

## Minutes – SME Advisory Group

18 April 2024, Meeting held at The Financial Ombudsman Service, Exchange Tower, London, E14 9SR and on Microsoft Teams

<b>Internal attendees</b>	<b>External attendees</b>
<b>James Dipple-Johnstone (chair)</b> <b>Andy Wright</b> <b>David Bainbridge</b> <b>Maya Eyre</b>	<b>Andrea Macleay</b> , Senior Policy Advisor, Federation of Small Businesses (FSB) <b>George Anastasi</b> , Senior Policy Manager (Business Finance), Finance and Leasing Association (FLA) <b>James Jeffreys</b> , Commercial Finance Principal, UK Finance <b>Liz Barclay</b> , Small Business Commissioner (SBC) <b>Richard Bearman</b> , Managing Director Small Business Lending, British Business Bank (BBB) <b>John Davies</b> , Chairman, Association of Alternative Business Finance (AABF) <b>Sean Breen</b> , Director of Financial and Postal Services, Consumer Council for Northern Ireland (CCNI) <b>Grace Brownfield</b> , Senior Influencing Manager, Money Advice Trust (Business Debtline) <b>Sumayah Mubirigi</b> , Strategic Policy Advisor, Charity Commission <b>Mervyn Skeet</b> , Director of General Insurance Policy, Association of British Insurers (ABI)
<b>Apologies</b> <b>Jane Gratton</b> , Deputy Director of Public Policy, British Chambers of Commerce (BCC)	

<b>Item</b>	<b>Agenda</b>
1.	<b>Welcome and introductions</b>
2.	<b>Key updates from the Financial Ombudsman Service</b>
3.	<b>SME casework updates</b>
4.	<b>TSC review into SME Finance</b>
5.	<b>Industry insights</b>
6.	<b>Current big issues</b>
7.	<b>Closing remarks and AOB</b>

### 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 time taken to resolve a case has reduced significantly whilst maintaining the quality of our work.
- Investment in the customer and business digital journey has continued as well as the expansion of our presence across the UK through our regional hubs.
- Our Plans and Budget for 2024/25 was recently published, setting out our ambitions for the next financial year.
- We launched a consultation on the option of charging a fee for professional representatives in December, for which there was widespread support.

## 3. SME casework updates

### 3.1 The Financial Ombudsman Service provided the following updates:

- In the year to 31 March 2024, our small business team resolved over 4,600 complaints, of which over 1,300 were from the larger small business which came into our jurisdiction in 2019.
- The uphold rate has increased slightly, by 3 percentage points compared with the prior financial year. There is no difference in uphold rate between larger and smaller businesses.
- Our small business queues continue to be low with cases being allocated soon after we receive the business file. Our team are currently resolving 75% of cases within six months.
- Some observations to note:
  - Business Interruption Insurance: There have been several court judgments or arbitration decisions recently which have affirmed the approach we have taken on different issues. We have recently seen an increase in the uphold rate for these complaints, due in part to cases being more often now about the quantum of a claim rather than whether a policy provides cover. This project is now in its final stages.
  - Bounce Back Loans: We have seen a decrease in the uphold rate for complaints about BBLs, mainly due to many of the early cases being about application delays, which had a higher uphold rate. We are now in a period of steady state with this project, with most cases currently relating to recovery action or the general administration of the loan.
  - There has been a significant increase in the number of complaints from businesses about the closure of their account – around 80% more in the last financial year. This could be due to more banks closing accounts or the heightened media interest around this issue prompting more complaints to our service. The uphold rate has increased by around 9 percentage points compared with the prior year.
  - There has been an increase in the number of eligible complaints from guarantors of business lending, although overall numbers remain low. This could be due to more guarantees being taken and/or more guarantees being called upon.

## 4. TSC review into SME Finance

#### 4.1 The group gave their reflections on the inquiry:

- It was noted that the Financial Ombudsman Service gave evidence to the committee. A focal point for the TSC appeared to be the jurisdiction of the FOS, particularly in the context of the expected closure of the Business Banking Resolution Service. It was acknowledged that the jurisdictional perimeter of the FOS is set by the FCA, which had previously found no reason for it to be extended, particularly given that 99% of business customers are eligible to bring their complaints to the FOS.
- The group expected the TSC's report in the next month and expressed interest in its recommendations.

### 5. Industry insights

#### 5.1 The group shared insights on issues affecting small businesses. Members had a wide-ranging discussion, which included the following:

- Businesses are facing many issues, including constraints in the labour market, finding appropriately skilled staff and high energy costs. The group also noted the high level of business debt, though many small businesses had now paid back their BBLs in full. The prevalence of business owners also having personal finance issues was also highlighted.
- There remains a lack of knowledge about where to get information, help and support as a small business. It was noted that only a minority of BBL borrowers had made use of the Pay As You Grow options despite the relatively low interest rates and the option to extend the period of the loan.
- Insurance representatives set out efforts to help both consumers and small businesses make more informed choices with motor insurance and cyber insurance, including finding ways to reduce costs. Concern was expressed about how well cyber insurance is understood by small business owners.

### 6. Current big issues

#### 6.1 The group discussed current big issues facing the small business sector, including personal guarantees of business lending and account closures:

- There was mixed sentiment about the use of personal guarantees, with some members acknowledging that they are a longstanding and common aspect of the market that helps to facilitate borrowing, particularly where new businesses are starting with nothing else to rely on as security; while other members added that some lenders appeared to resort to a personal guarantee without looking at other ways to assess the borrowing. It was noted that clear communication is needed as business owners and directors often did not understand what they were signing up for.
- The issue of account closures was explored, and the particular effects on some industries where finding banking services was increasingly difficult. Charities are also facing increasing administrative demands to be able to satisfy all the required checks and have seen an increase in closures. There was concern that this can lead to charities being unable to deliver services and take donations, facing late payment charges and staff going unpaid.

### 7. Closing remarks and AOB

**7.1** The chair thanked everyone for contributing their insights to the discussion and closed the meeting.