



HM Treasury

Bank Referral Scheme

Consultation and Call for Evidence

October 2025

Bank Referral Scheme

Consultation and Call for Evidence



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Chapter 1

Introduction

The subject of this consultation and call for evidence

1.1 The purpose of this consultation and call for evidence is to invite views on a range of issues and proposals aimed at enhancing the UK's Bank Referral Scheme (BRS).

1.2 The BRS is an initiative dating back to 2014, which requires major lenders (designated banks) to refer SME customers that they reject for finance, with the SMEs' permission, to finance platforms that can match the SME with alternative finance providers, in order to improve access to finance. The BRS operates under the Small and Medium Sized Business (Finance Platforms) Regulations 2015 ("the BRS regulations") and are made under powers in the Small Business, Enterprise and Employment Act 2015.

1.3 At the heart of the Government's work on small business policy and financing is the recognition that SMEs are a critical engine of UK economic growth, employment, and innovation. SMEs constitute the vast majority of businesses, providing a significant proportion of private sector jobs and contributing substantially to GDP. Access to appropriate and affordable finance enables SMEs to invest, expand, and increase productivity, but market failures – such as barriers to shopping around for finance – can restrict their access to funding. By prioritising SME finance, the Government seeks to address these barriers, support regional economic balance, foster competition, and ensure that the benefits of economic growth are widely distributed across society.

1.4 While the act of lending to a small business is a commercial decision, the Government is interested in understanding what levers are available to support the lending market and improve its functioning, and identify where there is a role for Government specifically. This targeted consultation, focusing exclusively on the UK's BRS, builds on the Government's recent Call for Evidence on SME Finance and the Small Business Strategy¹, and explores whether the BRS could be enhanced to better support SMEs' access to finance.

1.5 The Government will evaluate the responses received and, dependent on the findings, may consider the necessity of amendments to the current statutory framework. Some of those amendments may be capable of being achieved through secondary legislation and others

¹ <https://www.gov.uk/government/calls-for-evidence/small-business-access-to-finance/small-business-access-to-finance>

may require primary legislation. The Government will also consider whether the policy objectives can be achieved by alternative means, such as by issuing guidance and improving other information available in the public domain. As indicated in the text and the table at the end, some of the questions asked are evidence gathering in nature whereas others offer proposals for consultation.

Structure of this document

1.6 The following consultation and call for evidence:

- Sets out the background to the statutory framework for the UK's BRS
- Provides an analysis of areas where action may be warranted and invites feedback
- Sets out specific issues identified where evidence is sought to help better understand stakeholder experiences, and consider what can be done to improve those experiences and enhance the efficiency of the Scheme.

Who should read this?

1.7 This consultation and call for evidence should be read by those with an interest in SMEs and their access to finance: this includes SMEs and their representative trade bodies, finance platforms, finance providers, consumer groups, trade bodies, and any other interested parties.

How to respond

1.8 The Government invites responses on the specific questions raised. The questions can be found throughout the document and listed in full in Annex A.

1.9 This consultation will run from 27 October 2025 to 22 December 2025.

1.10 Where possible, we would prefer to receive responses by email. These can be sent to:

E-mail address: SMElending@hmtreasury.gov.uk

1.11 Please send written responses to:

SME Lending Bank Referral Scheme Consultation Team
Banking & Credit Team
1/Red
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

1.12 **As part of your response, could you please include if applicable, an indication of whether you have directly participated**

in the Bank Referral Scheme (and if so as a borrower, lender, or designated entity under the Scheme).

Confidentiality

1.13 Information provided in response to this consultation, including personal information, may be published, or disclosed in accordance with the Freedom of Information Act 2000 (FOIA).

1.14 If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, among other things, with obligations of confidentiality. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If the Government receives a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding.

Processing of personal data

1.15 This section sets out how we will use your personal data and explains your relevant rights under the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018 (DPA 2018). For the purposes of the UK GDPR and DPA 2018, the Treasury is the data controller for any personal data you provide in response to this consultation and call for evidence.

Data subjects

1.16 The personal data the Treasury will collect relates to individuals responding to this consultation. These responses will come from a wide group of stakeholders with knowledge of a particular issue.

The personal data we collect

1.17 The personal data will be collected through email submissions and are likely to include respondents' names, email addresses, their job titles and opinions.

How we will use the personal data

1.18 This personal data will only be processed for the purpose of obtaining opinions about government policies, proposals, or an issue of public interest.

1.19 Processing of this personal data is necessary to help us understand who has responded to this consultation and, in some cases, contact respondents to discuss their response.

1.20 The Government will not include any personal data when publishing its response to this consultation.

Lawful basis for processing the personal data

1.21 Article 6(1)(e) of the UK GDPR; the processing is necessary for the performance of a task we are carrying out in the public interest. This task is consulting on the development of departmental policies or proposals and calling for evidence to help us to develop effective government policies.

Who will have access to the personal data

1.22 The personal data will only be made available to those with a legitimate business need to see it as part of the consultation and call for evidence process.

1.23 The Treasury sometimes conduct consultations in partnership with other agencies and government departments and, when we do this, it will be apparent from the consultation itself. For these joint consultations, personal data received in responses will be shared with these partner organisations in order for them to also understand who responded to the consultation.

1.24 As the personal data is stored on the Treasury's IT infrastructure, it will be accessible to our IT service providers. They will only process this personal data for our purposes and in fulfilment with the contractual obligations they have with us.

How long we hold the personal data for

1.25 The Treasury will retain the personal data until work on this consultation and call for evidence is complete and no longer needed.

Your data protection rights

1.26 Relevant rights, in relation to this activity are to:

- request information about how we process your personal data and request a copy of it
- object to the processing of your personal data
- request that any inaccuracies in your personal data are rectified without delay
- request that your personal data are erased if there is no longer a justification for them to be processed
- complain to the Information Commissioner's Office if you are unhappy with the way in which we have processed your personal data

How to submit a data subject access request (DSAR)

1.27 To request access to your personal data that the Treasury holds, please email: dsar@hmtreasury.gov.uk

Complaints

1.28 If you have concerns about the Treasury's use of your personal data, please contact our Data Protection Officer (DPO) in the first instance at: privacy@hmtreasury.gov.uk

1.29 If we are unable to address your concerns to your satisfaction, you can make a complaint to the Information Commissioner at casework@ico.org.uk or via this website: <https://ico.org.uk/make-a-complaint>.

Chapter 2

Background

Access to finance

2.1 The financial services sector has a central role to play in delivering a decade of national renewal. The Government is committed to building a strong, diverse, and competitive financial services sector, which helps ensure UK businesses have access to high-quality financial products and services at fair prices.

2.2 Our main priority is to promote economic growth. We are dedicated to helping the UK's 5.5 million small businesses succeed, providing them with the necessary support and resources to start, grow, and thrive.

