GLI Finance Limited

GLI Finance Response to provisional findings of CMA Retail Banking Market Investigation

We welcome this comprehensive report, which clearly identifies some of the long-standing issues with the SME lending market – over concentration, lack of diversity of provision, and lack of information about the breadth of alternatives for SMEs. The finance gap facing small companies is widely seen as one of the major systemic impediments to further economic growth in the UK.

This problem, particularly acute for SMEs, is deeply entrenched and arises from a combination of factors. The lasting impact of the financial crisis, the retrenchment of high street banks from the small business lending market, and continuing weakness in the economy all contribute to this credit gap. As the report notes, the banking sector is highly concentrated. Alternative finance accounted for under 2% of the market, while the big 4 banks accounted for over 80% of the market. Rather than state intervention to split up the market, further support to the alternative finance sector could bring the competition and diversification that the market badly needs. In turn, this drives broader economic benefits. SMEs account for 65% of net job creation, yet 56% of SMEs are unfamiliar with any form of alternative finance.

Some of the recommendations in the CMA report are particularly welcome. One notable feature of the SME lending market is the 'advice gap' facing SMEs about which type of finance is best suited to them. In that context, the inclusion of 'neutral platforms' in the bank referral mechanism is another welcome policy measure.

However, given the systemic nature of this problem, we believe more comprehensive action is required to close the finance gap. Lack of awareness of the breadth of financing options available is widely cited as a major impediment to the growth of the alternative finance sector, which stands ready to bridge the finance gap. We will publish a report on 23rd November, co-authored with Cambridge University Centre for Alternative Finance, which finds that £20 billion of further economic output is impeded by the lack of awareness amongst SMEs of the breadth of financing options available. To bring the alternative finance sector firmly into the mainstream, SMEs need to be aware that the high street bank should not be their only port of call. This week, Deputy Governor of the Bank of England, Andrew Bailey, noted that new entrants to the banking sector would not be enough to reduce the 'oligopoly' in the banking sector. The Alternative Finance sector is the best chance to broaden SME access to finance, closing the finance gap.

We have called for the Government and British Business Bank to launch a comprehensive, wide ranging campaign based on behavioural insight to raise awareness of alternative finance solutions among SMEs. The alternative finance sector can be more flexible and more accommodating to the needs of SMEs, compared to a one-size-fits-all approach prescribed by many high street banks (which are in any case retrenching from SME lending). We set out the business case for state support for such a goal in the report noted above, further information about which can be provided on request.

Dr Louise Beaumont
Head of Public Affairs & Marketing, GLI Finance
www.glifinance.com

The case for raising Small and Medium Enterprise awareness of alternative finance

A £20bn call to action

A £20bn call to action

This report demonstrates that increasing awareness of the alternative finance industry among UK Small and Medium Enterprises (SME) will help businesses across the country understand their finance options, secure appropriate finance, and realise their growth potential, which the CBI has estimated could add up to £20 billion to the UK economy by 2020.

The granular data produced by Cambridge University's Centre for Alternative Finance provides evidence of the positive impact alternative finance has had on SMEs' turnover, employment, and profitability. Furthermore, the stories from entrepreneurs across the country detailed in the case studies, show the positive impact at the commercial coalface.

This government, and the previous coalition government, have demonstrated strong leadership. They have made sound first steps in positioning alternative finance as a complementary force in the financial services landscape by implementing supportive legislation and regulation.

The British Business Bank and HM Treasury must now build on these successes by developing a national campaign to raise awareness of the benefits of alternative finance amongst SMEs. The Government's Behavioural Insights Team (commonly referred to as the Nudge Unit), has a strong track record of resolving issues arising from lack of awareness, and we have proposed a co-ordinated approach utilising these principles to deliver successful results.

This campaign should be closely supported by industry bodies, and the industry itself, who all have an important role to play in raising awareness about the range of financial solutions available to SMEs and the benefits of a diversified credit ecosystem.

INNOVATE FINANCE

"The Competition and Markets Authority's interim findings confirm that SME finance remains highly concentrated, with awareness of alternative finance options among SMEs low, despite a raft of business finance guides in the market.

More must be done to encourage SMEs to explore all of the finance options available to them, to diversify the sources and access to SME finance, and to change SME behaviours when it comes to material consideration of alternative sources of finance. The data in the Cambridge Centre for Alternative Finance report highlights the positive impact this could have on jobs and investments in SMEs.

A new approach rooted in behavioural economics should be explored to help 'nudge' SME behaviour and diversify the SME finance landscape to help drive economic growth."

Lawrence Wintermeyer, CEO, Innovate Finance

techUK

"Technological innovation has underpinned the development of alternative finance platforms. By simplifying the links between investors and borrowers, alternative finance's tech-led approach has the potential to fundamentally transform how SMEs get capital, with significant benefits for the UK economy as a whole."

