

Competition and Markets Authority, Retail banking market investigation

CMA's provisional decision on remedies: Funding Circle response

Funding Circle is pleased to see the CMA proposing measures to improve competition in the retail banking market. As the world's leading marketplace focused exclusively on small businesses, Funding Circle recognises this as an opportunity to improve conditions for small businesses seeking finance.

Funding Circle was founded in 2010 in the wake of the financial crisis, when small businesses were reliant on a handful of high street banks for finance. Since then, the choice available to small businesses has certainly improved, and we are proud that the marketplace is now one of the largest net lenders to small businesses in the UK¹.

There is still work to be done however. We welcome the CMA's proposals to improve transparency for small businesses around loan charges and eligibility for loans. The current opacity and inconsistency of information from some providers still causes unnecessary cost for small businesses.

We believe transparency is vital in helping small businesses to make informed choices when looking to access finance. It also helps to speed-up access to finance. We were concerned, but not surprised, to read in the CMA's provisional findings that almost one in ten small business finance applications took more than 20 hours to complete.

At Funding Circle we want to lead the way in helping small businesses get the information they need, clearly and quickly:

- We talk to small businesses every day and repeatedly hear that fast access to finance is absolutely critical.
- Small businesses appreciate how quickly Funding Circle responds to and processes their applications: businesses can apply for a loan online in just ten minutes, receive a decision from the credit assessment team within two working days, and get money in their bank account within a week. This compares to three months with many of the traditional providers.

¹ According to a comparison with Bank of England Funding for Lending statistics which show net lending flows for all participants of the scheme. The Funding Circle marketplace has been within the top five for the past 18 months and was third largest in Q3 2015.



Funding Circle

- Half of our applications come outside of working hours, showing the need for flexibility when it comes to searching for finance. Funding Circle scores 9.3 out of 10 on [TrustPilot](#)² for its customer-centric service.
- Funding Circle does not charge any hidden costs or early repayment fees. The fee structure is simple and transparent: a one-off charge of between 1.5 and 6% is charged once a borrower accepts a loan, based on the loan term and allocated risk band.
- We publish details of every single loan ever originated through the platform on our website, for registered investors to download. This allows our customers to track how our credit risk is performing against expectations.
- Already at Funding Circle, small businesses can borrow from a wide range of investors including 50,000 people, the government-backed British Business Bank, local councils and financial institutions such as large pension funds. A diverse capital base ensures the platform is sustainable for the long term, protecting small businesses in the next downturn.
- Lending through Funding Circle is having a positive, tangible impact on the UK economy – an average Funding Circle borrower employs three new people within twelve months of taking a loan³.

Funding Circle agree wholeheartedly with the CMA's view that small businesses 'should have real choice when they need finance'. This should not just be the case for retail banking, but should extend across all potential funding sources. Alternative sources such as Funding Circle have proven hugely popular to date. 77% of businesses that borrow through our platform would come back to us first over their bank⁴.

We are encouraged that the CMA is working to increase competition in the small business lending market and to improve knowledge of the options available to small businesses. Our research shows that only 7% of businesses have heard of Funding Circle, while the CMA's provisional findings highlight how 60% of small businesses only consider one provider when seeking finance.

We believe small businesses in the UK are set to be in a much improved position in future as a result of innovation in the market and continued support from Government and regulators. But the potential for small businesses and the UK economy is greater still and we would welcome the opportunity to engage further with the CMA on this issue.

² <https://www.trustpilot.com/review/fundingcircle.com>

³ Nesta, Banking on Each Other: The rise of peer-to-peer lending to businesses, 2013

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