



Bank Referral Scheme: Official Statistics

29 August 2019

Data from 1 November 2016 to 30 June 2019

Headlines:

- Since November 2016, nearly 30,000 small businesses who were rejected for finance from one of the big banks have been referred under the scheme.
- Almost 1700 businesses have secured more than £32m of funding.
- This means that over the last 12 months the policy has helped a further 796 businesses raise over £16m of funding.
- Since Q4 2018 the conversion rate for SMEs who make contact with a platform has been over 16%.

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Introduction

The Government's Bank Referral Scheme is designed to help improve SME access to finance and competition in the SME lending market.

Launched in November 2016, the scheme requires 9 of the UK's biggest banks to pass on the details of small businesses they have turned down for finance to three Government designated finance platforms: Alternative Business Funding, Funding Options and Funding Xchange. These platforms are, in turn, required to share their details, in anonymous form, with alternative finance providers, helping to facilitate a conversation between the business and any provider who expresses an interest in supplying finance to them.

The scheme was introduced in response to evidence which shows that SMEs tend to approach their main bank when seeking finance and that, if rejected, many simply give up rather than seek alternative options. As other finance providers with different business models or risk appetites may be more willing to lend to these SMEs, this represents both an informational market failure and a significant barrier to entry for competitors in the SME lending market. The Bank Referral Scheme helps to address this by giving businesses that are viable, but do not fit the risk appetite of the traditional banks, access to the finance they need to grow and thrive.

This statistical release provides a comprehensive set of data on the Bank Referral Scheme since the scheme went live on 1 November 2016¹, including:

- value of quarterly funding;
- quarterly referral and contact rates;
- quarterly conversion rates;
- referrals made by location;
- deals made by location;
- funding value distribution; and
- average deal size by location.

The numbers include data across all four platforms that have been designated during the lifetime of the scheme (Alternative Business Funding, Business Finance Technology², Funding Options and Funding Xchange).

¹ Q4 2016 covers only 2 months, November and December, due to the scheme going live in November 2016. In addition, it is important to note that the data does not take into account any SME inquiries that remain open, so the data may be revised upwards in future.

² At their request, the Government de-designated Business Finance Technology in March 2018

Quarterly funding

Table 1 shows the value of quarterly funding provided under the scheme, broken down by the number of deals, the total value and the average value of the loan. There have been 1,695 deals completed since the scheme began in November 2016, with an average value of £19,399. The total value of finance provided under the scheme is over £32m. This means that, since July 2018, the policy has helped a further 796 businesses raise over £16m of funding.

Table 1: Total quarterly funding, including the number of deal, the total value and the average value of the loan

	Deals	Total value (£)	Average value (£)
Q4 2016	26	399,000	15,346
Q1 2017	112	1,850,912	16,526
Q2 2017	81	1,232,350	15,214
Q3 2017	127	1,362,890	10,731
Q4 2017	162	2,223,194	13,723
Q1 2018	224	4,608,310	20,573
Q2 2018	167	4,380,003	26,228
Q3 2018	169	4,625,997	27,373
Q4 2018	211	4,210,887	19,957
Q1 2019	220	3,847,205	17,487
Q2 2019	196	4,140,207	21,124
Total	1,695	32,880,954	19,399

Quarterly referrals and contacts

Table 2 shows the number of SMEs referred under the scheme and a breakdown of the number of SMEs who then made contact with a platform – including the quarterly and cumulative contact rate. The data generally shows an upward trend on a number of metrics. The Government expects this steady growth trajectory to continue, as the scheme becomes even more embedded in the SME lending journey and awareness grows amongst the SME population.

Table 2: Quarterly number of referrals, including a breakdown of the number of SMEs who made contact with a platform and the contact rates ³

	Quarterly referrals	Quarterly contacts	Cumulative referrals	Cumulative Contacts	Quarterly Contact rate (%)	Cumulative contact rate (%)
Q4 2016	1753	797	1753	797	45	45
Q1 2017	3390	1549	5143	2346	46	46
Q2 2017	2447	1251	7590	3597	51	47
Q3 2017	2508	1466	10,098	5063	58	50
Q4 2017	2735	1550	12,833	6613	57	52
Q1 2018	3221	1932	16,054	8545	60	53
Q2 2018	2827	1453	18,881	9998	51	53
Q3 2018	2663	2018	21,544	12,016	76	56
Q4 2018	2730	1297	24,274	13,313	48	55
Q1 2019	3043	1286	27,317	14,599	42	53
Q2 2019	2647	1190	29,964	15,789	45	53
Total	29,964	15,789				

³ This does not take into account the fact that many SME inquiries remain open, and so data (such as the quarterly contact rate) can be revised upwards in the future.

Quarterly conversion rates

Table 3 shows the quarterly and cumulative conversion rates for referrals and contact made by an SME with the platforms. The data shows a trend of increasing conversion rates, with a representative conversion rate for Q2 2019 of more than 16% when comparing the number of SMEs who made contact with a platform with the number of SMEs who received finance via the platform.

