

Forum of Private Business

Overall the findings are welcomed and balanced as our members need a banking system that they can trust and can help them develop and grow. The Small Business Survey indicates that late payment and taxation are a greater concern in terms of small firms' finances and with regulation another key barrier to business development we would not want time poor business owners undertaking any more administrative tasks than is required.

Advice and protection for business customers

The Forum feels that the CMA could have gone further by extending the proportion of businesses covered by the financial ombudsman by less than 5% so that it covered small employers with fewer than 50 staff as well as those with less than 10 employees. Feedback from our members and other studies indicate that it is only when a business has over 20 employees that they start to have the level of contractual knowledge to understand the ramifications of different providers and even then there are serious issues as one member had not seen the terms and conditions for online banking until the bank referred to some particularly one-sided conditions referring to cyber security.

The focus on trusted advisors such as the ICAEW is welcome particularly as one of the Forum's competitors has suggested that there is no need to use an accountant. Following the credit crunch a number of accountancy firms have taken on banking experts to counter the disconnect between banks and accountants/small firms and reflect on the tougher market for finance. The Forum feels that the CMA should also be promoting the NACFB, as their expertise in dealing with understanding the difference between types of finance and the different products on the market is often missing when a business is looking for finance as even accountants may not be au fait with nuances in the marketplace.

Improvement of the evidence base

The evidence base could be significantly improved and big data will provide this. In terms of the Business Banking Insight website it is easy to use but limited in that it does not focus on what is important for a business and focuses on compliance rather than customer service which is not something that we feel is needed from the industry. Reporting of the results to the media is also a concern and the weakness of the sampling frame makes it easy for the banks funding the scheme to discount the findings.

Big data will undoubtedly help to resolve this issue but we feel that there is still significant need for the more insightful research that looks at the banks from the perspective of the small business customer. Encouraging more challenger banks would reduce the possibility of SMEs being without basic banking facilities or access to finance as a result of a convergence of lending criteria, particularly if there was a mistake on the file.

However the key problem is the variety of products and the information that you need to convey – Business Moneyfacts provides a relatively comprehensive view of the market in 70 pages conveying basic information on charges APR etc. The NESTA challenge prize will hopefully come up with a way of resolving this key issue.

Encouraging switching in the market

Encouraging switching in the market is not the most effective way of introducing choice to an industry particularly as the financial services industry has, if anything been guilty of incentivising businesses to switch to them to the detriment of the more loyal customers. Anecdotal evidence suggests that unless it is something that you have requested (e.g. a PIN number or transaction reference) communication from the bank is automatically discounted and few third parties would have the ability to suggest this is considered.

We feel that there should be a focus on market failure and a continued focus on giving businesses a choice should when credit or lending is denied or the company makes a complaint.

In our view the one thing that would make encourage switching and an improvement in the way businesses treat their clients is to remove the administrative elements in switching. Members have reported that reasons why the account could not be switched include the fact that this would contravene the Data Protections Act, Money Laundering Act or even the Anti-terrorism Acts.

Structural reforms

Although the focus has not been on structural reforms we feel that this should be considered, particularly as some smaller banks feel that they cannot compete on level playing fields. The last time we looked at this issue our members were divided as to whether structural reform would mean a greater aversion to risk by the high street banks. However some of our members, particularly restaurants and retailers are limited in terms of choice by the lack of local branches, this has been more frequently alleviated by the last bank closing the branch down rather than additional services being provided.

We would also be interested in finding out why the majority of challenger banks have not made an impact on the marketplace, focussing on what they would need to make a direct or indirect impact on larger organisations.

6 June 2016