Lisa Moyle, Head of Programme, Financial Services and Payments, techUK

UNIVERSITY OF CAMBRIDGE

"With the emergence of alternative finance in recent years, small businesses across the United Kingdom have been able to access much needed funding and the impact is inspiring. Initial findings from our 2014 UK Alternative Finance Industry Report would suggest that, beyond achieving finance when otherwise challenging, additional positive outcomes arise for businesses that have successfully funded via an alternative vehicle. Businesses noted record improvements in profitability, employment and turnover."

Contributing Author: Tania Ziegler, Researcher, Cambridge University, Judge Business School, Cambridge Centre for Alternative Finance

FSB

"The FSB is playing a prominent role in bringing together both industry and political stakeholders to explore what further policy levers can be developed to support and promote alternative sources of finance. This includes a series of events in Westminster and beyond around how Tim Breedon CBE's work over the last parliament into non-bank finance can be taken forward, as well as researching the challenges and opportunities small firms are facing as digitisation changes the way businesses interact with finance providers, creditors and customers."

Mike Cherry, Policy Director, Federation of Small Business

NACFB
Helping Fund UK Business

"We are here to help SMEs to find funding for their business – and since 2008 the lack of funding in the market has seen our members and their customers struggle to finance their businesses. We support this drive to raise SME awareness of their finance options, and will continue to promulgate the message via our advice network of nearly one thousand five hundred experienced commercial finance individuals."

Adam Tyler, CEO, National Association of Commercial Finance Brokers

ABFA

"On awareness of alternative finance in all its forms, this report clearly demonstrates the challenge and also the prize. There are a wide range of funding options available beyond traditional overdrafts and loans, and the landscape is evolving all the time. There is a clear case for finance providers, those who work with and advise SMEs, and also for government bodies to work together to raise awareness of the options that are available and how they can help."

Jeff Longhurst, CEO, Asset Based Finance Association

British Chambers of Commerce

"Access to finance for businesses remains a major barrier to growth for some of our most promising companies. That is why the BCC is playing a major role in promoting all types of finance, including delivering landmark initiatives like the Business Banking Insight, alongside a number of other stakeholders, which lets SMEs across the UK learn from the experiences of their business peers before choosing products and services from different finance providers."

Dr Adam Marshall, Executive Director of Policy and External Affairs at the British Chambers of Commerce

Introduction

This report describes and evaluates the impact alternative finance has already had on the UK's SME landscape, as well as the potential it provides for future growth to the engine room of the UK economy – an engine room that accounts for 65% of net job creation [0].

A healthy lending environment is crucial to ensure that businesses across the UK can achieve their growth potential and contribute to the country's economic future – but awareness of and availability of appropriate credit are critical issues. Too many SMEs remain largely unaware of their finance options following the retrenchment of traditional lenders from the sector. As the British Chambers of Commerce states; "There remains little understanding of alternative finance options [1]."

Context

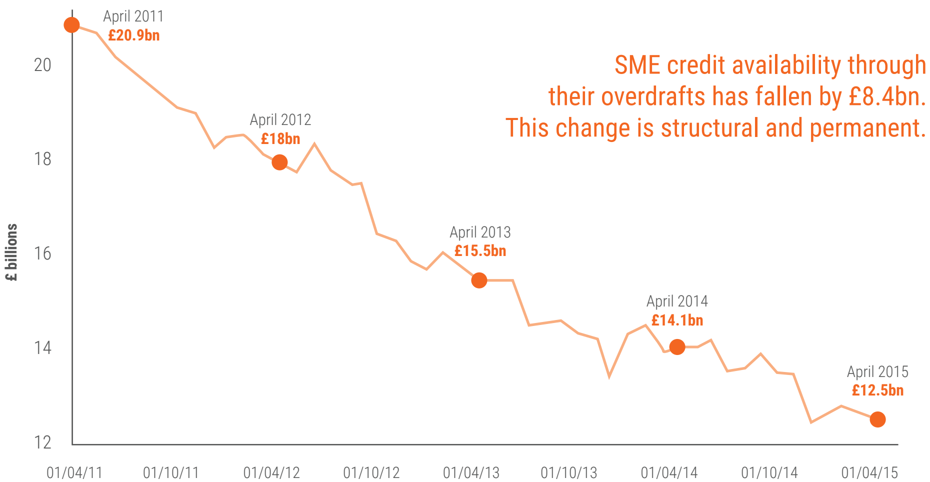
The alternative finance industry has grown exponentially since the financial crisis, and data from trade bodies, accountancy firms, research houses, and academics has demonstrated the industry's impressive growth trajectory[2,3]. These successes have been achieved despite low levels of awareness and understanding of the sector among SMEs. Indeed, according to the UK Alternative Finance Industry report by Nesta and Cambridge, 56% of SMEs were unfamiliar with any forms of alternative finance[4]. Furthermore, TheCityUK and EY recently reported that future European financial stability could be at risk over the long term because of a lack of sufficient knowledge and awareness about complementary and alternative forms of finance amongst growth companies[5].

In fact, in the UK we have substantial concentration risk within the credit ecosystem – the recent Competition and Markets Authority report shows that four UK banks are the source of 80% of all SME credit[6], with HM Treasury and the Department of Business, Innovation and Skills noting that "Anecdotal evidence has long suggested that most SMEs only approach the largest banks when seeking finance [7]."