Table 3: Quarterly and cumulative conversion rate for referrals and contact made with the platforms⁴

	Quarterly conversion rate – Referrals (%)	Quarterly conversion rate – Contacts (%)	Cumulative conversion rate - Referrals (%)	Cumulative Conversion rate- Contacts (%)
Q4 2016	1.48	3.26	1.48	3.26
Q1 2017	3.30	7.23	2.68	5.88
Q2 2017	3.31	6.47	2.89	6.09
Q3 2017	5.06	8.66	3.43	6.83
Q4 2017	5.92	10.45	3.96	7.68
Q1 2018	6.95	11.59	4.56	8.57
Q2 2018	5.91	11.49	4.76	8.99
Q3 2018	6.35	8.37	4.96	8.89
Q4 2018	7.73	16.27	5.27	9.61
Q1 2019	7.23	17.11	5.49	10.27
Q2 2019	7.40	16.47	5.66	10.74

⁴ The contact conversion rate is the most equivalent to market conversion rates.

Referrals by location

Table 4 shows the percentage of referrals made by location, compared to the distribution of the SME population.

Table 4: Percentage of referrals made by location⁵

Region	SME distribution (%)	Referrals distribution (%) ⁶	Referrals distribution (% inc. Not Recorded)
Greater London	18.7	22.6	20.8
South East	16.3	12.7	11.7
East of England	10.1	8.8	8.2
South West	9.3	8.9	8.2
North West	9.3	9.6	8.8
West Midlands	7.9	7.7	7.1
Yorkshire and Humber	7.4	7.9	7.3
East Midlands	6.5	6.2	5.7
North East	2.5	3.8	3.5
England	87.9	88.2	81.4
Scotland	6.1	5.8	5.4
Wales	3.7	3.4	3.2
Northern Ireland	2.3	2.6	2.4
Scotland, Wales and Northern Ireland	12.1	11.8	10.9
Location Not Recorded			7.7

⁵ Some postcodes cross borders, which could impact results.

⁶ Excluding referrals which do not include data on the location of the SME.

Deals by location

Table 5 shows the distribution of deals made by location, compared to the distribution of the SME population.

Table 5: Percentage of deals made by location⁷

Region	SME distribution (%)	Deal distribution	Deal distribution ⁸ (%)	Deal distribution (% inc. Not Recorded)
Greater London	18.7	419	26.0	24.7
South East	16.3	239	14.8	14.1
East of England	10.1	181	11.2	10.7
South West	9.3	151	9.4	8.9
North West	9.3	134	8.3	7.9
West Midlands	7.9	129	8.0	7.6
Yorkshire and Humber	7.4	112	7.0	6.6
East Midlands	6.5	68	4.2	4.0
North East	2.5	48	3.0	2.8
England	87.9	1,481	91.9	87.4
Scotland	6.1	71	4.4	4.2
Wales	3.7	51	3.2	3.0
Northern Ireland	2.3	8	0.5	0.5
Scotland, Wales and Northern Ireland	12.1	130	8.1	7.7
Location Not Recorded		84		5.0

⁷ Some postcodes cross borders. This could impact results.

⁸ Excluding referrals which do not include data on the location of the SME.

Funding by location

Table 6 shows the funding value distribution, compared to the distribution of the SME population.

Table 6: Funding value distribution⁹

Region	SME distribution (%)	Funding value distribution (%) ¹⁰	Finance value distribution (% inc. Not Recorded)
Greater London	18.7	23.4 ¹¹	22.4
South East	16.3	17.4	16.7
East of England	10.1	13.5	13.0
South West	9.3	7.2	6.9
North West	9.3	9.2	8.9
West Midlands	7.9	5.8	5.5
Yorkshire and Humber	7.4	7.0	6.7
East Midlands	6.5	6.1	5.8
North East	2.5	3.4	3.3
England	87.9	93.1	89.2
Scotland	6.1	4.0	3.8
Wales	3.7	2.0	1.9
Northern Ireland	2.3	0.9	0.9
Scotland, Wales and Northern Ireland	12.1	6.9	6.6
Location Not Recorded			4.2

⁹ Some postcodes cross borders. This could impact results.

¹⁰ Excluding referrals which do not include data on the location of the SME.

¹¹ One large deal drives this number up from c. 20% to c. 23%

Average deal size by location

Table 7 shows the average deal size by location.

Table 7: Average deal size by location¹²

Region	Average deal size
Greater London	£17,602
South East	£22,983
East of England	£23,562
South West	£20,247
North West	£21,731
West Midlands	£26,656
Yorkshire and Humber	£14,521
East Midlands	£14,842
North East	£22,586
England	£19,795
Scotland	£17,644
Wales	£12,548
Northern Ireland	£35,838
No Location recorded	£16,485
Total	£19,399

¹² Some postcodes cross borders, which could impact results.

Background notes

Data collection

The British Business Bank (BBB), who administer the scheme on behalf of HM Treasury, collect data from designated finance platforms in accordance with monitoring and reporting requirements set by HM Treasury.

Data sources

The SME population data is based on Department for Business, Energy and Industrial Strategy Business (BEIS) population estimates, 2017.

<https://www.gov.uk/government/statistics/business-population-estimates-2017>

Further information

Further information about the Bank Referral scheme can be found at:

<http://british-business-bank.co.uk/bank-referrals/>

Enquiries

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