



Bank Referral Scheme: Official Statistics

[x] December 2020

Data from 1 November 2016 to 30 September 2020

Headlines:

- Since November 2016, more than 45,000 small businesses who were rejected for finance from one of the big banks have been referred under the scheme.
- In total, the scheme has facilitated over 2,500 businesses securing more than £56 million of funding.
- Of this total, since 1 July 2019 the policy has helped 889 businesses raise over £23 million of funding.
- The three quarters (Q3 2019 – Q1 2020) before the Covid-19 pandemic were the most successful in terms of deals made since

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Introduction

The Government's Bank Referral Scheme is designed to help improve SME access to finance and competition in the SME lending market.

Launched in November 2016, the scheme requires nine of the UK's biggest banks to pass on the details of small businesses (where the businesses have consented to this data sharing) that they have turned down for finance to three Government designated finance platforms: Alternative Business Funding, Funding Options and Funding Xchange. These platforms are, in turn, required to share these details, in anonymous form, with alternative finance providers, helping to facilitate a conversation between the business and any provider who expresses an interest in supplying finance to them.

The scheme was introduced in response to evidence showing that SMEs tend to approach their main bank when seeking finance and that, if rejected, many simply give up rather than seek alternative options. As other finance providers with different business models or risk appetites may be more willing to lend to these SMEs, this represents both an informational market failure and a significant barrier to entry for competitors in the SME lending market. The Bank Referral Scheme helps to address this by giving businesses that are viable, but do not fit the risk appetite of the traditional banks, access to the finance they need to grow and thrive.

The Government published headline figures for the policy, alongside a press notice, in August 2017. This statistical release provides a more comprehensive set of data on the Bank Referral Scheme since the scheme went live on 1 November 2016¹, including:

- value of quarterly funding;
- quarterly referral and contact rates;
- quarterly conversion rates;
- referrals made by location;
- deals made by location;
- funding value distribution; and
- average deal size by location.

The numbers include data across all four platforms that have been designated during the lifetime of the scheme (Alternative Business Funding, Business Finance Technology², Funding Options and Funding Xchange).

A Referral is defined as an SME's anonymised details being made available to designated finance platforms referred by the designated bank which rejected their finance application, under the BRS.

A Contact is defined as a referred SME who subsequently acted on their referral to contact one of the designated finance platforms to seek a deal with an alternative finance provider.

¹ Q4 2016 covers only 2 months, November and December, due to the scheme going live in November 2016. In addition, it is important to note that the data does not take into account any SME inquiries that remain open, so the data may be revised upwards in future.

² At their request, the Government de-designated Business Finance Technology in March 2018

Quarterly funding

Table 1 shows the value of quarterly funding provided under the scheme, broken down by the number of deals, the total value and the average value of the loan. There have been 2,584 deals completed since the scheme began in November 2016, with an average value of £21,792. The total value of finance provided under the scheme is over £56m. This means that, since July 2019, the policy has helped a further 889 businesses raise over £23m of funding. This shows the scheme continued to grow strongly in late 2019 and early 2020. But the impact of Covid-19 has significantly impacted both the number of deals and average value thereof. Beforehand, the average loan size was c.£20,000 as shown in Table 1. Q2 and Q3 in 2020 have seen fewer deals with a much greater average loan size, suggesting that many small businesses in need of smaller loan sizes are using the Bounce Back Loan Scheme (a 100% guarantee loan scheme introduced by HMG in May to support provision of rapid finance to SMEs affected by Covid) which offers loans of up to £50,000, but some of those businesses requiring more than £50,000 are still utilising the Bank Referral Scheme.

	Deals	Total value (£)	Average value (£)
Q4 2016	26	399,000	15,346
Q1 2017	112	1,850,912	16,526
Q2 2017	81	1,232,350	15,214
Q3 2017	127	1,362,890	10,731
Q4 2017	162	2,223,194	13,723
Q1 2018	224	4,608,310	20,573
Q2 2018	167	4,380,003	26,228
Q3 2018	169	4,625,997	27,373
Q4 2018	211	4,210,887	19,957
Q1 2019	220	3,847,205	17,487
Q2 2019	196	4,140,207	21,124
Q3 2019	280	5,102,098	18,222
Q4 2019	260	6,369,742	24,499
Q1 2020	234	4,216,990	18,021
Q2 2020	43	2,341,665	54,457
Q3 2020	72	5,397,957	74,972
Total	2,584	56,309,407	21,792