This reliance on traditional lenders has continued despite their on-going withdrawal of credit to SMEs with analysis conducted by Funding Options (a GLI Finance investee platform) estimating that for every day since 2011, banks have withdrawn £5.7 million in small business overdrafts[8] resulting in an estimated £2.9bn loss in growth to the UK economy. In fact, the amount of lending to SMEs through overdrafts has fallen by over 40% in the last four years, with £150m of working capital being lost each month – overdrafts stood at £20.9bn in April 2011, and had fallen to £12.5bn in April 2015[8]. This is corroborated by Albion, which noted that "while bank loans and overdrafts were a source of finance for 76% of lending in 2013, the proportion fell to 62% in 2014 and just under half (49%) in 2015"[9].

In relation to general-purpose loans excluding Peer to Peer (P2P) lending, the combined share of the four largest banks in the UK of the value of outstanding loans was 80% in 2015. Their UK share of invoice finance was also 80% and of asset finance, 65%. Around 90% of SMEs go to their main bank for overdrafts, general purpose business loans and credit cards respectively. 69% went to their bank for invoice discounting and factoring and 76% for commercial mortgages. 60% of SMEs considered only one provider when seeking lending. 24% of SMEs applied for finance at the time it was needed and a further 12% within two weeks of needing finance.

Competition and Markets Authority,
Proposing a better deal for bank customers, 2015



"European businesses, particularly our small and medium sized firms, are too dependent on the banking sector for accessing finance, especially at a time when bank lending is constrained. It's essential that we find more and better ways to give them the funding they need to grow and succeed."

Harriett Baldwin, Economic Secretary to the Treasury, October 2015

"European SMEs receive 75% of their funding from banks; European companies are four times more reliant on banks than American ones. So a drying up of bank lending like the one we experienced in 2008 had a devastating impact."

Jonathan Hill, European Commissioner for Financial Stability,
Financial Services, and Capital Markets Union, October 2015

"Raising awareness of alternative finance is critical for the UK's SMEs to achieve their growth potential, and thus contribute to the country's economic future."

Dr Louise Beaumont, Head of Public Affairs, GLI Finance

A partial solution

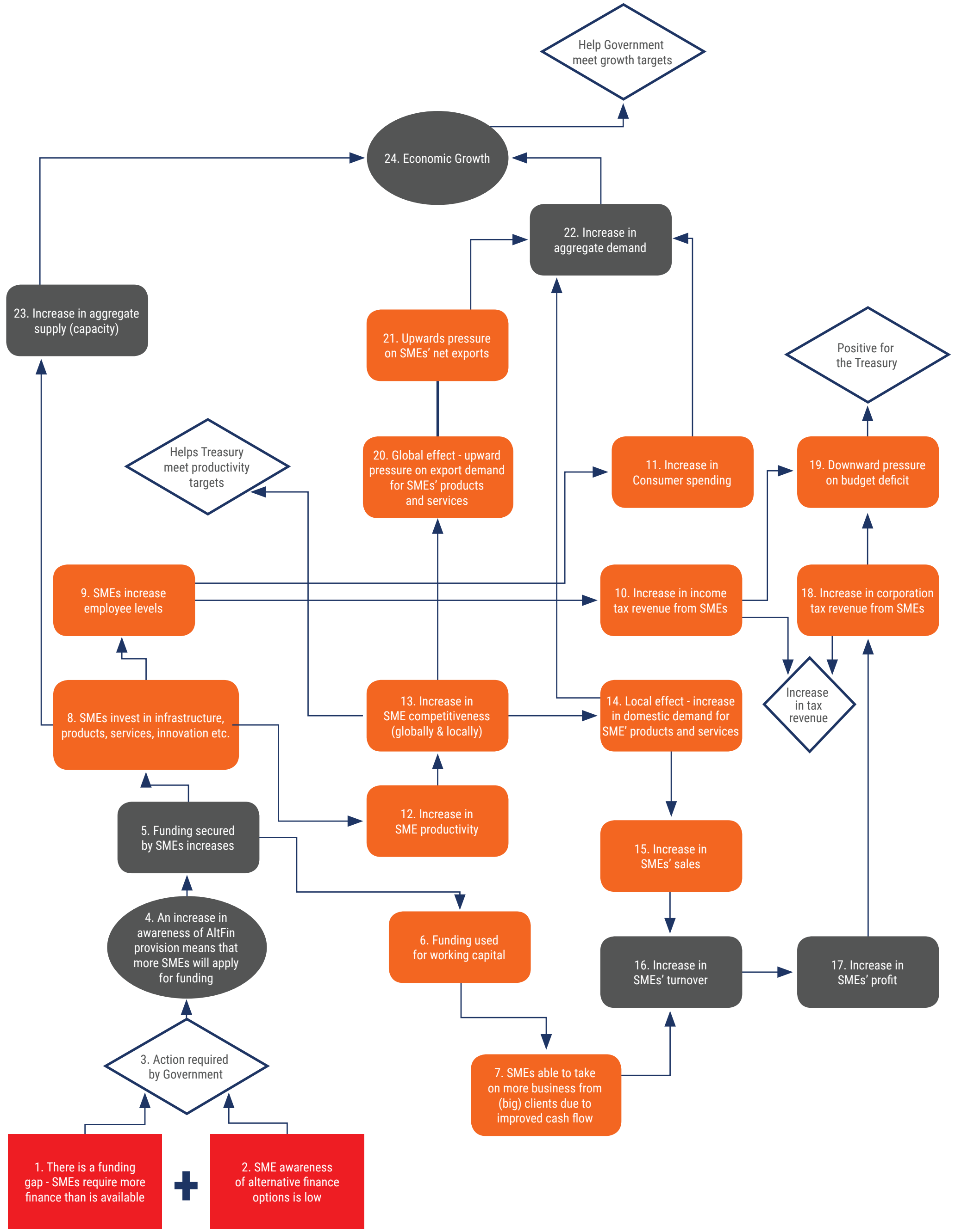
This dynamic of reduced credit availability from traditional sources coupled with SMEs low awareness of alternative finance providers creates a significant problem for UK plc. We can start to address this issue through the implementation of the mandatory referral scheme whereby SMEs who are declined for finance by banks are offered referral to alternative finance providers, as part of the government's Small Business, Enterprise and Employment Act. This legislation will come into effect in 2016, and is being led by HM Treasury and the British Business Bank.