2.3 External finance is especially important for small businesses. It enables them to:

- Manage daily operations (i.e. access 'working capital')
- Invest in and grow their businesses
- Set up new enterprises

2.4 Key legislation, such as the Enterprise Act 2002, the Companies Act 2006, and the Small Business, Enterprise and Employment Act 2015, have aimed to make it easier for small businesses to operate. The 2015 Act, in particular, improved access to finance, increased transparency in company ownership, reduced administrative burdens, and strengthened employment rights and payment practices. It gave the Treasury powers to implement two main policies to boost competition among finance providers:

- **The Bank Referral Scheme (BRS):** The Small and Medium Sized Business (Finance Platforms) Regulations 2015 broadly require banks designated by the Treasury to refer SMEs they reject for finance, with the SME's permission, to finance platforms designated by the Treasury. The banks share specified information so that the platforms can match SMEs with other finance providers. This enables businesses that are viable, but do not fit the risk appetite of a particular lender, to access the finance that they need to grow and expand. This policy is the subject of this consultation and call for evidence.
- **The Commercial Credit Data Sharing (CCDS) scheme:** The Small and Medium Sized Business (Credit Information) Regulations 2015 broadly require banks designated by the Treasury to share information on their SME customers, with the SME's permission,

with other finance providers via Credit Reference Agencies designated by the Treasury. The Government has launched a separate consultation and call for evidence on this scheme, which can be found here:

<https://assets.publishing.service.gov.uk/media/68d56a95e65dc716bfb1ddf6/Commercial-Credit-Data-Sharing.pdf>.

The inception of BRS

2.5 The original policy objective of the BRS was two-fold: firstly, to address a market failure of imperfect information, where providers of finance were not aware of the existence of SMEs requiring loans and, on the other side, SMEs were unaware of the existence of alternative sources of finance. Secondly, in doing so, it was designed to level the playing field for alternative finance providers and improve competition in the SME lending market, by highlighting potential lending opportunities from alternative lenders.

2.6 In 2014-15, when the policy was designed, the largest four banks accounted for over 80 per cent of UK SMEs' main banking relationships. Evidence at the time suggested that around 60-70% of SMEs approached only their main bank for finance, with around 40 per cent giving up their search if they were unsuccessful with their main bank². A proportion of the SMEs that were being rejected by the largest UK lenders were thought to generally be viable businesses, but were rejected for finance simply because they did not meet the risk profiles of the largest banks, for example because of the age of the business or the industry in which they operated.

2.7 The Final Impact Assessment accompanying the BRS regulations theorised, based on the limited information available at the time, that the policy could result in around 50% of referred SMEs securing finance and unlock up to an extra £1.9bn finance for SMEs³. At the time, challenger banks and other providers of finance were often unable to offer finance to smaller businesses because these lenders were often not aware of the finance needs of SMEs, and SMEs were also similarly unaware of the existence of these alternative sources of finance. The Independent Lending Review of the Royal Bank of Scotland, led by Sir Andrew Large in 2013⁴, found that a lack of awareness of the alternative sources of finance available to SMEs was a major structural problem in the UK lending market at that time. Although the largest banks would sometimes refer SMEs on to other providers or strategic partners on a bilateral basis, this was not happening systematically and did not allow for more open competition. Other voluntary commitments, such as a referral system to Community Development Finance Institutions, were

2 <https://www.british-business-bank.co.uk/sites/g/files/sovrnj166/files/2023-04/Business-Finance-2015-SME-survey-report.pdf>

3 https://www.legislation.gov.uk/ukia/2015/269/pdfs/ukia_20150269_en.pdf

4 <https://lexlaw.co.uk/wp-content/uploads/2014/01/Sir-Andrew-Large-RBS-Independent-Lending-Review-Report.pdf>

limited in scope and had been slow in achieving results. The Government, therefore, took the decision to legislate to address this market failure.

2.8 Up to Q3 2024, over the lifetime of the Scheme, a total of 5,387 deals worth over £128 million have been approved between alternative finance providers and SMEs through the BRS, with an average deal size of around £24,000. The number of deals and funding secured through the BRS dropped during the pandemic, when ordinary lending was overtaken by the urgent credit provision necessitated by the impact of Covid-19, and has not yet fully recovered. However, the proportion of businesses benefitting from the Scheme (in terms of going on to acquire finance) remains small, with only c.5% of businesses initially rejected for finance securing finance through the Scheme. Ultimately, many UK SMEs do not qualify for finance at all, whether through their main bank or an alternate lender through the BRS. This can be for a variety of reasons such as the age of a business, lack of collateral, the quality of the underlying business plan, or other issues which impact the assessment of risk and affordability criteria. The Government sees an opportunity through this consultation and possible legislative changes to increase referrals to the Scheme, improve communication and processes, and raise awareness. Together, these steps would help make the Scheme more effective in supporting finance for SMEs.

2.9 Stakeholder feedback received by the Treasury indicates that the BRS has improved SME awareness of finance options and helped some smaller lenders gain market access. Although its overall impact on lending is modest, the Scheme ensures that the businesses it does help can continue to invest and grow after obtaining finance through the Scheme. However, the feedback also suggests that over time the Scheme has become less reflective of current market conditions.

2.10 Both the SME finance market and finance technology have evolved substantially over the past decade, facilitated by government and regulators' interventions to improve competition in the market. At the time the BRS regulations were introduced, the designated banks, of which there are currently nine⁵, accounted for the vast majority of SME lending and business banking. As such, they were responsible for a significant proportion of all rejected SME finance applications. However, British Business Bank data now shows that challenger and specialist banks had a record 60% market share of gross new SME bank lending in 2024 compared to an estimated c.30% of gross new lending in 2013. With these changes in the composition of the market, it is appropriate to reassess the current Scheme to ensure that it keeps pace with the market and continues to facilitate access to finance. Without action, the Scheme is applicable to a shrinking number of SMEs as the market

⁵ Allied Irish Banking Group (trading as First Trust Bank); Bank of Ireland (UK); Barclays; Clydesdale Bank (trading as Virgin Money); Northern Bank (trading as Danske Bank); HSBC; Lloyds Banking Group; Royal Bank of Scotland Group; and Santander UK.

share of the nine designated banks has been less pervasive with the emergence of a wider pool of lenders.

2.11 However, this should be qualified. The proportion of SMEs considering more than one finance provider remains similar to 2014-15 levels, at 38%⁶. This would imply that while newer entrants have secured a large share of the lending market, the largest banks (which continue to hold the largest market share of business bank account provision) still receive but may go on to reject a fairly high number of applications.

2.12 Both of these trends – understanding those most responsible for advancing finance, and those most in receipt of applications – are relevant factors when considering a Scheme that needs to be reflective of the current market landscape for securing finance.

The BRS regulations

2.13 Under the BRS regulations, the Treasury may designate certain banks and finance platforms for the duties under the regulations to apply. Once designated, the regulations require a designated bank to pass on details of unsuccessful SME finance applications made to the bank concerned – with the SME's permission – to designated finance platforms. If the business consents, the designated bank must provide the SME's information (subject to certain exclusions) to all of the designated finance platforms before the end of the next working day of agreement or if incomplete information is held, the end of the next working day after the SME's specified information is received as complete. The designated finance platform then has a duty to provide alternative finance providers with access to the information received by the platform where certain conditions are met.

2.14 Initially, the SME is not identified and is only subsequently identified if an alternative provider requests identifying information and the SME agrees for it to be shared.

2.15 For those SMEs that do not give their bank permission to provide their application information to a platform, the designated bank is required, within five working days, to supply them with generic information summarising the services that designated finance platforms provide to SMEs, the details of designated finance platforms, and how a business may refer itself to those platforms.

