

Minutes – SME Advisory Group

26 April 2023, Meeting held at The Financial Ombudsman Service, Exchange Tower, London, E14 9SR and on Microsoft Teams

Financial Ombudsman Service attendees	Industry attendees
<p>James Dipple-Johnstone (chair), Deputy Chief Ombudsman</p> <p>Andy Wright, Ombudsman Leader</p> <p>David Bainbridge, Head of Stakeholder Engagement</p> <p>Roger Charles, Policy and Communications Adviser</p>	<p>Andrea Macleay, 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 Small Business Lending, British Business Bank (BBB)</p> <p>John Davies, Chairman, Association of Alternative Business Finance (AABF)</p> <p>Harriet Dines, Media and Engagement Lead, Money Advice Trust/Business Debtline (MAT)</p> <p>Alex Veitch, Director of Policy and Public Affairs, British Chambers of Commerce (BCC)</p> <p>Mark Shepherd, Assistant Director, Head of General Insurance, Association of British Insurers (ABI)</p>
<p>Apologies</p> <p>Noyona Chundur, CEO, Consumer Council Northern Ireland (CCNI),</p> <p>Scott Kennerley, Director of Financial and Postal Services, Consumer Council Northern Ireland (CCNI)</p> <p>Mervyn Skeet, Director, General Insurance Policy, Association of British Insurers (ABI)</p>	

Item	Agenda
1.	Welcome and introductions
2.	Key updates from the Financial Ombudsman Service
3.	SME casework update
4.	Open discussion: current challenges facing small businesses and the implications for complaints to the Financial Ombudsman Service
5.	Closing remarks and AOB

1. Welcome and introductions

1.1 The chair (James Dipple-Johnstone) 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 Service highlighted:

- The new Executive Team was now fully in place, supported by Ombudsman Directors leading sectoral units, reflecting a more specialised structure.
- The queue of outstanding cases has continued to fall and is expected to fall by a further 20,000 over the next financial year.
- The focus on continuing to improve the pace of our decision making, whilst maintaining our quality.

3. SME casework updates

3.1 The Financial Ombudsman Service provided the following updates:

- The small business team, established in 2019, has resolved over 13,500 cases in its first four years, of which 5,000 were in the last financial year.
- Over the four years, it has resolved over 4,200 cases from the larger small businesses which came into its jurisdiction in 2019.
- The team has now received over 4,200 complaints relating to Business Interruption Insurance, of which it's resolved 4,060. There continue to be about 5 new cases per week.
- The team has now received over 3,800 complaints relating to Bounce Back Loans, of which it's resolved almost 3,600. There continue to be about 10 new cases per week.

4. Open discussion: current challenges facing small businesses and the implications for complaints to the Financial Ombudsman Service

4.1 The group had a wide-ranging discussion, including the following:

- Bounce Back Loan Scheme repayment levels remain high, and a number of borrowers had now repaid in full. Given the multiple Pay as You Grow options available to borrowers, lenders were anticipating an increase in arrears rates to manifest from summer 2023, and defaults to increase in the autumn.
- Businesses seemed to be in a better place than might be expected given the multiple challenges they face. Increased energy costs (up 63%), high wage inflation, increased property costs and other input costs, and pressure on prices are resulting in expenses rising faster than income. Access to finance remains difficult, in part due to higher existing borrowing affecting affordability assessments.

- Insolvency Practitioners were reporting a 30% rise in insolvencies in March compared with February, with a particular increase in the North East of England. Many sole traders were exiting their businesses, deciding that, particularly in a buoyant labour market, it was easier working for someone else.
- There is mixed sentiment for business confidence. Some highlighted that confidence in the professional services and construction sectors was improving but the hospitality and retail sectors was still on a negative trend. Others described business confidence as fragile.
- Inflation, leading to further rate rises, is a key potential issue for small businesses, which could exacerbate conditions for them, leading to more business failures / recovery action and complaints to the Financial Ombudsman Service.
- Widespread closure of banks' branch networks was causing frustration, particularly for charities and community associations and the smallest businesses. This was at a time when many banks were conducting more checks to know their customers and protect against fraud and money-laundering, which caused many customers to want to visit their branch.
- There are concerns about under-insurance, both as customers seek to save costs and as fixed-value cover becomes quickly inadequate in the context of high inflation.

5. Closing remarks and AOB

5.1 The chair thanked everyone for coming and closed the meeting.