

News story: Matchmaking scheme helps businesses find £4 million of finance

Over the past 9 months, 230 small businesses from beauticians to forklift truck training companies, which were rejected for loans by some of the UK's biggest banks, have gained £3.8 million from alternative lenders.

The government-backed bank referral scheme, [launched in November 2016](#), requires 9 of the UK's biggest banks to pass on the details of small businesses they have turned down for loans to three finance platforms – Funding Xchange, Business Finance Compared and Funding Options. These platforms then share their details with alternative finance providers and go on to facilitate a conversation between the business and any provider who expresses an interest in supplying finance to them.

The Economic Secretary to the Treasury, Stephen Barclay, said:

Small- and medium-sized businesses are the backbone of Britain's economy and it is right they have access to a wide range of sources of finance.

A refusal from a big bank should not be the end of the line for a small business and, thanks to our match-making scheme they have another avenue to try for funding.

Over 200 businesses from beauticians to forklift truck training firms have received the money that they need to grow and we expect this number to increase as the scheme matures.

Loans resulting from this scheme ranged from £200 to £500,000, with an average size of £16,000. A number of sectors have benefited including construction, retail, technology and science.

A fourth finance platform, Alternative Business Funding, will join the scheme from 1 November 2017 to widen further the options available to businesses. The government will continue to work with banks to embed and improve their referral processes.

Mike Cherry, National Chairman, Federation of Small Businesses, said:

FSB championed the proposals for a mandatory bank referral scheme, to diversify the lending market and boost the provision of alternative finance to those turned down by the main traditional banks. We welcome that Government has delivered the three platforms and congratulate the scores of firms that have benefited in the scheme's early stages. To provide further economic benefit across the UK the scheme must now scale-up, with more referrals and more

businesses successfully securing finance as a result.

Keith Morgan, CEO of the British Business Bank, said:

As highlighted by our recent 2017 Small Business Finance Markets report, the most common response from smaller businesses when they do not get the full amount of finance applied for is to give up or cancel their plans. This can mean businesses missing potential expansion opportunities, with a knock-on effect on UK economic growth. It is therefore heartening to see the positive start made by the bank referral scheme.

Research shows that 71% of businesses seeking finance only ask one lender and, if rejected for finance, many simply give up on investment rather than seek alternative options. In 2016 220,000 small and medium sized business sought a loan or overdraft, 25% of these were initially declined by their bank and only 7% of those declined were referred to other sources of help.