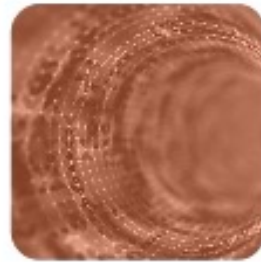


9. The outcome of the application/renewal



This chapter details

what happened when the application for the new/renewed facility was made. It covers the bank's initial response through to the final outcome.



Key findings

The overall success rate for all loans and overdrafts remained stable at 80% for applications made in the 18 months to Q4 2017. This maintained the improvement seen since the 18 months to Q4 2012 when 69% of applications were successful.

This is driven by consistently high success rates for renewed facilities. Success rates for applications for new money, and specifically first time applicants, were somewhat lower than previously seen:

- 97% of all renewal applications for loans and overdrafts in the 18 months to Q4 2017 were successful
- 63% of new money applications were successful, somewhat lower than the 69% success rate seen for new money applications in the 18 months to Q4 2016. It was though still higher than the 49% success rate recorded for the 18 months to Q4 2013
- Within the current success rate for new money applications, the success rate for those who have borrowed before is stable (78%). It is the success rate for first time applicants which has declined (currently 50% compared to 60% for applications in the 18 months to Q4 2015). First time applicant success rates do though remain above the 4 in 10 seen in the 18 months to both Q4 2012 and Q4 2013.

Overdraft applications remained more likely to be successful (85%) than loan applications (67%) in the 18 months to Q4 2017.



85% of overdraft applicants in the 18 months to Q4 2017 ended the process with a facility (76% were offered what they wanted and took it, 9% had their facility 'after issues'). 3% took other funding and 11% ended the process with no facility:

- This overall overdraft success rate remains stable (it was 86% for the 18 months to Q4 2015) and somewhat higher than the 74% success rate recorded for the 18 months to both Q4 2012 and Q4 2013
- 0 employee applicants remained less likely to be successful (81%) than those with employees (92-97%) but their success rates have improved over time (70% were successful in the 18 months to Q4 2012). Success rates have also improved for those with 1-9 employees (79% to 92%)
- Those with a better external risk rating were also more likely to have a facility (99% of those with a minimal risk rating compared to 80% of those with a worse than average risk rating)
- In the 18 months to Q4 2012, 36% of first time overdraft applicants were successful. This increased to 66% for the 18 months to Q4 2015 but is currently somewhat lower at 55%
- Including those overdrafts that were automatically renewed increases the current overdraft success rate from 85% to 95%.



67% of loan applicants in the 18 months to Q4 2017 ended the process with a facility (58% were offered what they wanted and took it, 9% had their facility 'after issues'). 7% took other funding and 26% ended the process with no facility:

- This overall loan success rate was somewhat lower than the 74% success rate for the 18 months to both Q4 2015 and Q4 2016. It was though somewhat higher than the 58% success rate recorded for the 18 months to both Q4 2012 and Q4 2013
- 0 employee applicants remained less likely to be successful (58%) with success rates increasing by size of applicant to 99% of those with 50-249 employees. Unlike smaller overdraft applicants where improved success rates have been maintained, success rates for 0 employee loan applicants improved to Q4 2016 (70%) and are now somewhat lower (58%)
- Those with a better external risk rating were also more likely to have a facility (89% of those with a minimal/low risk rating compared to 63% of those with an average/worse than average risk rating)
- In the 18 months to Q4 2012, 48% of first time loan applicants were successful. Unlike overdrafts, their success rate has varied relatively little over time with no clear pattern (45-55%) but is currently 41%.



This chapter follows the application journey from the initial response from the bank to the final decision. More detailed analysis is provided of the final outcome over time, and also the experiences of those applying for new funding compared to those seeking a renewal of existing facilities. Note that, unless specifically stated, this data does not include the automatic renewal of overdrafts, and that, as already explained, data for applications reported as having taken place from Q1 2017 onwards remains interim.

5% of loan and 2% of overdraft applicants in the 18 months to Q4 2017 had not received

an initial response to their application by the time of our survey. Details of these applications were included in the data in the preceding chapter but are excluded from the remainder of this analysis.

Analysis in previous reports has shown that the outcome of applications reported initially for a given quarter can be quite different from those reported subsequently as more data is gathered, and so results for the most recent quarters should always be viewed in this context. Full quarterly data on all applications since the SME Finance Monitor started can be found in the charts at the end of this report.



Application outcomes – an overview

The table below summarises the outcome for the different types of application included in this chapter over a longer time period, based on applications made in a series of 18 month periods. Data in the first 5 columns is now complete and the data for the 18 months to Q4 2017 will be completed at the end of 2018.

The current position for the 18 months to Q4 2017 is that 80% of all loan and overdraft applications were successful. Renewals (97%) remained more likely to be successful than applications for new money (63%), and overdraft applications (85%) more likely to be successful than loans (67%):

% of applicants ending process with facility – Summary table

Over time – row percentages By 18 month period of application	Q3 11 Q4 12	Q3 12 Q4 13	Q3 13 Q4 14	Q3 14 Q4 15	Q3 15- Q4 16	Q3 16 – Q4 17*
All loans and overdrafts	69%	68%	77%	82%	81%	80%
Loans and overdrafts - New money	54%	49%	65%	70%	69%	63%
• <i>First time applicants</i>	41%	39%	55%	60%	56%	50%
• <i>Other new money</i>	70%	69%	74%	77%	78%	78%
Loans and overdrafts - Renewals	94%	96%	97%	100%	99%	97%
All overdrafts	74%	74%	83%	86%	84%	85%
All loans	59%	58%	66%	74%	74%	67%

All SMEs applying for a facility in the period specified, base size varies by category * Interim data

Taking a longer term view, the table above also shows that the overall success rate for loans and overdrafts combined increased over time to 82% for the 18 months to Q4 2015 and has been stable since. Renewals have always been likely to be successful, so the increase in overall success rate was due to new money applications, where success rates increased from 49% in the 18 months to Q4 2013 to 70% in the 18 months to Q4 2015 but were then somewhat lower in the current period (63%).

