

Expanded industry datasets

New information about banks' support for SMEs

Background

The Business Finance Taskforce was created by the BBA and major banks in July 2010 to help UK businesses grow and foster economic recovery. In its [report](#) in October 2010, the Business Finance Taskforce committed to a number of actions in three broad areas: improve customer relations; ensure better access to finance; and provide better information and promote understanding.

One of those commitments (commitment 13, which falls under the 'provide better information and promote understanding' remit) was to produce and publish expanded information on banks' support for SMEs. This aims to provide greater depth and detail than existing material. It will be possible with these regular data series to use information on a regional and sectoral basis for banks and government to target information and support where it will be most useful.

Who

The datasets are aggregated from information provided by Barclays, Co-operative Bank, Clydesdale Bank, HSBC, Lloyds Banking Group, Royal Bank of Scotland Group and Santander. The Co-operative Bank and Clydesdale Bank are not part of the Taskforce, but are included because they are significant players in the SME market and have historically contributed to the BBA's small business statistics series – their inclusion enables a better 'big picture'.

How often

The data will be published quarterly.

What

The quarterly releases include:

- monthly data broken down by industry sector; and
- quarterly data broken down by geographic regions.

Note: The Taskforce banks are also supplementing these quarterly datasets with a year-end presentation of lending and deposit balances broken down by postcode areas (there are around 120 areas within the standard geographic regions of England, Scotland & Wales).

The figures

The customers these figures reflect

The SME customer base for these datasets reflects private sector businesses with annual turnover of up to £25m in non-financial sectors.

The reason for the £25m ceiling is that it is the nationally recognised definition of SME businesses. The reason for the focus on non-financial sectors is that these are the sectors the government is particularly interested in reaching. The sectors include: agriculture & fishing, mining, manufacturing, energy & utilities, construction (including house building and maintenance), wholesalers, retailers, hotels & food services, transport & communications, property trading (or renting) & professional services (legal, accounting, office services), education, health & social work and recreational entertainment activities. These are standard sector categories, recognised by the Department for Business, Innovation and Skills and National Accounts.

Segmenting 'smaller' and 'medium sized' businesses

To reflect the way banks provide business support, the datasets divide between smaller businesses (greater in number and typically reflecting businesses which use standard products from a business product range) and medium sized businesses (which typically involve relationship managers). The tipping point between 'smaller' and 'medium-sized' businesses is generally a turnover of £2m (i.e. once businesses have a turnover of £2m or more they are categorised as 'medium sized'). This is not absolute though – individual banks' own segmentations fall under titles such as 'business banking' for smaller SMEs and 'commercial banking' for medium SMEs.

Current borrowing levels

The datasets show that SMEs have borrowing of £108bn. This is the aggregate of all loans and overdrafts drawn down (utilised) and is a snapshot figure at a single point in time. This is *not* the full extent of banks' lending to SMEs (because insurance auxiliaries, financial leasing companies, mortgage or financial advisers, and housing corporations, for example, are not covered – they fall outside the 'non-financial sectors' category), nor is it the full extent of lending to businesses, because those with turnover above £25m (the 'corporate banking' sector) are also out of scope.

SME support from the banks is not just about borrowing. The handling and safe keeping of cash for businesses, executing their payments and allowing on-line account management are all fundamental to running a business and, at the same time as borrowing finance, SMEs have cash balances of £113bn in current or deposit accounts.

SME lending in the context of all lending by the main high street banks

The datasets show that SMEs have borrowing of £108bn. To set the figure in the context of all lending by high street banks: outstanding lending to the whole non-financial private sector (smaller, medium and large companies) was reported by the BBA for the main high street banks as £309bn at the year-end (31 December 2011) – alongside lending to the (non-bank) financial private sector (e.g. financial intermediaries, agents and brokers) of £314bn.

SME lending in the context of the whole banking sector

To set that £108bn figure in the context of lending by the whole banking sector (including non-high street banks e.g. Deutsche Bank and Citibank), outstanding loan and overdraft facilities for the whole non-financial private sector (smaller, medium and large companies) reported by the Bank of England for all banks and in all currencies stood at £698bn at the year-end – alongside lending to the (non-bank) financial private sector of £787bn.

New facilities made available

The Taskforce datasets identify loan and overdraft facilities approved and made available by the banks. In the second half of last year, £16.9bn of new or increased facilities was approved. The figures differ from other half-year data sources:

- *SME gross lending facilities of £37.7bn reported under Project Merlin (within a half-year total lending figure of £114.6 bn). Merlin included loan and overdraft facilities rolled-over (renewed at the same level) and other forms of credit, such as business credit cards and asset-based forms of credit such as leasing, factoring or invoice discounting. Merlin also covered lending to all UK SMEs (both financial and non-financial sectors).*
- *Gross lending of £48.9bn to all private non-financial companies – reported by the Bank of England (Trends in Lending basis). This figure (£48.9bn) is therefore larger than the £15.7bn figure because of the inclusion of businesses with annual turnover over £25m.*

Loan repayments vs. new loans taken out

These new datasets show, for the first time, levels of loan repayment by SMEs alongside new loans being made. In the second half of last year, £12.6bn of new or increased loans to businesses was more than offset by repayments of £14bn.

Approval rates and applications

Approval rates of formal business loan and overdraft applications are approaching 80% for smaller businesses and around 90% for medium businesses. Around 286,000 applications were received in the second half of last year and some 226,000 approved.

Matching lending profiles with SME profiles

The new lending that has occurred, measured by loan and overdraft facilities applications being approved and made available (the 'lending profiles') generally matches up with the make-up of the SME population in England, Scotland and Wales. For example, a greater number of loans were made to SMEs in London, but this is because there is a greater number of SMEs in London than in other regions. In other words, the lending profiles are proportionate with the regions and sectors covered.

Data accuracy

As with any new data framework, a period of time elapses when the data are subject to revision, resulting from data systems or definitional interpretations 'bedding in'. The BBA and the Taskforce banks will continue to assess data quality and reconciliation against alternative data sources to strengthen the robustness of these datasets.

British Bankers' Association
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