

## Improving Access to Non-Bank Debt - Call for Evidence

“Government will...establish an industry working group, to explore how to further develop access to non-bank lending channels, including forms of bond issuance, for SME and mid-sized businesses. The group will be led by the Department for Business, Innovation and Skills and will report by Budget 2012.”

Autumn Statement, Nov 2011

### Objective

To examine structural and behavioural barriers to the development of alternative debt markets in the UK, building on recent work on this subject, and to make evidence-based recommendations to Government ahead of Budget 2012 on practical measures to facilitate the development of these markets.

### Landscape

It is becoming increasingly important for businesses of all sizes to ensure they have access to diverse sources of finance. The major UK banks are deleveraging and this leaves a less certain funding landscape for businesses. Since we last consulted on this issue there have been a number of developments and innovations in the area of non-bank finance. We have seen increasing numbers of companies issuing debt through public markets and private placements. Innovations in small business finance, such as peer to peer lending and crowd funding, have been developing steadily. We would like to build on these developments and would invite your views on how we can accelerate the progress of these non bank lending channels.

In the responses to this call for evidence we expect to receive wide ranging views which will cover a number of different products and instruments. We ask that in your response, you look to make **clear recommendations** as to what Government and the industry can do to improve the non-bank lending landscape. It would also be preferable if you could refer to the size of business to which any comments or recommendations are applicable.

We are using the following classifications for the different sizes of businesses that will be captured by the work of the Taskforce:

- Mid-sized business + : turnover between £250-500m;
- Mid-sized businesses: turnover between £25-500m;
- SMEs (Small and Medium sized Enterprises): businesses with a turnover of less than £25m;
- Micro-businesses: Businesses with fewer than 10 employees.

## Call for Evidence

1. Non-bank Finance Providers:
  - a. Are there any business sectors which you currently cannot access and would like to?
  - b. What are the key issues preventing you from lending to mid-sized businesses and or SMEs? For example:
    - i. Lack of origination network;
    - ii. lack of in-house credit assessment capacity;
    - iii. regulation;
    - iv. different business models;
  - c. How important is an active secondary market in any investment you make?
  - d. How important is the role of the ratings agencies in any investment you make?
  - e. What international examples are you aware of that facilitate non-bank lending channels?
2. Business:
  - a. If you do not currently use non-bank lending channels, what stops you from doing so?
  - b. Are there regulatory barriers that prevent a company of your size accessing non-bank sources of finance?
  - c. Is cost, both of initial issuance and on an ongoing basis, a barrier that deters you from accessing non-bank sources of finance?
  - d. What do you think is the most appropriate source of non-bank funding for a company of your size?
  - e. If you currently borrow from a bank, what services does your bank provide that you cannot currently get from a non-bank lender?
  - f. Does your company have the manpower required to meet additional reporting requirements?
  - g. Do you find existing government initiatives, including regional growth funds, EFG etc, useful?
  - h. Do you understand the many different forms of finance available to larger businesses?
  - i. Do you recognise the ability to diversify your sources of finance as an important part of your risk management/business strategy?
3. Government's Role:
  - a. What, if any, are the market failures in the non-bank lending landscape and where would Government's influence have the greatest potential impact?
  - b. What is the role for Government in addressing the issues raised above?
  - c. Are there other initiatives that government should explore e.g. the incentives provided by the current tax or regulatory regime?

Responses to the consultation should be sent to [business.finance@bis.gsi.gov.uk](mailto:business.finance@bis.gsi.gov.uk) on or before 27<sup>th</sup> January. Other queries can also be sent to this mailbox or alternatively you can call 020 7215 5046.