Amongst new money applicants, first time applicants have always been less likely to end the process with a facility than those who have borrowed before. Their success rate improved from 39% in the 18 months to Q4 2013 to 60% for the 18 months to Q4 2015, but then decreased to the current 50%. Success rates for other new money applications also increased over time, from 69% to 77%, and have remained stable since.



More detailed analysis of all Type 1 applications (i.e. loans and overdrafts combined) is provided at the end of this chapter. Before that analysis, the next section looks at the initial response from the bank to the application made, followed by more detail on overdraft applications specifically, and then on loan applications.

How SMEs got to the final outcome – the initial response from the bank

This analysis is based on SMEs that made an application for a new or renewed loan or overdraft facility during the 18 months from Q3 2016 to Q4 2017 (irrespective of when they were interviewed) who have received a response from the bank.

The tables below record the initial response from the bank to applications made in this period. The initial response to 81% of overdraft applications and 62% of loan applications was to offer the SME what it wanted. For both loans and overdrafts, larger SMEs remained much more likely to have been offered what they wanted at this initial stage:

Initial response (Overdraft)		0	1-9	10-49	50-249
Sought new/renewed facility Q3 16-Q4 17	Total	emp	emps	emps	emps
Unweighted base:	853	88*	269	351	145
Offered what wanted	81%	77%	85%	90%	86%
Offered less than wanted	4%	4%	5%	3%	7%
Offered unfavourable terms & conditions	2%	1%	3%	3%	7%
Declined by bank	13%	18%	7%	4%	*

Q63 All SMEs seeking new/renewed overdraft facility that have had response



Initial response (Loan)

<u>Sought</u> new/renewed facility Q3 16-Q4 17	Total	0-9 emps	10-49 emps	50-249 emps
Unweighted base:	426	155	199	72*
Offered what wanted	62%	59%	81%	93%
Offered less than wanted	5%	5%	5%	4%
Offered unfavourable terms & conditions	5%	5%	6%	2%
Declined by bank	28%	31%	8%	-

Q158 All SMEs seeking new/renewed loan facility that have had response

Additional analysis below shows that larger SMEs, those with a better risk rating and those renewing an existing facility were all more likely to receive a positive initial response from the bank:

Initial response

All seeking facility Q3 16-Q4 17

Applicants with employees	<p>86% of applicants with employees were initially offered the overdraft they wanted and 71% the loan they wanted.</p> <p>Applicants with employees were less likely to have been declined at this stage – 6% of such overdraft applicants and 20% of loan applicants.</p>
Applicants more likely to be offered what they wanted	<p>Those applying to renew an existing facility: 97% were offered the overdraft they wanted, 78% the loan.</p> <p>Those with a minimal external risk rating: 88% were offered the overdraft they wanted, while 85% were offered the loan they wanted</p> <p>Those with a low external risk rating: 89% were offered the overdraft they wanted, while 84% were offered the loan they wanted</p>
Applicants more likely to receive initial decline	<p>Those applying for their first ever facility: 39% were initially declined for a first overdraft, 49% for a first loan.</p> <p>Those with a worse than average external risk rating: 45% were initially declined for a loan.</p>



The table below looks at the initial response to overdraft applications over recent quarters by date of application. From the start of 2015 around 8 in 10 applicants were typically offered what they wanted:

Initial response to application

SMEs seeking new/
renewed overdraft
facility

By date of application	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1*	Q2*	Q3*
	15	15	15	15	16	16	16	16	17	17	17
Unweighted base (Overdraft):	320	280	250	237	237	146	132	198	243	153	77*
Offered what wanted and took it	77%	72%	82%	74%	81%	79%	78%	77%	83%	81%	86%
Any issues (amount or T&C)	8%	12%	8%	13%	5%	3%	13%	7%	5%	4%	3%
Declined overdraft	15%	16%	10%	13%	14%	19%	9%	15%	11%	15%	11%

Initial outcome of overdraft application by date of application: * indicates interim results as data is still being gathered on events in these quarters



With fewer loan applications made each quarter, it is harder to discern a pattern to the initial response over time. Data currently available for the first half of 2017 showed that the proportion offered what they wanted was somewhat lower than previously at 6 in 10 with around a third of applicants being declined:

Initial response to application:

SMEs seeking new/
renewed loan facility

By date of application	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1*	Q2*
	14	15	15	15	15	16	16	16	16	17	17
<i>Unweighted base (Loan)</i>	191	185	143	132	151	109	79*	65*	114	112	69*
Offered what wanted and took it	49%	66%	48%	69%	69%	50%	66%	61%	68%	59%	60%
Any issues (amount or T&C)	22%	18%	27%	10%	2%	18%	18%	3%	14%	4%	9%
Declined loan	29%	16%	25%	20%	28%	32%	17%	35%	19%	37%	31%

Initial outcome of loan application by date of application: * indicates interim results as data is still being gathered on events in these quarters



The subsequent journey

The next section of this chapter describes what happened after the initial response from the bank, up to and including the final outcome of the application. This is reported first for overdrafts and then for loans and, unless otherwise stated, is based on all Type 1 overdraft/loan applications sought Q3 2016 to Q4 2017, where data is currently available.