2.16 Under regulation 2 of the BRS regulations:

- **“Small or medium sized business”** means a business of the type described in section 7(1) of the Small Business, Enterprise, and Employment Act 2015, i.e. a business which:
 - has an annual turnover of less than £25 million,

⁶ <https://www.british-business-bank.co.uk/sites/g/files/sovrnj166/files/2025-02/small-business-finance-market-report-2025.pdf>

- carries out commercial activities,
- does not carry out regulated activities as its principal activity, and
- is not owned or controlled by a public authority.

and which—

- has an address in the United Kingdom,
- carries out commercial activities as its principal activity, and
- is not part of a group that as a whole has an annual turnover which is equal to or greater than £25 million.
- **“Finance application”** means a request in any form for a finance facility, whether it is for a new facility or the renewal or extension of an existing facility, either supported by sufficient information to enable the recipient to make an informed decision, or where the designated bank has requested further specific information to be able to make an informed decision on whether to provide a finance facility.
- **“Finance facility”** means a facility which provides access to finance which is denominated in sterling and includes: agreements for loans, overdrafts, credit card accounts, invoice discounting and factoring, hire purchase and finance leasing. The designated bank is not required to provide specified information to specified finance platforms where: the value of the finance facility applied for is less than £1,000; the facility applied for is sought for a period of less than 30 days; the bank is aware that the business is subject to a statutory demand for payment, enforcement proceedings or other legal proceedings in relation to payment obligations arising under an existing finance facility; the bank is aware that the business is subject to a formal demand⁷; or the application was made by a broker on behalf of the business.
- **“Finance provider”** means body corporate that (a) lends money or provides credit in the course of a business; (b) arranges or facilitates the provision of debt or equity finance in the course of a business, or (c) provides, arranges or facilitates invoice discounting or factoring in the course of a business.
- **An “unsuccessful” application** is one that is declined by the designated bank, or the designated bank offered a facility on a different basis than applied for that the business then rejected for

⁷ A demand issued by a finance provider, made in writing and in circumstances where, or pursuant to which, monies are due in accordance with the terms of a finance facility, declaring all outstanding monies (including both the principal debt and any interest owing) under that finance facility to be immediately due and payable under the terms of such finance facility.

reasons other than any proposed fees or interest charges for use of the facility in question.

2.17 At the point a designated bank first informs an SME that its finance application has been unsuccessful (or, where an SME rejects an offer made on a different basis), that designated bank is required to ask the business whether it agrees to its information being provided to the designated finance platforms. The SME's information that would be shared is set out in the 'specified information' schedule to the BRS regulations and includes:

- the name, legal structure and length of time the business has been trading for and receiving income;
- business contact information, namely address, email address and telephone number;
- the amount and type of finance (where applicable) requested and the date by when it is needed.

If the designated bank does not already hold all of this information, it is also required to ask the SME to provide that information.

2.18 Each designated finance platform is an online service that hosts a panel of lenders – including both banks and non-bank finance providers – that have requested access to the relevant information, agreed to the platform's terms and conditions including any applicable fees, and that meets the conditions required by those terms. These platforms are required to give participating finance providers access to information about the SMEs referred to it (as supplied by designated banks). Initially, this information is shared in a way that ensures no individual business, nor any person associated with it, can be identified.

2.19 If a lender wishes to access identifying information about a specific SME application in order to consider providing an offer, the platform must first obtain the SME's consent and must request this consent by the end of the next working day. If the SME gives consent, by the end of the next working day the platform must provide the lender with the SME's full information. Under the regulation 6(7), designated finance platforms are not permitted to charge SMEs any fees for this service.

2.20 The BRS regulations also make various additional provisions including: a power for the Treasury to designate (or revoke) a bank or finance platform, and the process and criteria (where applicable) that the Treasury must have regard to when considering the designation of banks and finance platforms. The regulations also confer functions on the Financial Conduct Authority (FCA) regarding monitoring of compliance and enforcement of certain provisions of the regulations to ensure that they are upheld correctly.

The designation process

2.21 In accordance with regulations 11 and 12 respectively, the Treasury may consult the Bank of England regarding the designation (or revocation) of banks, and the British Business Bank (BBB) (or its subsidiaries) for the designation (or revocation) of finance platforms. For both designations or revocations, the Treasury may also consult any other person they consider appropriate. In practice, the Treasury has used the expertise and data of the Bank of England and British Business Bank to assist in determining which entities to designate.

2.22 The following firms were designated by the Treasury on 1 April 2016:

- **Banks:** Allied Irish Banking Group (formerly known as First Trust Bank); Bank of Ireland (UK); Barclays; Clydesdale Bank; Northern Bank (trading as Danske Bank); HSBC; Lloyds Banking Group; Royal Bank of Scotland Group; and Santander UK.
- **Finance Platforms:** Alternative Business Funding Ltd, Funding Options Ltd, Funding Xchange Ltd.

Implementation of the BRS regulations

2.23 The original impact assessment⁸ for the BRS regulations underlined the need for government intervention to change the way that SMEs access finance in the UK and increase the options available to them.

2.24 The central estimate of costs – calculated in 2014/15 – was set at £13.27 million, linked to changes to IT systems that designated banks and designated finance platforms were required to make. This estimate included a £6.3 million one-off cost for designated banks, and a £0.5 million one-off cost for designated finance platforms. Moreover, the impact assessment estimated a net cost to the financial sector of £1.16 million. This was founded on a 10-year time period with an assumed discounted rate of 3.5%. Monetised benefits were not possible to quantify.

The rationale for consultation

2.25 The review clause contained in regulation 44 of the BRS regulations requires post-implementation reviews to be conducted at intervals not exceeding five years. As the first post-implementation review was conducted on 14 October 2020, the Government was due to publish the subsequent report no later than by 14 October 2025. Following a recommendation from the Centre for Finance, Innovation

⁸ https://www.legislation.gov.uk/ukia/2015/306/pdfs/ukia_20150306_en.pdf

and Technology⁹ to ‘review and improve’ the Scheme, the Government brought forward the review and published this on 30 October 2024¹⁰.

2.26 The post-implementation review determined that the BRS has made a positive contribution to competition in business lending, and improved some SMEs’ ability to access finance since its launch. However, it also found that many businesses do not get finance through the Scheme and instead experience further rejection. Evidence collected for the post-implementation review indicates that there may be aspects of the statutory and operational design of the Scheme which could be addressed to improve its performance and better meet the Scheme’s objectives. The review also found evidence that some aspects of the Scheme may be unnecessarily burdensome for participating businesses. As such, the Government committed to using this consultation and call for evidence to further examine these issues, gauge wider stakeholder views, and better assess the options available to potentially improve the Scheme.

⁹ <https://cfit.org.uk/wp-content/uploads/2024/08/CFIT-SME-Finance-Taskforce-Smart-Data-Unlock-SME-Lending-Aug-2024.pdf>

¹⁰ https://assets.publishing.service.gov.uk/media/67210f6d3758e4604742a8cf/BRS_Post-Implementation_Review_2024.pdf

Chapter 3

Policy proposals and requests for evidence

Overview of the proposals

3.1 Enhancing the BRS framework could help support more lending to SMEs, by connecting more businesses with a wider range of finance providers and reducing the number of SMEs that give up their search for finance after an initial rejection. Secondary benefits are also possible for designated finance platforms and lenders from, for example, increased business.