However, more must be done to raise awareness of the availability and benefits of alternative finance in order to eliminate the fear of the unknown for SMEs seeking finance, and drive uptake. Data from the British Business Bank estimated that as many as 250,000 SMEs could be referred to neutral finance platforms after being declined by high street lenders with a further 250,000 deterred from applying for finance in the first place[2].

Only by supporting the alternative finance industry's progression to becoming a mainstream part of the financial services system will the UK be able to drive the structural shift in the credit ecosystem required by SMEs and the wider economy.

The way forward

In light of this context, we have explored how an increase in SME awareness of alternative finance solutions would impact the UK economy, represented as a flowchart right.



The impact of nudge

We believe that a government-led campaign, closely supported by industry groups, and the industry itself, would raise awareness of alternative funding solutions for SMEs and is based on the successes we have witnessed from similar initiatives across a range of government policies. There are many issues that the government has resolved by awareness raising campaigns, so the basis of our proposed solution is well founded. Work in this field has been led by the Government's Behavioural Insights Team[10] (commonly referred to as the Nudge Unit), which utilises human behaviour insights to raise awareness and change behaviour.

"In essence, consumers optimise given their preferences and the constraints that they face. Behavioural economics has considered ways in which all three might be developed to give more realistic models of choice:

- *People may not always pick the optimal (utility-maximising) choice, but may rely on simpler 'rules of thumb' in making decisions. This is sometimes called bounded rationality. Consumers make the best choice according to their particular decision rule. Often, but not always, this may accord closely with the utility-maximising ('fully rational') choice.*
- *Decisions may be guided not only by the standard economic constraints such as prices, incomes and information, but also by other factors such as how choices are framed or presented to them and other cues driven by the environment in which choices are made.*
- *Preferences may depend not only on the choices that the individual actually makes, but also on the choices that others make. In other words, there may be social preferences which affect decision-making, rather than the usual assumption of pure self-interest.*
- *The utility that is obtained from a particular decision could also be partly determined by choices that were rejected, meaning that changes in the choice set can affect outcomes. Models of temptation are one example of this."*

Institute for Fiscal Studies
Tax and benefit policy: Insights from behavioural economics, 2012

There are three successful campaigns that we believe demonstrate that this approach would be applicable:

1. Road tax payments - not paying road tax can result in hefty fines, but sending reminder letters only generated an 11% response. Implementing 'nudges' resulted in response rates going up to 49%.
2. Income tax payments - implementing behavioural 'nudges' resulted in rates of repayment rising by 15%.
3. Pensions - automatically enrolling employees into workplace pensions nudged participation rates from 61% to 83%.

Nudge has a proven track record of stimulating behavioural change and delivering results.

Enabling behaviour change, delivering economic impact

These three examples showcase how the Nudge Unit has influenced behaviour. The main objective for an alternative finance campaign would be to demonstrate to SMEs that alternative finance solutions are not a niche option for tech-savvy borrowers, but a complementary force in the financial services universe that can offer them smart solutions to secure and fuel their future – and thus deliver a significantly positive and measurable economic impact for UK plc at a modest cost to the government.

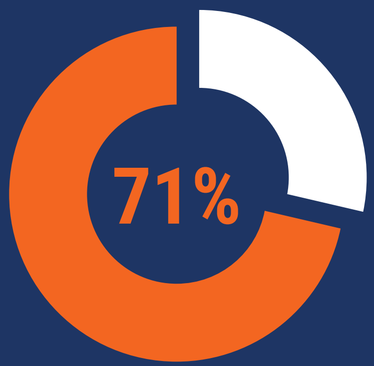
Companies like yours use alternative finance.