Before the detail is discussed of what happened after each of the possible initial responses, the journeys are summarised below. Three quarters of overdraft applicants (77%) and just over half of loan applicants (56%) were offered the facility they wanted and went on to take it with no issues:

Journey summary

All seeking facility Q3 16 – Q4 17

	Overdraft	Loan
Unweighted base:	853	426
Initially offered what they wanted and went on to take the facility with no issues	77%	56%
Initially offered what they wanted, but had issues before they got facility	4%	4%
Had issues with the initial offer, and now have a facility after issues	5%	4%
Were initially turned down, but now have a facility after issues	2%	*
Had issues with the initial offer made so took alternative funding instead	2%	*
Were initially turned down, so took alternative funding instead	2%	8%
Initially offered what wanted but now have no facility at all	*	*
Had issues with the initial offer made and now have no facility at all	*	4%
Initially turned down and now have no facility at all	10%	20%

Q63/158 All SMEs seeking new/renewed overdraft or loan facility that have had response



Profile of overdraft applicants by initial response

There continued to be differences in the demographic profile of overdraft applicants receiving each initial response from the bank and these are summarised in the table below. Note that due to limited base sizes and high success rates, it is no longer possible to separate out those initially offered less than

they wanted and those who cited issues with the terms and conditions of the overdraft offered, so these have been combined into the 'Had issues with offer' column below. Both this and the "Initially declined" group can provide only a qualitative assessment of applicant demographics:

Profile of overdraft applicants <u>Sought</u> new/renewed facility Q3 16-Q4 17	All with response	Offered what wanted	Had issues with offer	Initially declined
<i>Unweighted base:</i>	872	750	57*	46*
No employees	59%	56%	50%	82%
Have employees	41%	44%	50%	18%
Starts	14%	9%	35%	25%
Trading 2-9 years	29%	26%	33%	46%
Trading 10 years+	57%	64%	32%	29%
Minimal/low risk rating	26%	29%	27%	10%
Average/worse than average risk rating	74%	71%	73%	90%
Renewing existing facility	59%	73%	20%	2%
Applying for first ever overdraft	23%	12%	61%	64%
Applying for new overdraft (not first - new defn)	17%	15%	18%	34%

All SMEs seeking new/renewed overdraft facility that have had response

The table shows the continuing difference in profile between the three groups. Those initially offered what they wanted were typically more established businesses with a better risk rating profile. They were also more likely to be looking to renew an existing facility. By contrast, the small group of those initially declined were more likely to be 0 employee SMEs, more recently established, with an average or worse than average risk rating. They were also more likely to be seeking their first facility.



The subsequent journey – those who received an offer of an overdraft

Summarised below for all overdraft applications made in the 18 months Q3 2016 to Q4 2017 (and reported to date), is what happened after the bank's initial response to the application and any subsequent issues. With the exception of those offered what they wanted, base sizes for these groups are very limited and only a qualitative analysis is currently possible:

Initial offer

Subsequent events – all seeking overdraft Q3 2016 to Q4 2017

Offered what wanted
(81% of applicants)

Q64-65

95% of those offered what they wanted went on to take their facility with no issues. Those who experienced a delay or issue said this was typically waiting for a decision to be made, supplying further information, or a delay speaking to their RM.

Of the 5% experiencing a delay, 4% took the facility and 1% decided not to

Issue: offered less
than wanted (4% of
applicants)

Q87-95

31 respondents are in this section, so the information is qualitative at best. Almost all were given a reason for being offered less than they wanted. The main reasons given were:

- Credit history issues
- A need for more equity in the business

There were also a few mentions of security being a barrier.

21 respondents were interviewed in 2017 and had applied for an overdraft between October 2016 and December 2017. 2 said they were offered a referral, with 1 agreeing (but then managing to agree a facility at the bank) and 1 refusing (as they did not think it would change anything and would be too much hassle).

At the end of the process:

- Just over half had accepted the amount originally offered (almost all at the original bank)
- Around 1 in 6 managed to negotiate a higher facility at the original bank (none at another bank)
- Around 1 in 4 took some other form of funding
- Very few ended the process with no facility at all.

Continued



Continued

Issue: offered unfavourable T&C (2% of applicants)

Q96-97

26 respondents are in this section, so the information is qualitative at best.

The unfavourable terms and conditions were most likely to relate to:

- the proposed fee – 5 in 10 of these applicants
- security (the amount, type sought or cost of putting it in place) – 4 in 10
- the proposed interest rate – 1 in 10

21 respondents interviewed in 2017 had applied for an overdraft between October 2016 and December 2017. 5 of them said that the bank had offered to refer their application:

- 2 agreed to be referred (1 subsequently agreed an overdraft with the same bank and 1 took other funding from the same bank).
- 3 refused the referral (as they did not think it would change anything, or was too much hassle), with 2 ending the process with an overdraft at the original bank and one ending the process with no facility

At the end of the process:

- 4 in 10 applicants initially offered what they saw as unfavourable terms and conditions said they had accepted the deal they were offered (all at the original bank)
- A quarter managed to negotiate a better deal than the one originally offered – almost all at the bank they had originally applied to
- Less than 5% took other funding (typically funding in a personal name)
- Around a quarter decided not to proceed with an overdraft.



The subsequent journey – those who were declined for an overdraft

The table below details the subsequent journey of those whose overdraft application was initially declined (13% of all applicants – 46 respondents, so the results should be treated as qualitative):

Initially declined

Subsequent events – all seeking overdraft Q3 2016 to Q4 2017

Reasons for decline

Q70

Those declined were asked for the reasons behind the initial decline. A quarter of those initially declined said that they had not been given a reason (excluding those who could not remember the reasons given). The main reasons given were:

- A quarter said the decline related to their personal and/or business credit history
- Around 1 in 10 mentioned each of: asking for too much, issues around security and/or the bank not being happy with their financial forecasts

Advice and alternatives

Q71a

Those initially declined were asked which of a series of events had occurred after that decline:

- A third said they had been made aware of the appeals process (almost all by the bank)
 - A quarter went to external sources of help and advice (most sought it themselves)
 - Around 1 in 10 were offered an alternative form of finance by the bank
- Just over 4 in 10 said that none of these events occurred.

38 respondents were interviewed in 2017 and had applied between October 2016 and December 2017. 2 of them said that the bank had offered to refer their application. Both agreed to the referral but went on to say that they had ended the application process with no facility.



Initially declined

Subsequent events – all seeking overdraft Q3 2016 to Q4 2017

Appeals

Q71a-75

From April 2011, an appeals procedure has been in operation. A third of applicants initially declined Q3 2016 to Q4 2017 said they were made aware of the appeals process, most by their bank.