3.2 Depending on the feedback to this consultation and call for evidence, the Government will consider whether the existing BRS legislative framework needs to be amended or if our objectives can be achieved by an alternative means, such as via more designations and the issuance of guidance.

Designations and scope of BRS

3.3 The scope of the BRS is intended to ensure that all SMEs rejected for finance by the UK's largest lenders are given the option to seek finance elsewhere. Therefore, the definition of SME under the Scheme is set at a level intended to include the majority of UK registered businesses conducting commercial activities. Entities that are part of a group which as a whole has an annual turnover equal to or greater than £25 million are not included.

3.4 The Scheme covers a wide range of finance products, provided, for example, the amount applied for exceeds £1,000 and is sought for a term of more than 30 days. The Scheme covers finance facilities consisting of loans, overdrafts, credit card accounts, invoice discounting and factoring, hire purchase and finance leasing agreements where the finance is denominated in sterling.

3.5 The Government considers that the existing scope of the BRS (e.g. the turnover thresholds of SME groups, and the type, duration and financial value of the facilities sought) continues to capture the majority of SME businesses seeking finance; however, **we would welcome any evidence to the contrary. The Government proposes instead to focus on the designations of banks, where the market share of UK lenders has changed significantly within the SME finance market.**

Adjusting the scope of designations

3.6 There are currently nine designated banks and three designated finance platforms under the BRS¹¹. Making or revoking a designation is done by the Treasury, following the procedure and criteria set out in Part 3 of the Regulations.

3.7 Given the changes in market structure and that the majority of new business lending is now undertaken by non-designated lenders, fewer SMEs rejected for finance may be offered a referral through the Scheme. Increasing the number of designations to include a wider range of lenders would therefore ensure that the BRS continues to capture rejected applications by the key actors in the SME finance market.

3.8 When designating lenders, the current statutory framework refers specifically to 'banks'. Regulation 10 (reproduced below) essentially restricts designation to entities that are banks or finance providers that are members of a banking group (as defined in section 1164 of the Companies Act 2006). This therefore excludes certain lenders from designation such as building societies and non-bank lenders that may be, or become in future, important providers of SME finance. **To better reflect current market structure and 'future proof' the Scheme to accommodate significant non-bank finance providers emerging in the future, the Government is considering additional changes to the legislation.** As opposed to the current design of the Scheme turning on the designation of 'banks', **the Government considers that the legislation should be drafted more broadly and in a more business-model neutral way, so that it would be possible to designate a broader type of finance provider. As is the case today, the Government considers that only significant firms with scale should be designated under the Scheme.**

3.9 Turning to the process and criteria for designation, the Government would like to understand how well the current Scheme is operating and whether changes need to be made in this area. The current criteria in regulation 10 sets out that:

- (1) The Treasury may designate a bank only if it is—
 - a) an institution that is a bank for the purposes of Part 1 of the Banking Act 2009, or
 - b) a finance provider that is a member of a banking group as defined in section 1164 of the Companies Act 2006.*
- (2) The Treasury must revoke the designation of a bank that no longer falls within paragraph (1)(a) or (b).*
- (3) In considering whether to designate a bank or revoke the designation of a bank, the Treasury must have regard to—*

¹¹ <https://www.gov.uk/government/publications/designation-of-banks-and-finance-platforms-for-finance-platforms-regulations/notice-of-designation-small-and-medium-sized-business-finance-platforms-regulations-2015>

- a) *the value of current lending by the bank to small and medium sized businesses;*
- b) *such value as a proportion of the total value of current lending to small and medium sized businesses*
- c) *the importance to the economy in Northern Ireland of the bank's current lending to small and medium sized businesses*

(4) In considering whether to designate a bank or to revoke the designation of a bank, the Treasury may also have regard to such other matters as they consider appropriate.

3.10 The Government considers that a continued Treasury-led designation (and revocation) process remains optimal as it is more flexible and proportionate than requiring all banks or providers to have to participate in BRS. **However, the Government is considering widening the criteria for designation, to be able to capture not just the value and market share of business lending (as is the case today), but also to have regard to the level of wider business banking services offered by a provider** (notably, its current account provision). This reflects the fact that some major business banking providers may, or could in future, receive and reject a greater proportion of applications than is reflected in their share of the lending market.

3.11 In considering how best to update the BRS, the Government would also like to take views on whether to create an explicit route for non-designated finance providers to opt into the Scheme on a voluntary basis. **We are considering whether smaller lenders should be able to opt in, and if legislation should be amended to allow this.**

3.12 Currently, the Government is not aware of any non-designated lenders that choose to offer to refer all SMEs they reject for finance onto the designated finance platforms themselves on the same terms as the BRS. However, some lenders may offer rejected businesses a referral to other services such as brokers or Community Development Finance Institutions. **The Government is therefore seeking evidence on whether there are any barriers preventing non-designated finance providers from participating in the Scheme should they wish to do so, and what factors might encourage wider voluntary participation.** This could be a source of competitive differentiation: that the lender concerned tries to support the SME in accessing finance even if they themselves are unable to give it. **We would welcome evidence on whether smaller lenders would join the BRS Scheme if changes were made enabling them to opt in voluntarily.**

Designating finance platforms

3.13 With respect to designating finance platforms, the Government is not currently considering additional finance platform designations but intends to keep this under review. **We would welcome any evidence to the contrary**, if there are businesses that would like to (or

should) be designated under the Scheme, their rationale, and what value this would bring to the BRS landscape.

Cost for designating lenders

3.14 Under the original impact assessment for the BRS¹², the principal cost identified was a £6.3 million one-off cost relating to designated banks making the IT changes needed to comply with the Scheme, followed by ongoing costs of a maximum of £0.5m in total across the designated banks. (The main costs for the platforms were similarly thought to be transitional IT costs, with one-off costs estimated at approximately £0.5m and ongoing costs at £0.2m, in total across all platforms.)

3.15 However, unlike in 2014 when the original impact assessment was conducted, the UK no longer has a concentrated lending market. As such, it is harder to establish upfront which firms ought to be covered if additional designations were made by the Treasury. Given the changes in market structure and that digital and specialist banks now account for the majority of new bank lending to UK SMEs, we think it likely that a wider range of firms (potentially including major non-banks) that are significant providers of SME finance might be considered for designation. **We would welcome evidence of the likely cost of designation from respondents.**

Question 1: Please share views on the designation and scope of application of BRS, in particular:

- **Do you consider that the current size of SME businesses and types of finance products in scope of the BRS remain appropriate?**
- **Do you consider that the Treasury should continue with a designation approach with respect to the BRS, or should there be a different mechanism to bring finance providers into scope? Can you provide evidence of the cost of being designated?**
- **Should more lenders be designated to better reflect current market structure? If so, which providers should be covered and how should this be defined? Should the definition be able to capture non-bank lenders including building societies, if they have a high degree of market share?**
- **Should the criteria for designating lenders be broadened to account for wider market share of financial products, in particular to include both lending and business bank account provision? Additionally, what is the most relevant information to make an informed designation, and where does that information reside?**

¹² https://www.legislation.gov.uk/ukia/2015/306/pdfs/ukia_20150306_en.pdf

- **Are there any barriers preventing non-designated finance providers from voluntarily participating in the Scheme should they wish to do so? What factors might encourage wider voluntary participation, if any? Would the legislation benefit from expressly allowing for voluntary participation?**

Improving SME participation

3.16 In general, when an SME is rejected for finance by a major bank, there are a number of steps the SME can, but often does not, take. For example, an SME may:

- choose to speak to another finance provider;
- appeal to have the decision reviewed;
- approach a commercial broker who can then seek finance on the SME's behalf.