The facts

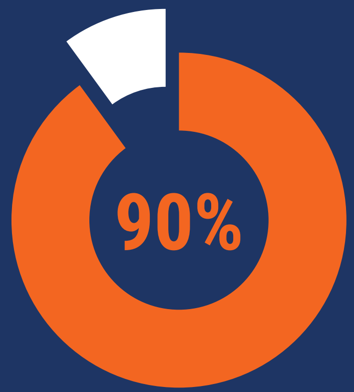
Hard data

Demonstrating that increased SME access to alternative finance delivers more than just hypothetical results, Cambridge University's Centre for Alternative Finance conducted a study on the impact a variety of alternative finance solutions, including Peer to Peer Lending and Invoice Trading, had on real businesses in the UK. 536 businesses participated in the Centre's survey, which uncovered three major outcomes of companies using Peer to Peer lenders for their funding needs: 53% of the business reported an increase in employment, 63% reported an increase net profit/net income, and nearly three quarters of the companies said that turnover increased. Similarly, when it came to invoice trading, 60% of businesses reported an increase in employment, 90% reported an increase in net profit/net income, and 80% said that turnover increased.

Rates of increase in turnover and profit/net income



71% reported an increase in turnover since receiving P2P funding



90% of SMEs reported an increase in net profit/net income following invoice trading

This is further demonstrated by recent research conducted by Funding Options which shows that SMEs who accessed higher levels of borrowing grew their turnover on average by 15.7% over the last five years[11].

SME case studies

In addition to this quantitative data, GLI Finance has provided the following case studies on SMEs funded by some of its portfolio platforms. These case studies demonstrate how five SMEs have secured and fuelled their businesses using alternative finance, and illustrate the associated positive impact on the UK economy.

Full case studies can be found in the appendix, and vividly illustrate four key themes:

Alternative finance fuels new products and services

Alternative finance fuels export

Alternative finance fuels growth

Alternative finance creates jobs

"Without Sancus, Holme Grown would be a redundant site, and many dozens of jobs would have been lost. With Sancus, Holme Grown is a thriving business, which is growing fast, and providing valuable jobs in our community."

Stanley Payn, CEO, Holme Grown

"Being able to borrow from FundingKnight means that we can accept large orders, which means we can grow our business – if we couldn't borrow, we'd have to stay small."

Guy Unwin, CEO, Planit Products

"FundingKnight recognised the value of the nuVa product, and understood that Cereno could afford to invest in our future. They looked at us as a business, rather than as a tick box exercise. Without FundingKnight we wouldn't be exporting a British invention to a global market."

Jocelyn Lomer, CEO, Cereno Solutions

"UK Bond Network were there at a time when we needed support, not because of hardship, but because we were ready to grow. We've been able to create more jobs, will create more in future, and due to the nature of our work as a recruitment company, will facilitate thousands more jobs outside of our organisation."

Gary Pinchen, CEO, CIP Group

Future research

We believe that ongoing research is required.

Future research topics could include: Cambridge University's Centre for Alternative Finance re-running their survey on the impact of alternative finance on SMEs; research on average loan size, number of new loans, and the number and value of non-performing loans; and, once the mandatory SME referral scheme has kicked off in 2016, we expect data from the neutral finance platforms receiving the referrals from the banks to shed light on what kind of SMEs are rejected for finance by the banks, and what kinds of SME are happy to fuel their business with alternative finance.

A £20bn call to action

This report demonstrates that increasing awareness of the alternative finance industry among UK Small and Medium Enterprises (SME) will help businesses across the country understand their finance options, secure appropriate finance, and realise their growth potential, which the CBI has estimated could add up to £20 billion to the UK economy by 2020[12].

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This government, and the previous coalition government, have demonstrated strong leadership. They have made sound first steps in positioning alternative finance as a complementary force in the financial services landscape by implementing supportive legislation and regulation.

The British Business Bank and HM Treasury must now build on these successes by developing a national campaign to raise awareness of the benefits of alternative finance amongst SMEs. The Government's Behavioural Insights Team (commonly referred to as the Nudge Unit), has a strong track record of resolving issues arising from lack of awareness, and we have proposed a co-ordinated approach utilising these principles to deliver successful results.

This campaign should be closely supported by industry bodies, and the industry itself, who all have an important role to play in raising awareness about the range of financial solutions available to SMEs and the benefits of a diversified credit ecosystem.

Appendix

Holme Grown Sancus

Against the odds

If your biggest customer said "We're no longer going to buy from you" and your bank said, "We're not going to lend you any money" you may be tempted to give up. But Stanley Payn's family have been growing tomatoes on Jersey for 99 years, and he wasn't about to let this defeat him.

The business had sold tomatoes to Sainsbury's for 22 years. In fact, by 2000 it delivered 60% of Sainsbury's vine tomatoes. As things were going well, Stanley decided to keep on investing in the business, building 13 acres of glasshouses, and putting in new technology.