On limited base sizes, there were indications that awareness of the appeals process was stable: amongst those applying in 2012, 13% said that they were made aware of the appeals process, increasing to 22% by 2014. Awareness of appeals was then broadly unchanged for 2015 and 2016, with initial data for 2017 suggesting a third were aware of the appeals process.

Since Q1 2016, 14 applicants initially turned down for an overdraft reported that they were made aware of the appeals process. 12 did not appeal, because they did not think it would change anything, they were busy keeping the business going, and/or they accepted the banks decision. 2 appealed: in 1 case the bank changed its mind and the other had not heard at the time of interview

Outcome

Q81-84

At the end of this period:

- 8 in 10 applicants initially declined had no funding at all.
- 1 in 10 secured alternative funding.
- 1 in 10 managed to secure an overdraft with the original bank.



The final outcome – overdraft

At the end of the various journeys described above, respondents reported on the final outcome of their application for a new or renewed overdraft facility. This section is based on SMEs that made an application and had received a response for a new or renewed overdraft facility during the most recent 18 month period of Q3 2016 to Q4 2017, irrespective of when they were interviewed.

Three quarters of these applicants (76%) had the overdraft facility they wanted, and a further 9% secured an overdraft after having issues relating to the amount or the terms and conditions of the bank’s offer. 11% of all applicants ended the process with no overdraft. Note that this table does **not** include automatically renewed overdrafts.

Final outcome (Overdraft)	All overdraft Type 1 applicants
<u>Sought</u> new/renewed facility Q3 16-Q4 17	
<i>Unweighted base:</i>	853
Offered what wanted and took it	76%
Took overdraft after issues	9%
<i>Have overdraft (any)</i>	85%
Took another form of funding	3%
No facility	11%

All SMEs seeking new/renewed overdraft facility that have had response

Before looking at the detailed results for overdraft applications made in the latest 18 month period, the summary table below records the proportion who ‘Have overdraft (any)’ for a series of 18 month periods from Q3 2011 onwards.

This table shows a consistent success rate over recent 18 month periods for overdraft applicants of 84-85% which is higher than in earlier periods (74% of overdraft applicants were successful in the 18 months to Q4 2013). That said, the current success rate for first time applicants, at 55%, was somewhat lower than the 64-66% reported during 2014 and 2015.



% of applicants ending process with overdraft facility

Over time – row percentages

By 18 month period of application

	Q3 11 Q4 12	Q3 12 Q4 13	Q3 13 Q4 14	Q3 14 Q4 15	Q3 15 Q4 16	Q1 16 Q2 17*	Q3 16 Q4 17*
All SMEs	74%	74%	83%	86%	85%	84%	85%
0 employee	70%	68%	78%	81%	80%	79%	81%
1-9 employees	79%	79%	88%	91%	91%	91%	92%
10-49 employees	90%	91%	93%	96%	96%	94%	94%
50-249 employees	95%	96%	95%	97%	99%	99%	97%
Minimal external risk rating	97%	96%	95%	98%	98%	98%	99%
Low external risk rating	86%	91%	93%	93%	89%	93%	91%
Average external risk rating	84%	83%	92%	92%	90%	87%	87%
Worse than average external risk rating	66%	59%	72%	81%	78%	77%	80%
Agriculture	83%	90%	93%	95%	97%	92%	87%
Manufacturing	83%	71%	76%	89%	94%	94%	93%
Construction	63%	75%	83%	70%	55%	67%	78%
Wholesale/Retail	79%	69%	78%	86%	89%	85%	92%
Hotels & Restaurants	68%	65%	82%	91%	91%	94%	97%
Transport	66%	53%	67%	87%	91%	78%	74%
Property/Business Services etc.	75%	71%	82%	93%	85%	85%	84%
Health	83%	87%	94%	82%	97%	96%	98%
Other Community	80%	94%	96%	87%	96%	98%	90%
First time applicants	36%	34%	54%	66%	59%	56%	55%
Other new overdraft facility**	81%	78%	77%	85%	79%	76%	78%
Renewals	96%	98%	99%	100%	99%	99%	99%

All SMEs applying for an overdraft in the period specified, base size varies by category. * indicates interim results for that period

** slight definition change for results from Q1 2015 onwards



Overdraft final outcome – applications made Q3 2016 to Q4 2017

Overdraft applicants with employees remained the most likely to have been offered, and taken, the overdraft they wanted and so were more likely to end the process with a facility. Those with 0 employees remained more likely to end the process with no facility, albeit 81% were successful:

Final outcome (Overdraft)				10-49	50-249
<u>Sought</u> new/renewed facility Q3 16-Q4 17	Total	0 emp	1-9 emps	emps	emps
Unweighted base:	853	88*	269	351	145
Offered what wanted and took it	76%	71%	84%	86%	79%
Took overdraft after issues	9%	10%	8%	8%	18%
Have overdraft (any)	85%	81%	92%	94%	97%
Took another form of funding	3%	5%	1%	1%	-
No facility	11%	15%	7%	4%	4%

All SMEs seeking new/renewed overdraft facility that have had response

Amongst applicants with employees, 92% ended the process with an overdraft facility (84% offered what they wanted and 8% had an overdraft after issues). 6% ended the process with no overdraft.