3.17 Within the BRS, provided its application is in scope of the Scheme, an SME that applied to one of the designated banks and has been rejected will also be asked if it consents to its application being referred to the designated finance platforms to try and locate an alternative finance provider. Outside the BRS, SMEs may choose to accept a referral to another firm or service, such as Community Development Finance Institutions, if this is offered to them additionally by the lender to which they applied for finance.

3.18 Feedback from lenders suggests that only c.2-3% of rejected SMEs are opting for a referral onto the BRS, and many businesses that do are then dropping out part way through the process. Evidence collected for the post-implementation review suggests there may be several factors that contribute to this, including limited awareness of the Scheme and frictions in the customer journey.

3.19 Under the BRS regulations, designated banks are only required to seek the SME's consent for a referral at the point the business is informed that its finance application has been unsuccessful, or by the end of the next working day if an SME rejects an offer made on a different basis to that which the SME applied, e.g. if a smaller amount is offered (see regulations 4(2)(a) and 2(b)). This means SMEs applying for finance may only become aware of the Scheme on rejection, when an applicant's expectation of future success is likely to be at its lowest. This may be especially true if a reason for the decline has not been provided or the explanation does not help it to understand whether there are actions that could improve its chances of success, such as filing up-to-date accounts or remedying inaccuracies in its credit file or those of its director(s). As such, when and how an SME is rejected, is informed about the BRS, and asked to consent to a referral, may all influence whether continuing to pursue finance is considered worthwhile and therefore whether the business opts into the Scheme at all.

Improving awareness and understanding of the Scheme

3.20 The Government considers there are several issues around SMEs' understanding of the Scheme:

- Prior to offering a referral at the point of rejection, designated banks are not required under the regulations to inform SMEs about the BRS.
- Even at the point of referral, it is up to the designated banks what and how much information they provide about the Scheme to SMEs.
- It is only if an SME declines the offer of a referral that designated banks are required to provide generic information on the designated finance platforms. This generic information includes details of the designated platforms and how the SME may self-refer to them if the SME later chooses (regulation 4(3)). The designated banks, working with UK Finance, developed information on the Scheme for SMEs, to be shared for this purpose¹³.
- Information on the Scheme is generally limited. The British Business Bank has some information about the Scheme on its website: <https://www.british-business-bank.co.uk/business-guidance/guidance-articles/finance/what-is-the-bank-referral-scheme>. In contrast, information about the Scheme on GOV.UK is limited to technical publications that the Treasury has made in relation to the development and monitoring of the Scheme.

3.21 The Government considers that it would be beneficial for more information on the Scheme to be made readily available to SMEs earlier, when they are considering external finance, regardless of whether they have already applied and been rejected. At a minimum, the Government intends to improve its own information resources on the Scheme.

3.22 The Government would also like to understand whether it would be beneficial for SMEs to be told about the Scheme earlier in the application process, separate to being offered a referral (i.e. before rejection). We would also like to understand if that process and information should be standardised and existing information resources expanded – for example, to include more information to support an SME to improve its application such as signposting to an application check list or guidance on how an SME can check its credit score. The Government considers it may be beneficial to standardise, either through the regulations or through guidance, minimum standards for how and when SMEs are informed about the Scheme, and would like to understand better if there are obstacles here and what minimum standards should include.

¹³ <https://www.ukfinance.org.uk/unsuccessful-lending-applications-and-lending-declines>

Question 2: Please share views on when and how SMEs should be made aware of the Bank Referral Scheme. In particular:

- How clear and accessible is the information provided about the BRS throughout the referral process?
- What improvements in communication about the BRS (including its purpose and process) would most effectively address SME drop-out rates and encourage engagement? What information would be most useful to SMEs in helping them seek finance?
- Would earlier awareness of the BRS (i.e. before rejection, at the point of applying for finance) influence SME behaviour or decision-making when seeking finance? If so, at what point in an SME's finance journey would that information be most valuable and who should provide that information?
- Would the introduction of minimum standards (either through guidance or by amendment to the legislation) for how and when an SME is informed about the Scheme (whether via regulation or guidance) be beneficial, and what should those standards include?

Capturing rejected applications

3.23 The point at which an SME is offered a referral under the Scheme currently hinges on when its finance application is 'unsuccessful', which centres around two forms of rejection as reproduced below. Evidence collected for the post-implementation review suggests that the ways SMEs experience rejection by their banks may be broader than is currently reflected in the Scheme. In regulation 2(3) under Part 1 of the BRS regulations, a finance application made by an SME to a designated bank is unsuccessful if—

(a) such application is declined by the bank; or

(b) the bank offers the business a finance facility on a different basis to that which the business sought in its application, and where—

(i) the business rejects such an offer; and

(ii) any reasons the business provides for rejecting the offer do not relate to proposed fees or interest to be charged for the use of the facility.

3.24 This assumes rejection is always in the form of a proactive communication from the bank to the SME applicant – in writing or otherwise. Meanwhile, SMEs may also interpret alternative outcomes or certain circumstances as rejection. For example, there may be instances where an SME initiates the application process, experiences delays and ceases to respond, and considers the application to have failed without a rejection ever crystallising. **The Government would like to better understand whether SMEs are regularly experiencing outcomes not covered by the instances that the legislation sets out as being**

unsuccessful applications and therefore not resulting in a referral offer.

3.25 Under regulation 2, a ‘finance application’ is defined as a request in any form for a new facility or the renewal or extension of an existing facility. That request must either be supported by sufficient information for the lender to make an informed decision or the recipient bank has requested further specific information to enable it to make an informed decision. The Government considers that the level of information required to make an informed decision, is likely to exceed the ‘specified information’ required for a referral to the designated finance platforms. The Government is keen to explore what the designated banks consider to be ‘sufficient’ information to make an informed decision; the extent to which this differs between designated banks; and whether this is leading to some SMEs missing out on an offer of referral which could otherwise be made. **The Government would like to understand whether the required levels of information are affecting referrals and if so, in what ways, or if there are other ways that referrals into the Scheme could be improved.**

3.26 One option to change the existing Scheme, would be to retain the existing provisions relating to rejection but add an additional provision in the regulations so that if the application for finance has been made and no offer has been made within [XX days], the application will be referred to the platforms. The requirement would apply – as the regulations operate today – on the basis of customer consent, and so long as the ‘specified information’ has been provided by the SME or the lender has asked for any missing information from the business. Specified information is already defined in regulation 2.

