

# Speech: Supporting small business to start-up, scale-up and grow

It is a pleasure to be here today at the UK Commercial Finance and Banking Conference in the City of London, one of the world's preeminent financial centres.

Throughout the 19th century, the City was the world's primary business centre, and it continues today to play host to many of world's leading trading and financial services companies.

Indeed, it ranks first globally in the Global Financial Centres Index.

No other city can rival its unique environment for success with access to the best talent in the world; high quality business education; a stable tax environment; effective regulation, all in an entrepreneurial and innovative setting.

Today, we benefit from having many of the financial sector's leaders under one roof.

As Minister for Small Business it is my privilege to work in collaboration with you all, to ensure that UK businesses have every chance to grow to their full potential.

We are already in a strong position.

At the start of 2016 there were a record 5.5 million private sector businesses.

An increase of 97,000 since 2015 and over 1 million net new businesses since 2010. More than 99% of these are SMEs.

Small businesses employ 12.5 million people – 48% of the total UK private sector.

They boast a combined annual turnover of £1.3 trillion – 33% of all private sector turnover.

There is no direct measure of the number of business start-ups in the UK, but based on new business bank accounts opened, it is estimated that there were around 416,000 UK start-ups last year.

We can be proud of this. We have an excellent record in creating businesses, coming third in the OECD's ranking for start-ups.

We rank seventh globally in both the World Bank's Doing-Business Index and the World Economic Forum's Global Competitiveness Index.

All of which goes to explain why private sector jobs have increased by 3.6

million since the quarter May to July 2010.

The government is determined to continue this success.

We heard an expert account earlier from Shiona Davies about the state of the market for SME finance.

The SME Finance Monitor is an invaluable source of up-to-date information and is required reading at BEIS.

I won't comment on Shiona's masterly analysis, so let me offer 2 more general thoughts.

As we heard in the panel session, the market for finance is more responsive, more diverse and offers more options than ever before.

That's good news for London, the FinTech capital of the world, and also for SMEs across the country who 'should' benefit from these new services.

I say 'should' because there is evidence that some areas are still missing out.

If we look at equity finance for example, there is a huge disparity between the 'golden triangle' of London, Oxford and Cambridge and the rest of the country.

This morning's panel considered some important questions:

- Is there an information gap?
- What support do SMEs need?
- How can we stimulate demand?

It's important to understand these in context. Our answers must be tailored to individual businesses in a specific location.

That is why government has put in place a network of 39 Growth Hubs across the country, supporting SMEs in their local area to thrive.

I know that many of you here already work with Growth Hubs, but I would urge all of you to increase collaboration at the local level.

It is easy for us to forget just how focused business owners are on running the business from day to day. But it's essential that knowledge is shared.

If we are to have any hope of bridging the information gap, we need to make our communications easier to access and even more relevant.

We already have an excellent product in the Business Finance Guide which UK Finance members helped to create.

Several of you also distribute the guide to your customers and direct them to the website. Thank you for that.

Visitor numbers to the website have trebled since last year, so we are on the

right track.

I hope you will keep working with the British Business Bank to make the Business Finance Guide even more compelling, relevant and easy for businesses to access.

Still, there is not much point in giving advice to people who don't trust you.

And it is sometimes suggested that there has been a breakdown of trust in banking, leading to low demand.

While overall trust in banks is actually quite high in this country – higher than in Germany, France or Italy for example – we do need to look at the experience of individual businesses.

Especially when their finances are under stress and they are looking to their bank for support.

Given the importance of trust, and the importance of standards in building trust, it is perhaps surprising that agreed industry standards for SME banking were only put in place earlier this year.

The Standards of Lending Practice for Business Customers are extremely welcome, and I would like to thank everyone involved in developing them, some of whom are in this room.

These are clear, well-written, important principles that will make a real difference – so long as they are applied in the spirit in which they were written.

Let me just remind you of a few principles from the Standards, for SMEs in financial difficulty. Firms should:

- demonstrate an empathetic approach;
- apply an appropriate level of forbearance; and
- work with and support a customer's turnaround plan.

These behaviours will take time to embed in everyday practice.

My request to you is this: please don't wait for an audit from David Pickering and his team at the Lending Standards Board.

Start now. Make sure that the Standards are understood and acted on in all parts of your business but especially in your teams dealing with recoveries, where business owners are at their most vulnerable.

This afternoon's panel will discuss the issue of redress, how to provide effective dispute resolution and put right past errors.

At the same time, let's resolve not to repeat those mistakes.

Applying the Standards of Lending Practice will go a long way to make sure

that such events can never happen again.

The strength of UK finance will be an invaluable asset for the economy and the country, whatever the future may bring.

That future will be built on strong foundations.

I look forward to working with you all to ensure that businesses in all parts of the country get the finance they need to support more businesses to scale-up and reach their full potential and to build trust by ensuring that business customers are treated fairly and consistently.

Thank you.