Analysis of the final outcome by external risk rating showed a difference for those rated a worse than average risk, where 8 in 10 ended the process with an overdraft facility compared to 9 in 10 or more in the other risk categories:

Final outcome (Overdraft)					Worse/ Avge
<u>Sought</u> new/renewed facility Q3 16-Q4 17	Total	Min	Low	Average	
Unweighted base:	853	138	296	207	156
Offered what wanted and took it	76%	88%	88%	75%	71%
Took overdraft after issues	9%	11%	3%	12%	9%
Have overdraft (any)	85%	99%	91%	87%	80%
Took another form of funding	3%	-	2%	-	8%
No facility	11%	1%	7%	13%	12%

All SMEs seeking new/renewed overdraft facility that have had response



On limited base sizes, around 9 in 10 applicants were successful in each sector with the exception of Transport, Construction and Property/Business services:

Final outcome (Overdraft)

Sought

new/renewed facility Q3 16-Q4 17	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	71*	75*	153	110	47*	87*	168	44*	98*
Offered what wanted and took it	82%	75%	73%	86%	79%	64%	74%	69%	88%
Took overdraft after issues	5%	18%	5%	6%	18%	10%	10%	29%	2%
Have overdraft (any)	87%	93%	78%	92%	97%	74%	84%	98%	90%
Took another form of funding	2%	2%	10%	-	1%	9%	*	-	1%
No facility	11%	5%	11%	8%	2%	17%	15%	2%	9%

All SMEs seeking new/renewed overdraft facility that have had response

The table below uses the simplified overdraft codes described in the previous chapter. First time applicants remained more likely than others to end the process with no facility (34%). The current success rate for first time applicants, at 55%, was lower than the 66% seen during 2014-15 but remained higher than the success rates previously seen for these applicants (in the 18 months to Q4 2013, 34% of FTAs were successful):

Final outcome (Overdraft)

Sought new/renewed facility Q3 16-Q4 17	Total	1 st overdraft	Other overdraft	Renew overdraft
Unweighted base:	853	86*	142	625
Offered what wanted and took it	76%	43%	62%	93%
Took overdraft after issues	9%	12%	16%	6%
Have overdraft (any)	85%	55%	78%	99%
Took another form of funding	3%	10%	2%	1%
No facility	11%	34%	20%	*

All SMEs seeking new/renewed overdraft facility that have had response (does not include automatic renewals)



The final piece of combined analysis for applications made in the 18 months to Q4 2017 shows the outcome by the age of the business (on somewhat limited base sizes). Those trading for more than 5 years remained more likely to end the process with an overdraft facility:

Final outcome (Overdraft)

<u>Sought</u> new/renewed facility Q3 16-Q4 17 By age of business	Starts	2-5 yrs	6-9 yrs	10-15 yrs	15+ yrs
Unweighted base:	39*	62*	98*	151	503
Offered what wanted and took it	50%	63%	77%	85%	86%
Took overdraft after issues	16%	7%	12%	10%	6%
Have overdraft (any)	66%	70%	89%	95%	92%
Took another form of funding	9%	8%	-	1%	2%
No facility	25%	22%	11%	3%	5%

All SMEs seeking new/renewed overdraft facility that have had response

The success rate for older businesses is likely to have been impacted by the type of application being made. 54% of the Starts in the table above and 48% of applicants trading for 2-5 years were applying for their first overdraft, where success rates were typically lower. The older applicants were much more likely to be renewing an overdraft (80% of those trading more than 15 years), where success rates were typically higher.

Over time, 4 in 10 overdraft applications have been for £5,000 or less, a further 4 in 10 applications have been for £5,000 to £25,000 with the remainder, around 2 in 10, for more than £25,000. In the most recent quarters however, fewer overdrafts have been for less than £5,000 (3 in 10) and more for £25,000 or more (3 in 10).

A qualitative assessment of overdraft outcome by amount **applied for** over time showed that:

- The outcome for those applying for larger overdrafts (£25,000+) remained relatively consistent over time, and 90% or more of such applicants had an overdraft.
- 6 in 10 applications for the smallest overdrafts (under £5,000) were successful in 2012 and 2013. The success rate improved for 2014 and 2015 to around 7 in 10, and increased again to three-quarters of such applicants in 2016 and 2017.
- Those in the middle (who applied for £5-25,000) saw a reduction in success rates to the end of 2013, from around 90% to around 70%. Since then success rates have increased back to the 90% level previously seen.



Final outcome by date of application – overdrafts

The table below shows the final outcome for Type 1 overdraft events by the individual quarter **in which the application was made**, for those recent quarters where robust numbers were available. This shows that since the start of 2015 8 out of 10 or more overdraft applicants have ended the process with a facility:

Final outcome (Overdraft)

SMEs seeking
new/ renewed
facility

By date of application	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1*	Q2*	Q3*
	15	15	15	15	16	16	16	16	17	17	17
Unweighted base:	320	280	250	237	237	146	132	198	243	153	77*
Offered what wanted and took it	77%	71%	80%	72%	81%	79%	71%	76%	79%	76%	80%
Took overdraft after issues	8%	9%	9%	12%	4%	3%	7%	8%	9%	9%	8%
Have overdraft (any)	85%	80%	89%	84%	85%	82%	78%	84%	88%	85%	88%
Took other funding	1%	6%	3%	*	8%	4%	14%	1%	*	5%	1%
No facility	14%	14%	8%	16%	7%	14%	9%	15%	12%	10%	11%

Final outcome of overdraft application by date of application: * indicates interim results as data is still being gathered on events in these quarters

To set all these results in context, an analysis has been done of the profile of applicants over time based on the analysis in this and previous reports which showed that size, risk rating and purpose of facility all affected the outcome of applications.



Analysis was undertaken using regression modelling. This takes a number of pieces of data (described below) and builds an equation using the data to predict as accurately as possible what the actual overall success rate for overdrafts should be. This equation can then be applied to a sub-set of overdraft applicants (in this case all those that applied in a certain quarter) to predict what the overdraft success rate should be for that group. This predicted rate is then compared to the actual success rate achieved by the group, as shown in the table below.

As in previous reports, the equation was built using business size and risk rating, as well as the type of facility (first time applicant etc.) as these factors had been shown to be key influencers on the likelihood of success in a funding application.