Table 1: Total quarterly funding, including the number of deal, the total value and the average value of the loan

Quarterly referrals and contacts

Table 2 shows the number of SMEs referred under the scheme and a breakdown of the number of SMEs who then made contact with a platform – including the quarterly and cumulative contact rate. The data generally shows an upward trend on a number of metrics, with the two highest number of quarterly referrals being recorded in Q1 and Q2 of 2020. Clearly, the scheme has become more embedded in the SME lending journey and awareness amongst the SME population has grown. However, Q3 2020 saw a notable fall in referrals. It may be the case that the Bounce Back Loan Scheme – introduced in May 2020 - which has so far provided finance to 1.4 million small businesses, means that many small businesses who would have been referred in normal times currently have less need of the Bank Referral Scheme.

Table 2: Quarterly number of referrals, including a breakdown of the number of SMEs who made contact with a platform and the contact rates ³

	Quarterly Referrals	Quarterly Contacts	Cumulative Referrals	Cumulative Contacts	Quarterly Contact rate (%)	Cumulative Contact rate (%)
Q4 2016*	1753	797	1753	797	45	45
Q1 2017	3390	1549	5143	2346	46	46
Q2 2017	2447	1251	7590	3597	51	47
Q3 2017	2508	1466	10098	5063	58	50
Q4 2017	2735	1550	12833	6613	57	52
Q1 2018	3221	1932	16054	8545	60	53
Q2 2018	2827	1453	18881	9998	51	53
Q3 2018	2663	2018	21544	12016	76	56
Q4 2018	2730	1297	24274	13313	48	55
Q1 2019	3043	1286	27317	14599	42	53
Q2 2019	2647	1190	29964	15789	45	53
Q3 2019	2702	1716	32666	17505	64	54
Q4 2019	2587	1833	35253	19338	71	55
Q1 2020	3853	2215	39106	21553	57	55
Q2 2020	3741	2027	42847	23580	54	55
Q3 2020	2660	1520	45507	25100	57	55
Total	45,507	25,100				

³This does not take into account the fact that many SME inquiries remain open, and so data (such as the quarterly contact rate) can be revised upwards in the future.

Quarterly conversion rates

Table 3 shows the quarterly and cumulative conversion rates for referrals and contact made by an SME with the platforms. The data shows a trend of slowly decreasing conversion rates since the peak in Q1 2019 into Q4 2019. The Covid-19 pandemic caused a much sharper fall in the conversion rate from Q4 2019 with a representative conversion rate of 14.2% to just 2.1% in Q2 2020 when comparing the number of SMEs who made contact with a platform with the number of SMEs who received finance via the platform. This is likely because small businesses have chosen to use the BBLS and the Coronavirus Business Interruption Loan Scheme (CBILS, supporting loans of up to £5mn to SMEs) instead of a referral for a commercial loan. Conversion rates have shown a small bounce back in Q3 2020.

Table 3: Quarterly and cumulative conversion rate for referrals and contact made with the platforms⁴

	Quarterly conversion rate – Referrals (%)	Quarterly conversion rate – Contacts (%)	Cumulative conversion rate - Referrals (%)	Cumulative Conversion rate- Contacts (%)
Q4 2016*	1.5	3.3	1.5	3.3
Q1 2017	3.3	7.2	2.7	5.9
Q2 2017	3.3	6.5	2.9	6.1
Q3 2017	5.1	8.7	3.4	6.8
Q4 2017	5.9	10.5	4.0	7.7
Q1 2018	7.0	11.6	4.6	8.6
Q2 2018	5.9	11.5	4.8	9.0
Q3 2018	6.3	8.4	5.0	8.9
Q4 2018	7.7	16.3	5.3	9.6
Q1 2019	7.2	17.1	5.5	10.3
Q2 2019	7.4	16.5	5.7	10.7
Q3 2019	10.4	16.3	6.0	11.3
Q4 2019	10.1	14.2	6.3	11.6
Q1 2020	6.1	10.6	6.3	11.5
Q2 2020	1.1	2.1	5.9	10.7
Q3 2020	2.7	4.7	5.7	10.3

⁴ The contact conversion rate is the most equivalent to market conversion rates - due to rounding, numbers may not add up to 100%.