Then, in 2007, Sainsbury's abruptly decided to stop buying from Stanley, and start buying from producers in Poland. As Stanley recalled: "For decades we were a name to Sainsbury's, then all of a sudden we were just a number. 90% of our turnover disappeared."

The germ of an idea

A few years before, Stanley had spotted an interesting niche in the market; farm shops. He liked the idea and opened one on site. He sold tomatoes, of course, and also herbs he had grown in the glasshouses. Overnight, the farm shop had to become the backbone of the company.

Changing the business model from tomato provider with one major corporate customer to a farm shop with lots of retail customers required investment, so Stanley went to his bank to arrange a loan.

The bank said no, but Sancus said yes
Despite the bank valuing his business at £15m, they were not interested in lending him any money – Stanley and his business simply did not fit their criteria, the bank argued. So Stanley approached Sancus, who said yes.

Investment fuels expansion

Stanley and his team have re-invented the business with Sancus' finance, from selling one product to one customer to creating the Holme Grown farm shop which stocks a vast range of fresh fruit and vegetables. Holme Grown added a bakery where everything is made on site, a butchery, and an online store. There is a garden centre with a café, which has 60 seats, and plans to more than quadruple in size to over 250 seats. And, for the culturally minded, there's a potter and an artist on site.

Investment creates jobs

Stanley and his team now employ 43 staff, plus part-timers at Holme Grown, and the rolling programme of building work to expand the business has provided jobs for 15 more contractors.

Investment enables growth

Holme Grown has gone from one corporate customer, Sainsbury's, to a loyalty card-carrying base of over 7,000 retail customers.

Since the start of the investment programme, Holme Grown's turnover has increased by 17%, from £2.8m to £3.3m, and, with the investment programme continuing Stanley is aiming to double turnover by the end of 2016 to £5m+, whilst maintaining profitability.

Is investment worth it?

As Stanley said, "Without Sancus, Holme Grown would be a redundant site, and many dozens of jobs would have been lost. With Sancus, Holme Grown is a thriving business, which is growing fast, and providing valuable jobs in our community."

Planit Products FundingKnight

Big customer, Big orders

Planit Products was born ten years ago, launching with toasta bags, and then diversifying out to encompass a wide range of products for the big name supermarkets, discounters and garden centres – they specialise in cookware and kitchenware, as well as garden essentials. Some customers place regular orders, and some – like Aldi – place very large orders two or three times a year.

Spikes in demand

As Guy Unwin says, "It's great when a customer wants to place a large order, and it's good for growth, but it can cause real cash flow stress, as a 100,000 piece order requires an investment of £80,000 – and suppliers have credit limits."

To tackle these spikes in demand, Guy chose to look for alternative finance options online, as he doubted a traditional lender could help with his company's specific needs, and he had wanted to take advantage of the innovative solutions alternative finance had to offer for some time to diversify his funding. His search online led him to FundingKnight.

Investing for growth

Planit is turning over about £4m, and has focused on delivering steady growth of c.10% per annum, by pitching for and securing orders, and then investing in the equipment required to deliver the orders.

"We've focused on building our borrowing track record; we've raised finance, repaid the loan, and now we're confident that we can raise finance to fund future orders. Doing this has enabled us to build market share in the discounting marketplace, which forms the foundation upon which we can develop and sell higher margin products."

"We employ 20 permanent staff – and for big orders from Aldi and Walmart, we hire 10+ contract staff for about three months."

Is investment worth it?

As Guy says; "Being able to borrow means that we can accept large orders, which means we can grow our business – if we couldn't borrow, we'd have to stay small."

Cereno
Funding Knight

What price innovation?

What happens when you know you've got a highly innovative new technology and you need investment to acquire the intellectual property and to scale the business?

The answer, all too often, is 'not much'. It can be an uphill battle, and that's exactly what Jocelyn Lomer found when he wanted to acquire nuVa, which he describes as "the world's best alternative to a face to face meetings."

Seizing the opportunity

nuVa had been built by a defense multi-national as a next-generation remote collaboration tool, and the team at Cereno helped create the intellectual property, and became the appointed re-sellers. When this defense multi-national refocused their business, Jocelyn had the opportunity to buy nuVa – but struggled to raise the finance; "The banks just couldn't get their heads around how to value intellectual property, so I turned to FundingKnight."

A fresh perspective

"We'd worked with FundingKnight before, so we had a good track record with them, and they understood our business. FundingKnight could see that we could afford to invest in our business, and the loan from FundingKnight meant we could buy nuVa, and take it to a global market."

Investment fuels expansion

Acquiring the nuVa technology meant that Cereno not only had a new high value, high margin product, but they also had new target sectors, and new target geographies both at home and abroad. Cereno focuses on connecting international teams working on complex and expensive projects in the construction, oil & gas, and pharmaceuticals sectors. And customers, including Air Products, are buying because they can make faster, better decisions, at a reduced cost.