In 2016 and the first half of 2017, the model predicted success rates in the mid-80s rather than the high 80s that had typically been predicted in 2015:

Final outcome (Overdraft)

SMEs seeking new/ renewed facility

By date of application	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1* 17	Q2* 17	Q3* 17
Unweighted base:	320	280	250	237	237	146	132	198	243	153	77*
Have overdraft (any)	85%	80%	89%	84%	85%	82%	78%	84%	88%	85%	88%
Predicted success rate	86%	87%	86%	84%	84%	80%	85%	84%	83%	84%	91%
Difference	-1	-7	+3	-	+1	+2	-7	-	+5	+1	-3

Final outcome of overdraft application by date of application

Comparisons between the actual and modelled success rates show differences over time:

- The higher success rates predicted for Q1 to Q3 2015 were achieved in Q1 and Q3 but not in Q2
- The somewhat lower success rates predicted for 2016 were achieved, with the exception of Q3
- In the three quarters where data is available for 2017, the achieved success rate moved from ahead of the predicted success rate to slightly behind it.



The impact of automatic renewals on overdraft success rates

A considerable number of SMEs had their overdraft automatically renewed by their bank. Such SMEs can be considered to be part of the ‘Have an overdraft (any)’ group, and thus impact on overall success rates.

The table below shows the impact on overall overdraft success rates when the automatically renewed overdrafts known to have been agreed in the same period are included. There have been more automatic overdraft renewals than Type 1 events, so the overall overdraft success rate increased from 85% to 95%:

Final outcome (Overdraft)	Type 1 events	Type 1 + automatic renewal
Sought new/renewed facility Q3 16-Q4 17		
<i>Unweighted base:</i>	853	2461
Offered what wanted and took it	76%	22%
Took overdraft after issues	9%	2%
<i>Automatic renewal</i>	-	71%
<i>Have overdraft (any)</i>	85%	95%
Took another form of funding	3%	1%
No facility	11%	3%

All SMEs seeking new/renewed overdraft facility that have had response

Amongst those who reported the automatic renewal of an overdraft facility between Q3 2016 and Q4 2017, 10% said that the facility was renewed in a personal capacity. As with Type 1 events, such renewals were typically for 0 employee SMEs (80% of those automatically renewing a personal facility).



Profile of loan applicants by initial response

Having explored overdraft applications and renewals, the next section of this chapter looks at loan applications and renewals. There continued to be differences between the demographic profiles of loan applicants receiving each initial response from the bank and these are summarised in the table below.

Note that due to small base sizes the ‘offered less than wanted’ and ‘offered unfavourable T&C’ groups have been combined into a ‘Had issues with the offer’ column for this analysis, to boost the base size but both this and the “initially declined” data should be considered as qualitative:

Profile of loan applicants <u>Sought</u> new/renewed facility Q3 16-Q4 17	All with response	Offered what wanted	Had issues with offer	Initially declined
<i>Unweighted base:</i>	426	332	38*	56*
No employees	53%	46%	59%	66%
Have employees	47%	54%	41%	34%
Starts	19%	7%	2%	51%
Trading 2-9 years	22%	25%	11%	20%
Trading 10 years+	59%	68%	87%	29%
Minimal/low risk rating	27%	36%	22%	8%
Average/worse than average risk rating	73%	64%	78%	92%
Renewing existing facility	24%	30%	20%	11%
Applying for first ever loan	36%	24%	36%	63%
Applying for new loan but not first	41%	46%	45%	26%

All SMEs seeking new/renewed loan facility that have had response

The table shows similar differences in profile to those seen for overdraft applicants with the small group of those initially declined more likely to be 0 employee SMEs, more recently established (half of them were Starts), with an average or worse than average risk rating. Almost all were seeking new funding and 6 in 10 were first time applicants.



The subsequent journey – those that received the offer of a loan

Summarised below for all loan applications made in the 18 months Q3 2016 to Q4 2017 (and reported to date), is what happened after the bank's initial response. With the exception of those offered what they wanted, base sizes for these groups are very limited and only a qualitative analysis is currently possible:

Initial bank response Subsequent events – all seeking loan Q3 2016 to Q4 2017

Offered what wanted
(62% of applicants)

Q159-164

94% of those offered what they wanted went on to take the loan with no problems.

6% took the loan after some issues (typically having to supply more information).

Almost all took the full amount they had originally asked for.

Issue: Offered less
than wanted
(5% of applicants)

Q182-190

Note that there are just 17 respondents for this section, and so results are qualitative at best.

All applicants said that they had been given a reason for being offered less than they wanted. The main reasons given were:

- 6 in 10 said they had applied for too much
- 3 in 10 mentioned security issues

14 respondents were interviewed in 2017 and had applied for a loan between October 2016 and December 2017. 3 were offered the option of referral:

- 1 agreed to be referred but ended the process with no facility
- 2 declined to be referred, with 1 taking a loan with the original bank and 1 ending the process with no facility

At the end of the process:

- 4 in 10 accepted the lower amount offered (mainly from the original bank)
- 6 in 10 ended the process with no facility.

Continued



Continued

Issue: Offered unfavourable T&C (5% of applicants)

Q191-195

Note that there are just 21 respondents for this section, and so results are qualitative at best.

The unfavourable terms (excluding those who didn't know) typically related to issues around security (level, type requested and/or cost), the proposed interest rate or the fee.

18 respondents were interviewed in 2017 and had applied for a loan between October 2016 and December 2017 with 1 offered the opportunity for a referral but declining (they found the funding elsewhere) and 17 saying that the bank had not offered to refer their application.

By the end of the process around 5 in 10 had accepted the deal offered and 4 in 10 had no facility. The remainder had either found a better deal or taken another form of funding.



The subsequent journey – those that were declined for a loan

The table below details the subsequent journey of those whose loan application was initially declined (28% of applicants – 52 respondents so only a qualitative analysis is possible).

Initially declined

Subsequent events – all seeking loan Q3 2016 to Q4 2017

Reasons for decline

Q165

1 in 6 of the SMEs initially declined said that they had not been given a reason for the decline (excluding those who could not remember the reasons given).