Question 3: Please share views on whether the circumstances triggering a referral should be broadened in the legislation (if appropriate) and, if so, in what ways. In particular:

- **Are there outcomes that SMEs are regularly experiencing which are not covered by the legislation and therefore not resulting in a referral offer? If so, how could these be captured by the Scheme?**
- **What changes to the Scheme’s processes would help ensure all relevant cases of unsuccessful finance applications are captured and SMEs are offered appropriate referrals?**
- **In the event that no finance offer has been made within a reasonable time period, do you consider a referral should be made so long as the complete specified information (that enables a referral) has been received? What would a reasonable time period be?**

Improving an SME’s chances of success

3.27 Many of the businesses referred onto the Scheme experience a ‘double rejection’ when going through the process by not qualifying for finance at all from either their main bank or an alternate lender. This can be for a variety of reasons such as the age of a business, lack of

collateral, the quality of the associated business plan, or other issues which impact the assessment of risk and affordability criteria. Ultimately some businesses will not meet lenders' standards of creditworthiness due to fundamental features of their business, such as insufficient cash flows. For these SMEs, advice services will be more appropriate than referrals to other lenders. However, there will be others that are simply suffering from short-term or superficial issues with their application.

3.28 Therefore, in addition to expanding the information an SME is provided on the Scheme, the Government considers there may be a case for amending the regulations to mandate that designated banks provide rejected SMEs with reasons as to why their application has been rejected unless, for example, to do so would be unlawful. The requirement would include that the reasons given should be sufficient enough to enable the SME to understand why its application failed and whether it could take any immediate steps to improve its credit file or the information it previously provided before being connected with another finance provider. The aim would be to maximise the chances of viable SMEs successfully securing finance on subsequent attempts, whether through the BRS or another route. We note that under The Standards of Lending Practice operated by The Lending Standards Board, lenders were required to provide the primary reason for why a lending application was declined for business customers, in writing. Our understanding, therefore, is that such a requirement would formalise existing practice for certain finance providers.

3.29 The Government also considers that it may be beneficial to build in options for an SME to be referred or signposted to business information and advice services where no suitable finance is available. This could include introducing a requirement for finance platforms to provide details of impartial information resources, such as the Government's new Business Growth Service, if a referred SME is not successful in securing finance through the BRS within a reasonable timeframe. The aim would be to support those SMEs unable to access finance address obstacles and improve their chances of success over the long term, creating a pathway to securing finance in the future.

Question 4: Please share views on enhancements to the BRS to improve an SME's chances of successfully accessing finance. In particular:

- **Should lenders be required by the regulations to provide rejected SMEs with reasons as to why their finance application failed (subject to certain exceptions e.g. where to do so would be unlawful)? What type and level of detail should a reason contain to be genuinely useful for SMEs?**
- **Should designated finance platforms be required by the regulations to refer (or signpost) SMEs to impartial business information and advice services instead of, or in addition to, other finance providers? If so, in what circumstances and which**

types of advice services would be most valuable? Should fee-charging advice services be included?

Frictions in the customer journey

3.30 The process by which SMEs are onboarded to the Scheme may not be sufficiently customer-friendly to encourage participation in the Scheme. SMEs are currently required to provide consent at multiple points (and potentially duplicate information), separately to different designated entities in the referrals process. Under the Scheme, the first consent point is when the designated bank seeks consent from the SME as to whether it can provide its information to a designated platform, which takes place at the point the SME is informed that its finance application has been unsuccessful (reg 4(2)(a)). The second consent point is when the designated finance platform(s) must then seek the SME's consent before it can provide further identifying information to any interested finance provider (reg 6(3)(b) and (4)).

3.31 The Government understands that in practice each SME may be contacted by all three designated platforms, which are in effect competing with each other, in order to collect similar information about the SME's application for finance. The SME may have already provided that information to the designated bank earlier in the process before it was declined, but that information is more than the 'specified information' a designated bank must share with a platform when an initial referral is made and so the customer is asked to share it again.

3.32 The multiple consent points were intended as a safeguard to ensure the SME was willing for its data to be provided, be referred onward, and considered for finance. Clear requirements of consent would also bring clarity in any dispute as to compliance.

3.33 In practice, however, multiple contact points for the same referral process are burdensome for businesses. This, when combined with insufficient or unclear communication about the purpose of the Scheme and the process involved, may help explain why nearly half of businesses that initially take up the offer of a referral onto the Scheme drop out before obtaining finance quotes.

3.34 It is the Government's view that the referral process, including consent, should be as simple and easy as possible for SMEs regardless of which bank the business applied to for finance and regardless of the number of designated finance platforms involved. **The Government is therefore seeking views on changes that could streamline the BRS process and improve the customer experience for referred SMEs, subject to continued compliance with data protection principles and specific contractual requirements.**

3.35 As above, we consider that communications about the BRS should be given to an SME at the point they apply for finance, not at the point of being rejected for finance. **The Government is also seeking views on whether this should extend to seeking the SME's consent, at the point of application, to be referred to a platform if they are unsuccessful in obtaining finance with the bank, and explain that**

the finance platform may then share the SME's information with other potential finance providers. The bank could check whether the SME would like to consent again before the finance platform shares its information with other providers or if it would prefer to give its consent once upfront. This ensures the SME is in control of giving consent under the BRS, but the process is optimised so consent is given at the most appropriate point and as straightforwardly as possible. **The Government would welcome feedback on the desirability of amending the legislation to bring about such a change to the existing consent framework, or other views and ideas about how best to optimise the process.**

3.36 The Government also understands from feedback that there may be some meaningful differences in the way designated banks have implemented the process of referral and consent. For example, feedback collected for the review suggested that designated banks' methods of obtaining consent may vary substantially with some banks requiring a physical 'wet' signature from an SME to refer them. **The Government considers it may be beneficial to set, either through the regulations or through guidance, minimum standards for the referral process including consent and the information to communicate to applicants, and would like to understand better if there are obstacles here and what minimum standards should include.**

3.37 Evidence collected for the post-implementation review also suggests that there may be issues with the quality and completeness of data provided by designated banks to designated finance platforms. Under regulation 5(2), designated banks are only required to share SME information where the 'specified information' (set out in the Schedule to the regulations) is complete. **The Government would therefore welcome understanding from the designated banks and designated finance platforms what data issues exist and why.**

3.38 The Government is also considering whether it may be beneficial to broaden the information designated banks are required to share with the designated finance platforms to reduce the need for SMEs to respond to multiple requests for the same information and smoothen the referral process. Specifically, this would involve differentiating between the minimum level of information ('specified information') that triggers a referral to the designated finance platforms, and the information the designated banks are required to share with the finance platforms if they have it, so that banks provide a wider array of information if they have it as a result of their application process. This may help ensure referrals continue to happen where there is a basic level of information, but where additional relevant information has already been made available by the applicant it is also shared through the Scheme (avoiding duplicate information requests to the SME borrower, where possible).

3.39 We would welcome understanding from lenders and finance platforms what that additional information is likely to comprise,

which would be valuable to the success of the BRS were it to be included.

