

Meeting of the SME Advisory Group



19 May 2021, Meeting held by Microsoft Teams

Present:

- Richard Bearman, British Business Bank
- Noyona Chundur, Consumer Council for Northern Ireland
- Mike Conroy, UK Finance
- James Dalton, Association of British Insurers
- John Davies, Association of Alternative Business Finance
- Graeme Fisher, British Business Bank
- Stephen Haddrill, Finance and Leasing Association
- Philip King, Small Business Commissioner
- Alexis Lay, Federation of Small Businesses
- Martin McTague, Federation of Small Businesses
- Suren Thiru, British Chambers of Commerce

From the Financial Ombudsman Service:

- Annette Lovell, Director of strategy and engagement (chairing the meeting)
- Tim Archer, Lead ombudsman and director of casework
- David Bainbridge, Head of external relations
- Andy Wright, Ombudsman Leader

Apologies:

- Lindsay Loxley, Women in Business Network
- Simon Goldie, Finance and Leasing Association
- Claire Walker/Hannah Essex, British Chambers of Commerce

Introductions

Apologies were noted - and the new attendees from the Consumer Council of Northern Ireland and Small Business Commissioner (and an additional attendee from the British Business Bank) were welcomed to the group for the first time.

The ombudsman service explained that it was two years since the establishment of the group and the Terms of Reference provided for a formal review of the group at this stage. It thanked those attendees who had responded to the ombudsman service's request for feedback on views about the effectiveness of the group.

It was noted that from the ombudsman service's perspective the group had provided valuable insight into the challenges facing small businesses and it had also been a useful forum for establishing stronger links with business representative groups. With the significant uncertainty and challenges facing small businesses because of the pandemic, the ombudsman service noted it had decided to defer the formal review (including any decision about the future of the group) until ahead of the next SME Advisory Group meeting in the Autumn. Attendees were encouraged to share their thoughts (at this meeting and ahead of the next meeting) to help inform the review. The attendees noted the approach with no objections. One of the trade body attendees made a suggestion about measuring the outputs of the group at future meetings.

Update from the Financial Ombudsman Service

The ombudsman service talked through its work since its jurisdiction was expanded to include SMEs two years ago. It explained how it had established a dedicated team to consider complaints from small businesses, and how it had grown this team over the last 12 months in light of a significant increase in complaint volumes, in particular relating to Business Interruption Insurance and the government-backed loan schemes. The ombudsman service highlighted the impact its work has had during that time across the thousands of complaints and enquiries it had received from small businesses.

In discussion, the ombudsman service explained how the team works to ensure financial service providers learn from its approach – something that has been particularly important during the pandemic with greater volatility and uncertainty.

The ombudsman service introduced a discussion around Business Interruption Insurance, setting out its observations and inviting comment. The point was made that some small businesses had seen insurers using recent profit figures in their trends analysis when quantifying losses, which didn't feel fair given the abnormal trading activity in this period.

There was also a discussion around the Coronavirus Business Interruption Loan Scheme (CBILS) and the Bounce Back Loan Scheme (BBLs). It was observed that some small businesses had been surprised that utilising one of the government's Pay as You Grow (PAYG) options (eg a payment holiday) could affect their ability to access further credit – not by affecting their credit score but by impacting their credit worthiness (ie their ability to afford further credit). The group heard about efforts the British Business Bank was undertaking to explain the implications of the PAYG options to borrowers, including publishing FAQs on its website. It was suggested that, so far, relatively few businesses had requested a PAYG option and that some banks were apprehensive of being overwhelmed by late applications.

The repayment of CBILS and BBLs was raised, with the discussion covering whether there might be a disparity in the repayment of these loans by sector and by geography (based on how well that sector / region has fared in the pandemic). There was some encouragement that rates of default on other lending have not increased through the pandemic.

Fraud and scams discussion

The main item of discussion was fraud and scams, which had been requested at a previous meeting. The meeting heard how frauds were increasing against small businesses. It was mentioned that impersonation fraud has increased in lockdown as a result of remote working. The ombudsman service explained that the majority of frauds it sees perpetrated against small businesses are automated push payment (APP) frauds, typically through invoice interception or by an insider.

The discussion included how any data on the topic of small businesses becoming the victim of fraud might be artificially low, due to those involved being reluctant to raise a complaint. This can mean small businesses don't seek or receive the support they need to either recover the lost money or deal with the consequences of the loss. The point was made that the reluctance to report fraud is higher in certain sectors, for example in agriculture.

The group noted that businesses range in their sophistication to prevent fraud, which the ombudsman service needed to take into account in its decisions. It was noted that most sole trader businesses are similar to a consumer, while some small businesses employ a financial controller, who might reasonably be expected to be more alert to potential fraud. The group noted that size was only one factor which could be indicative of sophistication and there were many others to take into account.