Jon Trembley of Air Products commented: "nuVa has revolutionised our global design meetings, previously we had considerable issues involving the collaborative design of industrial freezing machines between the U.K. and Thailand. We had to rely on a hotchpotch of communication methods, whereas nuVa allows Air Products to have "real life" virtual meetings with design operations remaining in the UK."

Investment creates jobs

Cereno has created new highly skilled jobs; software and support engineers, and subject matter experts in charge of sales – five by the end of December 2014, ten by August 2015, and a total of 15 are planned by April 2016.

Investment enables growth

Cereno has delivered £100k in new revenue via the nuVa product, and is already halfway to profitability, with the company predicting breakeven in June 2016, as a function of the healthy and growing pipeline.

Is investment worth it?

As Jocelyn said; "FundingKnight recognised the value of the nuVa product, and understood that Cereno could afford to invest in our future. They looked at us as a business, rather than as a tick box exercise. Without FundingKnight we wouldn't be exporting a British invention to a global market."

CIP Group
UK Bond Network

A long-standing and stable counterparty

CIP has been offering recruitment solutions since 1993. CIP targets UK blue chip corporates, which are serviced by 9 branches and 4 onsite client locations. The company had been growing well, posting an EBITDA of £1.95m in 2014, up 35% from 2013. The company places on average 2,020 people into jobs every week through its 9 branches in the UK.

Held back by lack of finance

Despite this, the company was unable to access bank finance, as CIP's corporate advisor Charles Warner-Allen explains.

"CIP had strong revenue and earnings, and as an owner-managed business, we didn't want to give any equity away so it had to be debt finance.

"We came to UK Bond Network because we wanted to grow the business and fundamentally because they were able to deliver an amount of finance that CIP's bank couldn't – over £1 million. An added benefit was that UK Bond Network made the bond SIPPable, and also listed it, enabling both myself and the company's owner-manager to participate in the financing – something we were both keen to do because of our belief in the business."

Creating jobs and enabling growth

Gary Pinchen, the company's CEO and owner-manager, says the finance has been invaluable in assisting the company's growth, and creating jobs.

"The finance we were able to obtain from UK Bond Network has enabled us to take on over 25 new employees – an increase of over 20% to our previous headcount. We've hired particularly strongly in our administration and compliance functions creating a strong, centralised base from which we can execute our plan to grow our business across the country."

Going from strength to strength

The company is now on the preferred supplier list for personnel at the Hinkley Nuclear Power station as a 'Nominated Agency', and expects to be in the same position for the Bradwell plant in Essex. "The investments in our infrastructure we've been able to make have made a huge difference to us. We wouldn't be anywhere near as far forward as we are now without the finance we received; it's moved us forward 3 or 4 stages in our growth plan."

In the right place at the right time

"UK Bond Network were there at a time when we needed support, not because of hardship, but because we were ready to grow. We've been able to create more jobs, will create more in future, and due to the nature of our work as a recruitment company, will facilitate thousands more jobs outside of our organisation.

"The flexibility of the finance doesn't tie us in – we can repay without penalty after just one year. It's been the perfect solution for us."

Body Sculpt Conditioning
Funding Options

Thinking like an entrepreneur

When Max Jenkins graduated from university as a mature student, he felt he'd invested in himself, and wasn't ready to settle for a long and relatively poorly paid apprenticeship in the fitness industry. Instead, he decided to set up his own business by founding a gym, and start to make a return on his investment in education.

The obesity crisis

Max could see obesity growing as a problem in his community in Scarborough, and beyond. And he knew he had proven methods to help people lose weight and get fit, because he'd done it himself – years of playing professional rugby may have kept him in top condition, but once he retired, he had put on over five stone.

Going for the burn

While searching for funding solutions online, Max found Funding Options, and answered a handful of questions on the platform's website. Funding Options assessed his requirements and worked out what the right type of finance was for him and his business plan, and which were the most compatible providers – a process which typically takes about a minute.

Investing for growth

Following Funding Options' recommendations, Max raised a £60k loan, and launched his gym in Q3 2015. He's planning to turn over £50k in year one, rising to £130k in year three.

Is investment worth it?

As Max said; "Without this loan, I wouldn't be fulfilling my dream of launching my own gym, and I wouldn't have created four much needed jobs in Scarborough."

Footnotes

0 Karen Mills, Harvard Business School, State of Small Business Lending, October 2015

1 Treasury Committee, Conduct and Competition in SME Lending, 13 March 2015

2 Nesta/Cambridge, UK Alternative Finance Industry Report, 2014

3 AltFi.com/data

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7 HM Treasury and Department for Business, Innovation & Skills, SME Finance: help to match SMEs rejected for finance with alternative lenders, 18 December 2014

8 Funding Options, Small business overdrafts evaporating, August 2015

9 Albion, Growth Report: Problems of Success, 2015

10 The Behavioural Insights Team, EAST: Four simple ways to apply behavioural insights, 2014

11 Funding Options, Research shows access to lending drives faster SME growth rates, October 2015

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£20bn lost to UK economy through SME lack of alternative finance awareness