The main reasons given were:

- 4 in 10 said that the decline related to their personal and/or business credit history.
- 2 in 10 mentioned issues around security.
- There were other mentions of a weak balance sheet or the bank not being satisfied with forecasts

Advice and alternatives

Q165b

Those initially declined were asked which of a series of events had occurred after that decline:

- A quarter went to external sources of help and advice (most self-referred).
- Less than 5% were offered an alternative form of finance by the bank, or said they were made aware of the appeals process.
- Two thirds said that none of these events occurred (in line with those initially declined for an overdraft).

42 respondents were interviewed in 2017 and had applied for a loan between October 2016 and December 2017. 3 said they were offered the option of a referral, and 2 agreed to be referred but both went on to say that they ended the process with no facility.



Initially declined

Subsequent events – all seeking loan Q3 2016 to Q4 2017

Appeals

Q168-170

From April 2011, an appeals procedure was introduced. Awareness of the appeals system has varied between 6% and 14% since 2012 – but almost none of the loan applicants in 2017 were aware of the system (1%).

Of all loan applications reported on the Monitor in this period 3 SMEs were made aware of the appeals process having initially been declined and none of them appealed, as they felt it was too much hassle, or didn't think it would have changed anything.

Outcome

Q176

At the end of this period:

- Three quarters of those initially declined did not have a facility at all
- Most of the rest had secured alternative funding



The final outcome – loan

At the end of the various loan journeys described above, respondents reported on the final outcome of their application for a new or renewed loan facility. This section is based on SMEs that made a loan application and had received a response for a new or renewed facility during the most recent 18 month period of Q3 2016 to Q4 2017, irrespective of when they were interviewed.

Two thirds (67%) of loan applicants had a loan facility. 26% of applicants ended the process with no facility.

Final outcome (Loan)

Sought new/renewed facility Q3 16-Q4 17

All loan Type 1 applicants

<hr/>	
Unweighted base:	426
Offered what wanted and took it	58%
Took loan after issues	9%
Have loan (any)	67%
Took another form of funding	7%
No facility	26%

All SMEs seeking new/renewed loan facility that have had response

Before looking at the results for loan applications made in the latest 18 month period in more detail, the summary table below records the proportion who 'Have loan (any)' for a series of 18 month periods, stretching back to Q3 2011, by key demographics.

Over the period shown in the table loan success rates improved to around three quarters of applicants for the 18 months to Q4 2015 but then declined slightly (to 67% in the current period). This was due primarily to fewer 0 employee SMEs being successful, together with those applying for their first loan.

Please note that results for the sectors in particular should be treated as indicative due to small sample sizes (all <60).



% of applicants ending process with loan facility

Over time – row percentages

By 18 month period of application

	Q3 11 Q4 12	Q3 12 Q4 13	Q3 13 Q4 14	Q3 14 Q4 15	Q3 15 Q4 16	Q1 16 Q2 17*	Q3 16 Q4 17*
All SMEs	58%	58%	66%	74%	74%	71%	67%
0 employee	52%	52%	59%	68%	70%	65%	58%
1-9 employees	63%	61%	72%	78%	75%	73%	74%
10-49 employees	80%	85%	87%	91%	93%	91%	88%
50-249 employees	91%	87%	94%	96%	99%	100%	99%
Minimal external risk rating	89%	82%	80%	98%	92%	91%	88%
Low external risk rating	70%	78%	85%	88%	95%	90%	90%
Average external risk rating	61%	63%	74%	84%	88%	81%	72%
Worse than average external risk rating	54%	46%	52%	53%	61%	60%	54%
Agriculture	78%	86%	86%	94%	88%	75%	64%
Manufacturing	60%	67%	83%	60%	61%	84%	68%
Construction	41%	56%	58%	63%	58%	69%	88%
Wholesale/Retail	66%	47%	63%	77%	92%	77%	62%
Hotels & Restaurants	66%	55%	55%	71%	66%	66%	77%
Transport	58%	42%	48%	47%	52%	42%	43%
Property/Business Services etc.	53%	58%	63%	87%	82%	79%	61%
Health	71%	57%	76%	88%	85%	82%	97%
Other Community	57%	62%	72%	71%	78%	71%	84%
First time applicants	48%	45%	55%	51%	51%	53%	41%
Other new loan facility**	61%	60%	71%	86%	80%	78%	79%
Renewals	82%	89%	76%	96%	96%	87%	85%

All SMEs applying for a loan in the period specified, base size varies by category CARE re SMALL base sizes and interim data. * indicates interim results for that period. ** slight definition change for results from Q1 2015 onwards



Final outcome – loan applications made Q3 2016 to Q4 2017

Smaller loan applicants remained less likely to end the process with a facility. Almost all applicants with 10-249 employees had a loan, while a quarter of the smaller applicants ended the process with no facility:

Final outcome (Loan)		0-9 emps	10-49 emps	50-249 emps
Sought new/renewed facility Q3 16-Q4 17	Total			
Unweighted base:	426	155	199	72*
Offered what wanted and took it	58%	55%	75%	88%
Took loan after issues	9%	9%	13%	11%
Have loan (any)	67%	64%	88%	99%
Took another form of funding	7%	7%	5%	-
No facility	26%	28%	8%	*

All SMEs seeking new/renewed loan facility that have had response

Amongst loan applicants with employees, 78% ended the process with a loan (66% were offered what they wanted and 12% had the loan after issues). 20% ended the process with no loan facility.

Current base sizes preclude a full analysis by risk rating. As the table below shows, a quarter of those with an average or worse than average risk rating ended the process with no loan facility:

Final outcome (Loan)		Min / Low	Avge/Worse Avge
Sought new/renewed facility Q3 16-Q4 17	Total		
Unweighted base:	426	235	171
Offered what wanted and took it	58%	74%	55%
Took loan after issues	9%	15%	8%
Have loan (any)	67%	89%	63%
Took another form of funding	7%	1%	10%
No facility	26%	10%	27%

All SMEs seeking new/renewed loan facility that have had response where risk rating known

Smaller sample sizes do not currently allow analysis for detailed analysis by sector.