Question 5: Please share views on how the referral and onboarding process could be streamlined to improve the customer journey for SMEs. In particular:

- What aspects of the current referral and consent process do SMEs find most burdensome and what impact does this have on participation in the Scheme?
- How do differences in the referral process across designated banks (e.g. in establishing consent) affect SMEs' experience and likelihood of completing the referral process?
- How best could the BRS balance ensuring a customer meaningfully gives their consent and that data protection and privacy principles are upheld, while avoiding duplicate processes and burden for SMEs? Do you have views on the proposal to amend the legislation to simplify customer consent and seek this at the point of applying for finance?
- Should the regulations be amended to require more information on an SME's application to be provided by designated banks to designated finance platforms where this is available, in the way described above?
- Would the introduction of minimum standards – e.g. for referral, SME consent, ensuring data quality in the Scheme, and contact-points with the SME – be beneficial? If so, what should those standards include to balance efficiency, data protection, and customer experience? What form should they take, e.g. regulation or guidance?

Monitoring Performance

3.40 Since the Scheme went live on 1 November 2016, the Government has aimed to publish an annual statistical release providing key data on the performance of the BRS¹⁴. This data is collected by the British Business Bank, on behalf of the Treasury, from the designated platforms and currently includes:

- Total number, total value and mean size of deals made each quarter and their geographical distribution compared against the distribution of the UK SME population;
- Total number of referrals made each quarter and their geographic distribution compared to the distribution of the UK SME population; and

¹⁴ BRS statistical releases were subject to a pause from 2020 due to the Covid pandemic and resumed in 2025.

- Quarterly conversion rates (deals as a percentage of referrals).

3.41 The most recent statistical release was published in January 2025 and is available here:

<https://www.gov.uk/government/collections/bank-referral-scheme-official-statistics>

3.42 The Government intends to continue updating these statistics; however, the timing for future releases will be established following this consultation process. The Government would welcome any feedback on the utility of the information currently published.

Data collection and publication

3.43 Under regulation 8, a designated finance platform must on request provide the Treasury with statistical information relating to information received and provided under the regulations in a form that ensures no individual SME or associated person can be identified. The designated finance platform must retain such information for a period of five years, and the retained information may be in a form that the business or persons associated with the business cannot be identified. This is the mechanism through which the Government collects the data for its statistical release on the performance of BRS.

3.44 However, the Treasury has no equivalent power to make regulations requiring statistical information from designated banks under the Scheme.

3.45 The Government considers that it may be beneficial to also be able to request and collect additional data to ensure greater transparency and understanding of the Scheme. The Government is considering whether to take a statutory power to require the designated banks to provide statistical information on the Scheme, such as: the number of referrals offered, accepted and declined; the number of rejected SME applications; and referrals as a proportion of a bank's SME applicants that do not receive finance.

3.46 The Government considers that it may be beneficial for information on the Scheme's performance to be available not only to the Treasury but also the Bank of England, the British Business Bank, and potentially for the purposes of independent research, to help inform future policy making on the Scheme (e.g. when determining which entities to designate) or understand trends in the wider SME finance market. Some or all of that information could also be published to give greater oversight of how the BRS is functioning and the market for finance provision at large.

3.47 For the avoidance of doubt, no information would be collected or published on an individual SME borrower.

Question 6: Please share views on the usefulness of the existing statistical release and whether the data collected and published should be expanded. In particular:

- **Should there be a power to require all designated firms (both banks and finance platforms) to provide statistical information on the Scheme – with a view to more information being published in connection with the BRS?**
- **What practical challenges might firms face in providing such statistics, and how could these be mitigated?**
- **Which additional data sets or breakdowns (e.g. referrals by bank, deals by finance platform, sectoral analysis) would be most valuable to publish in future releases?**
- **Would increased transparency (through publication of new statistics) have any unintended consequences for participating banks, platforms, or SMEs?**
- **Are there alternative or complementary approaches to monitoring the performance of the BRS that the Treasury should consider?**

Reviewing the Bank Referral Scheme

3.48 Under regulation 44 of the Scheme, the Treasury undertakes a post-implementation review of the BRS at least every five years. In launching this consultation on the Scheme, the Government is aware of how rapid changes are in technology and how much the marketplace may continue to change for SME finance, including but not limited to future developments in Open Finance. The Government envisages that these technological advances are likely to become more, not less, relevant in future reviews of the Scheme.

3.49 Financial services are one of Britain's greatest success stories. The Government committed when taking office to create the conditions to support innovation and growth in the sector, through supporting new technology, including Open Banking and Open Finance and ensuring a pro-innovation regulatory framework.

Open Finance

Open Finance aims to allow individuals and businesses to securely access and share a broad range of their financial data – such as details about their bank accounts, savings, loans, investments, and insurance – with other trusted organisations, if they so choose. Crucially, Open Finance operates under strict data protection and consent rules, ensuring users' information remains secure and under their control at all times. The purpose of Open Finance is to better harness financial data to make it easier for people to use new financial services that could help them better manage their money, find better deals, or get advice that is more suited to their situation. Open Finance is still at a nascent stage of development but could potentially be applied to increasing finance provision for SMEs.

3.50 Set against that commitment, the Government considers that it is appropriate to take steps now to try and improve the efficiency of finance provision in the UK through enhancements to the BRS. Having a more effective BRS could become the basis of the marketplace putting more energy into developing services to benefit SME customers that would themselves drive Open Finance developments. Conversely, Open Finance may emerge as a different and more wide-reaching force for sharing the data needed to support finance provision.

Question 7: Do you have any reflections on the interaction of the BRS with the opportunities that may arise in future through Open Finance?

Chapter 4

Summary of Questions

No	Question	Policy Proposal (if applicable)
1	Question 1: Please share views on the designation and scope of application of BRS, in particular:	PROPOSAL: The Government proposes adjusting the application of the BRS to be able to designate a wider set of finance providers than ‘banks’ only, given that the marketplace for lending has diversified considerably since the original regulations were enacted. Future designations would focus only on the principal actors offering lending or business current account services, preserving the existing principle that only the largest and most important actors should be designated. The Government is also considering whether the legislation should expressly allow smaller lenders to opt in to making referrals through the Scheme, and what factors are relevant. EVIDENCE GATHERING: The Government is seeking more information on whether the current definition of ‘SME’ and range of finance facilities in scope remain appropriate; the costs and benefits of an entity becoming designated; the role of the Treasury in designating entities; the relevant information to inform designations and where this
	1.1 Do you consider that the current size of SME businesses and types of finance products in scope of the BRS remain appropriate?	
	1.2 Do you consider that the Treasury should continue with a designation approach with respect to the BRS, or should there be a different mechanism to bring finance providers into scope? Can you provide evidence of the cost of being designated?	
	1.3 Should more lenders be designated to better reflect current market structure? If so, which providers should be covered and how should this be defined? Should the definition be able to capture non-bank lenders including building societies, if they have a high degree of market share?	
	1.4 Should the criteria for designating lenders be broadened to account for wider market share of financial products, in particular to include both lending and	

