



Understanding Bank Lending Referrals to Finance Platforms

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The voice of banking

This fact sheet provides information for businesses about new regulations that have the potential to help you raise finance.

How do these Regulations affect me?

If a small and medium sized business makes an unsuccessful application for borrowing to a designated bank, the bank is obliged to offer the business a referral to the designated online finance platforms. These platforms will seek to help you find a suitable finance provider that may be willing to offer the finance you need.

The Regulations require the bank to ask for your consent to provide information to the platforms when you are advised that your application has been unsuccessful and the platforms may not pass information that could identify your business to finance providers without your agreement.

If you consent to a referral, the bank will provide information to each of the platforms who will then make contact with you.

Designated Banks:

AIB Group (UK) Plc (t/a First Trust Bank)
Bank of Ireland (UK) Plc
Barclays Bank Plc
Clydesdale Bank Plc
Northern Bank Ltd (t/a Dankse Bank)
HSBC Bank Plc
Lloyds Banking Group Plc
Royal Bank of Scotland Group Plc
Santander UK Plc

Government Designated Platforms:

Business Finance Compared
(www.businessfinancecompared.com)
Funding Options
(www.fundingoptions.com/bank)
Funding Xchange
(www.fxe.co.uk)

Eligibility

For the purpose of these Regulations, businesses are those:

1. with turnover of up to £25m



2. with an address in the United Kingdom



3. which carry out commercial activities as their principal activity



4. which are not part of a group which as a whole has an annual turnover which is equal to or greater than £25m



Applications for the following products in sterling are within the scope of the Regulations:

a. Overdrafts



b. Loans



c. Invoice Finance



d. Asset Finance
(excluding operating leases)



e. Credit cards



A Designated Bank will not offer a referral when:

- 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 demand
- you have declined the bank's offer of credit solely due to price considerations.

The Process

If your lending application is declined or you reject a facility offered on a different basis to the one you applied for, the bank will ask for your consent to refer you to the Designated Platforms. This will occur at the time the decline is communicated to you or when you decline the alternative offer.

NB: The offer of a referral is a statutory obligation and should not be construed as a recommendation.

If consent is given, the bank will send specified information regarding your application to all the Designated Platforms before the end of the next working day.

Upon receipt of this information each platform will contact you by email, telephone, post or text to start the process of helping you find the funding best suited to your needs.

Your specified information will not be passed on to any potential lenders until your further consent is given.

The specified information is:

- a. the Business Name, postal, e-mail address and telephone number
- b. the amount and type of finance requested
- c. the legal structure of the business (limited company, limited partnership, partnership sole trader, or other)
- d. the period in years and months that the business has been trading for and receiving income
- e. the date by which the business requires finance and / or made the application



Your Options

1. You can provide your consent and the Designated Bank will pass information about you and your application to the Designated Platforms.
2. You can decide not to provide your consent. Your bank will provide you with the necessary information to use the platforms yourself at a later date.
3. Under certain circumstances, you may be able to appeal your bank's lending decision. Further information is available from your bank. You can make an appeal at the same time as consenting to a platform referral.

Frequently Asked Questions

1. Will consenting to a referral harm my credit rating?

Providing consent will not harm your credit rating. Completing an application with a Designated Platform will not affect your credit score. If you make an application to one or more of the lenders it is likely that each lender will undertake credit searches and take previous searches into consideration as part of their risk assessment. However, a number of credit applications alone should not normally cause a problem for you.

2. How can I be sure that my data is safe and will not be used for marketing purposes?

The platforms are designated by the Government. The platforms are required to comply with data protection legislation, as well as the protections set out in the Small and Medium Sized Business (Finance Platforms) Regulations 2015. Platforms can only use your data in a manner consistent with these regulations and cannot use it for marketing purposes without your consent.

3. What type or choices of lenders are there on each platform?

Each platform will provide access to a range of lenders including some high street banks and niche funding specialists. Across the platforms typical financing products include business loans, overdrafts, credit cards, asset finance and invoice finance.

4. Do I have to provide further information to the platforms?

Typically, the information provided by your bank would not be sufficient to enable another lender to undertake a credit assessment. The platform aims to provide you with a funding solution best suited for your needs by 'matching' your circumstances and requirements to lenders on their platform. To do this they may require additional information.

5. Do I have to use all the platforms?

Under the regulations your bank is required to submit information to all platforms. However, there is no obligation to use every platform and you may decide which platform(s) you wish to act on your behalf.

6. Will the platforms charge me a fee for matching me with other lenders?

No. A platform must not charge any fee to a business for use of this service.

7. How safe are the platforms?

The designated platforms are required to have robust systems in place that protect against loss, corruption, destruction, misuse or unauthorised access of information.

8. What should I do if I make an unsuccessful application to a Designated Bank but no referral was offered?

If you feel that a referral should have been offered, contact your bank who will look into the matter for you, or you can also make use of the services offered by the platforms at any time by visiting their websites:

Business Finance Compared (www.businessfinancecompared.com)

Funding Options (www.fundingoptions.com/bank)

Funding Xchange (www.fxe.co.uk)

9. If my bank declined my application, why would another provider accept it?

Lenders consider borrowing requests based on a range of factors and these may vary across lenders. Therefore some lenders maybe willing to lend when others are not.

10. Do the platforms offer financing themselves?

Platforms are credit brokers regulated by the FCA, they are not lenders.

11. What do I do if I no longer wish to use the services of a platform?

You should notify the platform directly.

12. What happens if I did not give consent initially but then change my mind?

You can 'self-refer' to make use of the services of the platforms to help you find finance at any time by visiting their websites.

13. Where can I go for further information and guidance about business finance?

“The business finance guide” has recently been published by the British Business Bank in partnership with the Institute of Chartered Accountants in England and Wales (ICAEW). It is a unique guide that sets out the main things to consider and outlines sources of finance available to businesses. The online version includes an interactive tool allowing businesses to explore their financing options more easily. You can find the online version at thebusinessfinanceguide.co.uk.

General Questions

1. What is the designation process for platforms?

HM Treasury (HMT) have the power of designation based on advice provided by the British Business Bank (BBB) who undertake a process of due diligence.

2. Could more platforms or banks be designated in future?

Yes. Under the Regulations additional platforms and banks may be designated. Also existing platforms and banks could lose their designation.

3. What financial arrangements exist between a platform and lenders?

Platforms are commercial enterprises and need to generate income from the service they provide. This can be achieved in a number of ways such as by charging lenders to be included on the platform or by fees charged based on funding provided. Businesses will not be charged to use platforms.

4. What is the Financial Conduct Authority’s (FCA) role?

The FCA oversees the regulatory compliance of these regulations by the Designated Banks and Platforms.

5. Where can I go to find further information?

You can find more information about the platforms and the referral process on the BBA website - www.bba.org.uk/customers/business-banking/financial-support/lending-declines

