

Meeting of the SME Advisory Group



29 October 2020

Present:

- John Davies, Association of Alternative Business Finance
- James Dalton, Association of British Insurers
- Alexis Lay, Federation of Small Businesses
- Stephen Hadrill, Finance and Leasing Association
- Mike Conroy, UK Finance
- Suren Thiru, British Chambers of Commerce

From the Financial Ombudsman Service:

- Caroline Wayman, Chief ombudsman and chief executive
- Annette Lovell, Director of strategy and engagement
- Tim Archer, Lead ombudsman and director of casework
- David Bainbridge, Head of external relations
- Andy Wright, Ombudsman Leader

Apologies:

- Philip King, Small Business Commissioner
- Lindsay Loxley, Women in Business Network
- John French, Consumer Council for Northern Ireland
- Graeme Fisher, British Business Bank
- Simon Goldie, Finance and Leasing Association
- Claire Walker/Hannah Essex, British Chambers of Commerce
- Martin McTague, Federation of Small Businesses

Introductions

The chief ombudsman welcomed everyone to the fourth meeting of the SME Advisory Group, held again via videoconference.

New attendees from the Finance and Leasing Association, and British Chambers of Commerce were noted and welcomed to the Group.

Update from the Financial Ombudsman Service

The ombudsman service talked through the continued work undertaken to develop its service for small businesses (as well as the wider public). It talked through the ombudsman service's wider long-term strategy, as well as the recruitment and training of staff to strengthen its team dealing with complaints from small businesses.

The ombudsman service talked through its engagement with stakeholders, including the efforts it has made to increase awareness of its service amongst small businesses. It also touched upon future plans to work with stakeholders, to raise awareness and share and gather valuable insight.

The ombudsman service explained that it had seen an increase in complaints from businesses in the current financial year. It explained the work that it does to resolve complaints informally, by working with the small business and financial services provider quickly, and the benefits of this approach to all parties.

Covid-19 related issues

The group discussed the Government's Coronavirus Business Interruption Loan Scheme (CBILS) and Bounce Back Loan Scheme (BBLs), covering the process by which small businesses apply for these loans and the issues that might arise as they become repayable.

The difficulties that some small businesses faced in opening business bank accounts to apply for these loans was discussed, including how existing staffing pressures on banks may have impacted the support available for small businesses seeking to open a new account. It was also noted that some dormant account holders faced additional hurdles in making their account 'live' and ready to make a loan application. It was recognised that banks faced significant operational challenges from the unprecedented adoption of the government backed loan schemes. The group heard how some banks are struggling to reach many customers, particularly those whose businesses are temporarily closed or in distressed circumstances.

The meeting heard that many small businesses were not used to borrowing money, with up to 70% of BBLs recipients having little or no borrowing experience. It was noted that issues may arise when loans become repayable – either due to the small business that has accessed the funds not fully understanding the terms of borrowing, or due to the potential challenging economic situation businesses might be in at that time. It was acknowledged that there was potential for a significant proportion of these loans to become impaired.

Early thinking about the approaches that banks might take in supporting small businesses through this journey were shared, including the value of early warnings when loans become repayable. It was noted that banks could receive a significant number of requests for rescheduling loans or payment holidays in a relatively short period next year, which could lead to administrative complaints. It was also noted that high levels of BBLs fraud or impairment could have a collateral effect on other providers of finance, including asset finance providers in particular as for some assets, such as vehicles, long forbearance periods present a particular challenge due to the rapid depreciation in the value of the asset.

Business Interruption Insurance was discussed, with the group reflecting on the importance of a clear legal position arising from the ongoing court proceedings. The ombudsman service explained that complaints may arise about whether an insurer accepts a claim and about the quantum of any settlement. It was acknowledged that this was a complex area for all parties. Members of the group appreciated the progress the ombudsman service was making on cases not impacted by the court proceedings, and the clarity of its communications to keep interested parties informed.

The group felt that there was an uncertain picture ahead for small businesses and the industry around the repayment of CBILs and BBLs, as well as around Business Interruption Insurance.

Broader issues for SMEs

The group discussed the UK's departure from the EU and noted some concern that many small businesses have still not fully evaluated the implications for their trade and financial arrangements after the transition period.

A range of issues around fraud were discussed, including in insurance and banking. The group thought it would be a useful area to revisit in more depth and that, whilst it had been right to concentrate the conversations at both this and the previous meeting on the challenges for SMEs relating to the pandemic, it would be worth revisiting fraud as a thematic area of discussion in the future.