	business bank account provision? Additionally, what is the most relevant information to make an informed designation, and where does that information reside?	information may reside; and the benefits and drawbacks of designating additional finance platforms.
1.5	Are there any barriers preventing non-designated finance providers from voluntarily participating in the Scheme should they wish to do so? What factors might encourage wider voluntary participation, if any? Would the legislation benefit from expressly allowing for voluntary participation?	The Government is also seeking more information on whether there are any barriers preventing finance providers that are not designated, from making referrals to the designated finance platforms on the same terms as the BRS should they wish to do so.
2	Question 2: Please share views on when and how should SMEs be made aware of the Bank Referral Scheme. In particular:	
2.1	How clear and accessible is the information provided about the BRS throughout the referral process?	PROPOSAL: The Government proposes that more information on the BRS should be made readily available to SMEs earlier, when they are applying for finance with a designated provider. Amendments would be made to the regulations to give effect to this where necessary. At a minimum, the Government intends to improve its own information resources on the Scheme. EVIDENCE GATHERING: The Government is seeking views on the ways in which communication about the Scheme could be improved, including both the content of information and the processes for making it available.
2.2	What improvements in communication about the BRS (including its purpose and process) would most effectively address SME drop-out rates and encourage engagement? What information would be most useful to SMEs in helping them seek finance?	
2.3	Would earlier awareness of the BRS (i.e. before rejection, at the point of applying for finance) influence SME behaviour or decision-making when seeking finance? If so, at what point in an SME's finance journey would that information be most valuable	

	and who should provide that information?	
2.4	Would the introduction of minimum standards (either through guidance or by amendment to the legislation) for how and when an SME is informed about the Scheme (whether via regulation or guidance) be beneficial, and what should those standards include?	
3	Question 3: Please share views on whether the circumstances triggering a referral should be broadened in the legislation (if appropriate) and, if so, in what ways. In particular:	
3.1	Are there outcomes that SMEs are regularly experiencing which are not covered by the legislation and therefore not resulting in a referral offer? If so, how could these be captured by the Scheme?	PROPOSAL: The Government proposes adding a provision in the regulations requiring designated finance providers to offer a referral if no decision as to the outcome of an SME's finance application has been communicated within a set time period. EVIDENCE GATHERING: The Government is seeking more information on the forms of rejection experienced by SMEs, especially where these do not result in an offer of referral; any clarity that may be needed around when the requirement to make a referral applies; and the appropriate length of time after which, without a decision, an offer of referral should be mandated.
3.2	What changes to the Scheme's processes would help ensure all relevant cases of unsuccessful finance applications are captured and SMEs are offered appropriate referrals?	
3.3	In the event that no offer has been made within a reasonable time period, do you consider a referral should be made so long as the specified information (that enables a referral) has been received? What would a reasonable time period be?	

4	Question 4: Please share views on enhancements to the BRS to improve an SME's chances of successfully accessing finance. In particular:	PROPOSAL: The Government proposes requiring designated lenders to give SMEs a reason when their financial application is rejected, so long as doing so is lawful. This builds on an existing principle of the Lending Standards Board. The Government also proposes that finance platforms be required to refer or signpost SMEs to business advice services - in addition to or instead of other finance providers. Amendments would be made to the regulations to give effect to this where necessary. EVIDENCE GATHERING: The Government is seeking more information on the impacts of providing SMEs with reasons for rejection on their applications; the benefits and obstacles to connecting SMEs that do not secure finance through the scheme with impartial advice services; the types of advice services that would be most beneficial to include; and alternative options for better supporting these SMEs through the BRS.
4.1	Should lenders be required by the regulations to provide rejected SMEs with reasons as to why their finance application failed (subject to certain exceptions e.g. where to do so would be unlawful)? What type and level of detail should a reason contain to be genuinely useful for SMEs?	
4.2	Should designated finance platforms be required by the regulations to refer (or signpost) SMEs to impartial business information and advice services instead of, or in addition to, other finance providers? If so, in what circumstances and which types of advice services would be most valuable? Should fee-charging advice services be included?	
5	Question 5: Please share views on how the referral and onboarding process could be streamlined to improve the customer journey for SMEs. In particular:	PROPOSAL: The Government proposes setting minimum standards – for referral, SME consent, ensuring data quality in the Scheme, and contact-points with the SME – across designated finance providers either through guidance or by amendments to the legislation.
5.1	What aspects of the current referral and consent process do SMEs find most burdensome and what impact	

	does this have on participation in the Scheme?	The Government also proposes to amend the legislation to streamline key aspects of the process around consent and data sharing in order to ensure the process is as simple and easy as possible for SMEs. To achieve this, the Government is considering requiring designated lenders to seek a comprehensive consent at the start of the SME application process, explaining that this will enable the finance platforms to contact them following a rejection (with an option for SMEs to request their consent is sought again later on rejection). The Government is also considering expanding the information that designated lenders must provide the designated finance platforms, in order to reduce the duplicative asks for SMEs. EVIDENCE GATHERING: The Government is seeking views on the burdens imposed by the referrals process; the impact this has on participation; and how the referrals process could be improved including whether aspects such as consent and data sharing could be streamlined. The Government is also seeking more information on how the referral process differs between banks, how that affects SMEs' experience and what a minimum standard could include.
5.2	How do differences in the referral process across designated banks (e.g. in establishing consent) affect SMEs' experience and likelihood of completing the referral process?	
5.3	How best could the BRS balance ensuring a customer meaningfully gives their consent and that data protection and privacy principles are upheld, while avoiding duplicate processes and burden for SMEs? Do you have views on the proposal above to amend the legislation to simplify customer consent and seek this at the point of applying for finance?	
5.4	Should the regulations be amended to require more information on an SME's application be provided by designated banks to designated finance platforms where this is available, in the way described above?	
5.5	Would the introduction of minimum standards – e.g. for referral, SME consent, ensuring data quality in the Scheme, and contact-points with the SME – be beneficial? If so, what should those standards include to balance efficiency, data protection, and customer experience? What form should they take, e.g. regulation or guidance?	
6	Question 6: Please share views on the usefulness of	PROPOSAL: The Government proposes collecting additional

	the existing statistical release and whether the data collected and published should be expanded. In particular:	data, including from designated banks, to better monitor the performance of the Scheme, via a new statutory power. The Government is also considering which public bodies should have access to that data.
6.1	Should there be a power to require all designated firms (both banks and finance platforms) to provide statistical information on the Scheme – with a view to more information being published in connection with the BRS?	The Government also proposes publishing some or all of this data.
6.2	What practical challenges might firms face in providing such statistics, and how could these be mitigated?	All of the data received and published would be on an anonymous basis regarding the underlying SME customer.
6.3	Which additional data sets or breakdowns (e.g. referrals by bank, deals by finance platform, sectoral analysis) would be most valuable to publish in future releases?	EVIDENCE GATHERING: The Government is seeking more information on which additional data sets would be most valuable to include; whether increased transparency could have any unintended consequences; and whether there are any alternative or complementary approaches to monitoring the performance of the Scheme that should be considered.
6.4	Would increased transparency (through publication of new statistics) have any unintended consequences for participating banks, platforms, or SMEs?	
6.5	Are there alternative or complementary approaches to monitoring the performance of the BRS that the Treasury should consider?	
7	Question 7: Do you have any reflections on the interaction of the BRS with the opportunities that may arise in future through Open Finance?	EVIDENCE GATHERING: The Government is seeking views on how future changes in the SME finance market and finance technology, particularly Open Finance, may interact with the BRS over the longer term.

HM Treasury contacts

This document can be downloaded from www.gov.uk

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