Referrals by location

Table 4 shows the percentage of referrals made by location, compared to the distribution of the SME population.

Table 4: Percentage of referrals made by location⁵

Region	SME distribution (%)	Referrals distribution (%) ⁶	Referrals distribution (% inc. Not Recorded)
Greater London	19.0	23.9	22.6
South East	15.6	12.6	11.9
East of England	10.0	8.8	8.3
South West	9.4	8.9	8.5
North West	9.4	9.5	9.0
West Midlands	8.1	8.4	7.9
Yorkshire and Humber	7.1	7.5	7.1
East Midlands	6.6	5.6	5.3
North East	2.7	3.6	3.4
England	87.9	88.8	84.0
Scotland	3.5	5.6	5.3
Wales	6.2	3.5	3.3
Northern Ireland	2.5	2.1	2.0
Scotland, Wales and Northern Ireland	12.2	11.2	10.6
Location Not Recorded			5.4

⁵ Some postcodes cross borders, which could impact results.

⁶ Excluding referrals which do not include data on the location of the SME.
Due to rounding, numbers may not add up to 100%.

Deals by location

Table 5 shows the distribution of deals made by location, compared to the distribution of the SME population.

Table 5: Percentage of deals made by location⁷

Region	SME distribution (%)	Deal distribution	Deal distribution ⁸ (%)	Deal distribution (% inc. Not Recorded)
Greater London	19.0	646	25.8	25.0
South East	15.6	363	14.5	14.0
East of England	10.0	282	11.3	10.9
South West	9.4	246	9.8	9.5
North West	9.4	208	8.3	8.0
West Midlands	8.1	218	8.7	8.4
Yorkshire and Humber	7.1	160	6.4	6.2
East Midlands	6.6	99	4.0	3.8
North East	2.7	70	2.8	2.7
England	87.9	2,292	91.7	88.7
Scotland	3.5	111	4.4	4.3
Wales	6.2	76	3.0	2.9
Northern Ireland	2.5	21	0.8	0.8
Scotland, Wales and Northern Ireland	12.2	208	8.3	8.0
Location Not Recorded		84		3.3

⁷ Some postcodes cross borders. This could impact results.

⁸ Excluding referrals which do not include data on the location of the SME.

Funding by location

Table 6 shows the funding value distribution, compared to the distribution of the SME population.

Table 6: Funding value distribution⁹

Region	SME distribution (%)	Funding value distribution (%) ¹⁰	Finance value distribution (% inc. Not Recorded)
Greater London	19.0	24.2	23.6
South East	15.6	15.8	15.4
East of England	10.0	12.9	12.6
South West	9.4	5.9	5.7
North West	9.4	7.8	7.6
West Midlands	8.1	6.0	5.8
Yorkshire and Humber	7.1	8.7	8.5
East Midlands	6.6	7.1	6.9
North East	2.7	3.0	2.9
England	87.9	91.4	89.2
Scotland	3.5	5.5	5.4
Wales	6.2	1.5	1.5
Northern Ireland	2.5	1.5	1.5
Scotland, Wales and Northern Ireland	12.2	8.6	8.4
Location Not Recorded			2.5

⁹ Some postcodes cross borders. This could impact results.

¹⁰ Excluding referrals which do not include data on the location of the SME.

Average deal size by location

Table 7 shows the average deal size by location.

Table 7: Average deal size by location¹¹

Region	Average deal size
Greater London	£20,582
South East	£23,951
East of England	£25,211
South West	£13,104
North West	£20,549
West Midlands	£15,063
Yorkshire and Humber	£29,930
East Midlands	£39,488
North East	£23,387
England	£21,909
Scotland	£27,417
Wales	£11,022
Northern Ireland	£39,432
No Location recorded	£16,485
Total	£21,792

¹¹ Some postcodes cross borders, which could impact results.

Background notes

Data collection

The British Business Bank (BBB), who administer the scheme on behalf of HM Treasury, collect data from designated finance platforms in accordance with monitoring and reporting requirements set by HM Treasury.

Data sources

The SME population data is based on Department for Business, Energy and Industrial Strategy Business (BEIS) population estimates, 2020.

<https://www.gov.uk/government/statistics/business-population-estimates-2020>

Further information

Further information about the Bank Referral scheme can be found at:

<http://british-business-bank.co.uk/bank-referrals/>

Enquiries

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