- New report published today highlights economic cost of lack of alternative finance awareness
- Ahead of the Autumn Statement, industry stakeholders call for Government to address concentration risk in credit ecosystem to enable SME growth
- Chancellor's Northern Powerhouse at risk as SMEs in North have overdrafts slashed at twice the rate of SMEs in London

Lack of awareness amongst SMEs of alternative finance options is creating a potential economic hole of up to £20bn, according to the latest report released today by GLI Finance. The findings are backed by key industry stakeholders including the **Federation of Small Businesses, British Chambers of Commerce, National Association of Commercial Finance Brokers, Asset Backed Finance Association, Innovate Finance, and techUK.**

The report co-authored by Dr Louise Beaumont, Head of Public Affairs at GLI Finance and Tania Zeigler, Researcher, **Cambridge University Centre for Alternative Finance**, analyses data from a range of sources and details how, with 80% of SME lending provided by four UK banks and 56% of SMEs unfamiliar with any forms of alternative finance, the Government must reduce concentration risk in the credit ecosystem through a **well-resourced awareness raising campaign**.

With SMEs accounting for 65% of net job creation, the report argues that failing to increase awareness of alternative sources of credit to help fuel growth could cost the economy up to £20bn by 2020 as traditional lenders continue to withdraw crucial funding lines.

Analysis by Funding Options, a GLI Finance investee platform, estimates that since 2011 banks have withdrawn £5.7m a day in small business overdrafts alone - cutting available credit by £8.4bn (from £20.9bn to £12.5bn) at an estimated cost to the economy of £2.9bn. From a regional perspective, the **Chancellor George Osborne's Northern Powerhouse is also at risk before it even gets going, as SMEs in the North are having their overdrafts slashed at twice the rate of SMEs in London – 55% of SMEs in the North have had their overdrafts cut or removed vs 25% of SMEs in London.**

To address these issues, and ahead of the Autumn Statement, the report calls for the Government to support the implementation of the Small Business Enterprise and Employment Act's mandatory referral scheme with a **national awareness raising campaign utilising the principles of behavioural insight (aka 'Nudge') in order to change SME behaviour, drive structural change to the financial system, and facilitate economic growth.**

Commenting on the report, Dr Louise Beaumont, Head of Public Affairs at GLI Finance said: "The body of evidence that supports the crucial role the alternative finance sector has played in driving SME growth is unquestionable, helping SMEs increase both turnover and profit, whilst hiring more staff. The industry has started to fill a vital credit gap as traditional lenders have retrenched from the market in the wake of the financial crisis.

"The alternative finance industry has achieved a great deal in a short space of time but it is imperative the Government now leads the charge, supported by industry groups and industry itself, in order to ensure SMEs get the help they need to grow and that the alternative finance industry cements its position as a mainstream and complementary part of the financial services sector – not least to give the Northern Powerhouse a fighting chance, given that SMEs in the North are having their overdrafts slashed at twice the rate of SMEs in London.

"Lack of awareness amongst SMEs of the financing options available to them – despite a plethora of well-intentioned documents, reports and guides for SMEs - is an issue that threatens to undermine the UK's economic recovery, and we call upon the Government to leverage the proven track record of the behavioural insights (aka 'Nudge') approach to build upon the progress made by the alternative finance industry to date. We must think less about individual policies and mechanisms in isolation and much more about the bigger picture. We need to do the simple things much more effectively to enable SME behaviour change, and to create an environment where the Small Business Enterprise and Employment Act can flourish to the benefit of SMEs and to drive growth in the broader economy."

In support of the report, Lawrence Wintermeyer, CEO, Innovate Finance said: "The Competition and Markets Authority's interim findings confirm that SME finance remains highly concentrated, with awareness of alternative finance options among SMEs low, despite a raft of business finance guides in the market.

"More must be done to encourage SMEs to explore all of the finance options available to them, to diversify the sources and access to SME finance, and to change SME behaviours when it comes to material consideration of alternative sources of finance. The data in the Cambridge Centre for Alternative Finance report highlights the positive impact this could have on jobs and investments in SMEs.

"A new approach rooted in behavioural economics should be explored to help 'nudge' SME behaviour and diversify the SME finance landscape to help drive economic growth."

The full report is available on the GLI website: http://www.glifinance.com under News / Blog and includes a number of **SME case studies** who have used alternative finance providers and significantly benefitted from the credit they were able to deliver.

Ends

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Notes to Editors

About GLI Finance

GLI Finance is a leading investor in the global alternative finance sector offering a spectrum of financial solutions to SMEs, across three continents via its portfolio of 20 investee platforms. GLI's portfolio contains: The Credit Junction, TradeRiver Finance, TradeRiver Finance US, Sancus, BMS Finance, Proplend, Ovamba, Raiseworks, Finexkap, LiftForward, FundingKnight, UK Bond Network, Dansk Faktura Bors, Crowdshed, Platform Black, Finpoint, Open Energy Group, MytripleA, Funding Options, and Verus360. www.glifinance.com