

Minutes – SME Advisory Group

4 October 2022, Meeting held at The Financial Ombudsman Service,
Exchange Tower, London, E14 9SR and on Microsoft Teams

Financial Ombudsman Service attendees	Industry attendees
<p>Colin Douglas, Interim Communications Director</p> <p>David Bainbridge, Head of Stakeholder Engagement</p> <p>Tim Archer, Lead Ombudsman and Director of Casework</p> <p>Andy Wright, Ombudsman Leader for Small Business</p> <p>Pritie Billimoria, Policy and Communications Manager</p>	<p>James Dalton, Director General Insurance Policy, Association of British Insurers (ABI)</p> <p>Daryn Park, Senior Policy Advisor, Federation of Small Businesses (FSB)</p> <p>Stephen Haddrill, Director General, Finance and Leasing Association (FLA)</p> <p>Mike Conroy, Director Commercial Finance, UK Finance</p> <p>Liz Barclay, Small Business Commissioner (SBC)</p> <p>Richard Bearman, Managing Director, British Business Bank (BBB)</p> <p>Noyona Chundur, CEO, Consumer Council Northern Ireland (CCNI)</p> <p>John Davies, Chairman, Association of Alternative Business Finance (AABF)</p>

Apologies	Harriet Dines, Policy , Money Advice Trust/Business Debtline (MAT); and British Chambers of Commerce
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Item	Agenda
1.	Welcome and introductions
2.	Key updates from the Financial Ombudsman Service
3.	SME casework, including pandemic-related projects
4.	Discussion on the impact of the current economic environment on small businesses and what it might mean for our future casework
5.	Closing remarks and AOB

1. Welcome

- 1.1 The chair (Colin Douglas) welcomed attendees to the meeting and gave a brief update from the Financial Ombudsman Service.

2. Key updates from the Financial Ombudsman Service

- 2.1 The Financial Ombudsman noted that Abby Thomas (Chief Executive & Chief Ombudsman), James Dipple-Johnstone (Deputy Chief Ombudsman) and Karl Khan (Chief Operating Officer) had very recently joined the organisation and were familiarising themselves with the organisation, and we expect they will be involved in future meetings.
- 2.2 The organisation is making significant progress to reduce the backlog, which is down from 90,000 to c25,000. Our total number of cases is now at its lowest level since 2008, at c78,000 – down from 165,000 in May 2021.
- 2.3 The organisation is delivering against its [Action Plan](#) that was published in December 2021 following the [Periodic Review](#). This includes:
 - o making improvements in our use of digital technology with a focus on intelligent automation and enhancing the customer journey;
 - o improving our engagement with industry and other regulators (including through the Wider Implications Framework), which informs and maximises the impact of our policy approach;
 - o establishing a sustainable funding model, with an update on our future funding model due by the end of the calendar year.

3. SME casework, including pandemic-related projects

- 3.1 The Financial Ombudsman Service provided a summary of what it has seen so far this year in its small business casework.
- 3.2 It explained that its SME team has resolved 2,337 cases in the first six months of the year, of which, 808 are small business (i.e. “new” jurisdiction) cases.
- 3.3 These cases, and those from charities, trusts and guarantors of business lending, are being allocated to an investigator within two weeks of the file from the financial business being received, so queues are minimal.
- 3.4 The organisation received 1,993 micro cases and 556 SME cases in the first six months of the year. New enquiries have been broadly stable so there is no expectation of any significant change in incoming case numbers in the near term.
- 3.5 The overall uphold rate in the SME team has remained broadly similar at 32%.
- 3.6 The SME team is now taking ownership for more areas of micro-enterprise work, including commercial motor insurance work, merchant services and commercial mortgage work. These have traditionally been handled in the various product teams, before the small business team was set up in 2019 but, as capacity has allowed, they have been increasingly picked up by the dedicated business team.
- 3.7 The most common complaint issues seen by the SME team continue to be ‘administration / customer service’, mainly in banking, many of which have related to Bounce Back Loans. The second highest complaint issue is ‘claim declined’, relating principally to Business Interruption Insurance.

- 3.8 The Financial Ombudsman Service provided more detailed summaries of progress in relation to two of its largest projects: Government-backed loan schemes (including Bounce Back Loans) and Business Interruption Insurance. In both projects, the number of cases being resolved each week continues to exceed the number of new cases being received, with queues falling.
- With regard to Business Interruption Insurance, there continue to be several finely balanced issues, some of which we are considering in parallel to court proceedings which may inform our position, causing some continued delays. But outstanding case numbers continue to fall with cases being progressed as quickly as possible.
 - With regard to the Government-backed loan schemes, complaints are arising on a wide range of issues but case volumes relating to loan recovery action by lenders are currently very low.

4. The impact of the current economic environment on small businesses and what it might mean for the Financial Ombudsman Service's future casework

- 4.1 Liz Barclay facilitated a discussion on the current economic environment, its impact on small businesses, and the possible implications for the Financial Ombudsman Service in terms of casework.
- 4.2 The group made a number of observations, including:
- Business confidence is low and highlighted issues raised by late payments.
 - The cumulative burden of rising costs, including rising rents, interest rate costs and energy costs, could risk making many SMEs unviable.
 - As most small businesses are owner-managed, many are increasingly using consumer credit products to meet their financial needs, including buy now, pay later options and/or multiple credit cards.
 - Many small businesses are struggling to access additional finance due to challenges in demonstrating affordability – in many cases because the business is now more indebted having taken out a Bounce Back Loan. Also, some small businesses had only ever sought debt through the Bounce Back Loan Scheme, and had unrealistic expectations about the process to gain additional finance.
 - While the Financial Ombudsman Service had so far seen few complaints relating to recoveries action by lenders under the Bounce Back Loan Scheme, issues were beginning to arise and complaint volumes are very likely to increase.
- 4.3 The group discussed regional differences in the challenges facing small businesses around the UK.

5. Closing remarks and AOB

- 5.1 The chair thanked the group for a useful discussion and closed the meeting.