business customers and business groups to meet with key staff from the banks to answer questions and explain what services are available
15. **Improve customer information** including a review of literature and other materials, so customers can more easily understand what products will best meet their needs
16. **Host a dedicated website** through the BBA to draw together and link useful sources of information to help customers access the most appropriate information. This will also connect mentoring networks
17. **Establish a Business Finance Round Table** where senior representatives from the banks and business groups meet regularly to discuss and review trends, identify emerging areas of concern, ensure problems are addressed and facilitate the implementation of the Taskforce initiatives.