Analysis earlier in this report showed that the initial response from the bank was typically more positive for the renewal of existing loan facilities and less positive for new facilities. The analysis below shows that this was also the case at the end of the process. Those applying

for their first loan remained much more likely to end the process with no facility (48%). The success rate for first time applicants (41%) was somewhat lower than in recent 18 month periods when around half of such applicants were successful:

Final outcome (Loan)

Sought new/renewed facility Q3 16-Q4 17

	Total	1 st loan	New loan	Renew loan
Unweighted base:	426	78*	197	151
Offered what wanted and took it	58%	40%	64%	74%
Took loan after issues	9%	1%	15%	11%
Have loan (any)	67%	41%	79%	85%
Took another form of funding	7%	11%	5%	5%
No facility	26%	48%	16%	9%

All SMEs seeking new/renewed loan facility that have had response



As with overdrafts, there were clear differences in outcome for loan applications by age of business. On limited base sizes, those trading for up to 5 years were the least likely to have been successful (29%) compared to 8 in 10 or more of older SMEs. As well as reflecting their business age, this was also a reflection of what they were applying for – 6 in 10 of these youngest applicants were applying for their first loan, compared to 2 in 10 of those trading for more than 15 years:

Final outcome (Loan)

<u>Sought</u> new/renewed facility Q3 16-Q4 17 By age of business	Starts – 5 years	6-9 yrs	10-15 yrs	15+ yrs
Unweighted base:	63*	58*	64*	241
Offered what wanted and took it	21%	82%	62%	71%
Took loan after issues	8%	7%	14%	9%
Have loan (any)	29%	89%	76%	80%
Took another form of funding	19%	9%	1%	1%
No facility	51%	3%	22%	19%

All SMEs seeking new/renewed loan facility that have had response

Most loans applied for (three-quarters in the current 18 month period) were for less than £100,000. Indicative data for applications reported to date for the second half of 2017 suggested that there were more larger applications in this period (a similar pattern was seen for overdrafts of £25,000 or more).

Success rates for loan applications below £100,000 increased from half of such applications in 2013 to 7 in 10 for those in 2015 and 2016. Success rates in 2017 to date were slightly lower at 6 in 10.

For applications above £100,000 success rates have typically been between 8 in 10 and 9 in 10, but were 6 in 10 for 2017 to date.



Final outcome by date of application – loans

The table below shows the outcome by recent quarter of application. Data has been included for Q2-Q3 of 2016 even though the sample sizes were below the normal 100 threshold, to provide at least indicative data for loans during 2016.

There was no clear pattern over time but success rates for applications made in 2015 were somewhat higher than those made in 2017 to date:

Final outcome (Loan)

SMEs seeking new/
renewed facility

By date of application	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1* 17	Q2* 17
Unweighted base:	191	185	143	132	151	109	79*	65*	114	112	69*
Offered what wanted and took it	47%	62%	45%	67%	62%	48%	61%	53%	63%	56%	59%
Took loan after issues	9%	19%	28%	11%	9%	20%	22%	11%	14%	6%	9%
Have loan (any)	56%	81%	73%	78%	71%	68%	83%	64%	77%	62%	68%
Took another form of funding	10%	*	4%	5%	-	11%	*	1%	4%	15%	*
No facility	34%	19%	23%	17%	29%	22%	17%	35%	18%	23%	31%

Final outcome of loan application by date of application: * indicates interim results as data is still being gathered on events in these quarters



To set these results in context, an analysis has been done of applicants over time based on the premise that size, risk rating and purpose of facility all affect the outcome of applications.

Analysis was undertaken using regression modelling. This analysis takes a number of pieces of data (described below) and builds an equation using the data to predict as accurately as possible what the actual overall success rate for loans should be. This equation can be applied to a sub-set of loan applicants (in this case all those that applied in a certain quarter) to predict what the loan success rate should be for that group. This predicted rate is

then compared to the actual success rate achieved by the group, as shown in the table below.

As in previous reports, the equation was built using business size and risk rating, as well as the type of facility (first time applicant etc.), as these factors had been shown to be key influencers on the likelihood of being successful in an application for funding.

Analysis using this approach is shown below. This shows that the predicted loan success rate was quite varied during 2016 and 2017 (from 59% to 78%):

Final outcome (Loan)

SMEs seeking new/ renewed facility

By date of application	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1* 17	Q2* 17
Unweighted base:	191	185	143	132	151	109	79*	65*	114	112	69*
Have loan (any)	56%	81%	73%	78%	71%	68%	83%	64%	77%	62%	68%
Predicted success rate	73%	80%	78%	76%	71%	71%	73%	59%	68%	78%	61%
Difference	-17	+1	-5	+2	-	-3	+10	+5	+9	-16	+7

Final outcome of loan application by date of application

Analysis showed that neither the higher success rate reported for applications in Q2 2016 (83%) nor the lower rate for Q1 2017 (62%) were explained by a significant change in the profile of applicants, as the predicted success rates were not that different (73% and 78%). Across 2016 as a whole, success rates were typically better than predicted, but the picture for 2017 was more mixed.



Outcome analysis over time – all loan and overdraft applications

This chapter has reported separately thus far on the overdraft and loan journeys made, from initial application to the final outcome. It has shown how, for both loans and overdrafts, those applying for new money typically had a different experience from those seeking to renew an existing facility. This final piece of analysis looks specifically at applications for new or renewed funding, whether on loan or overdraft. As the summary table at the start of this chapter showed, renewals have been consistently successful with some improvements seen over time in the success rates of those applying for new money, including first time applicants.

The analysis below, as in previous reports, has been based on all applications made, rather than all SMEs (so an SME that had both a loan and an overdraft application will appear twice). It provides both an immediate snapshot of the results of applications made in recent quarters and also a longer term view, across a series of 18 month periods ending in Q4 of each year.

The table shows that typically 8 in 10 of all applications made were successful but with slightly lower success rates (7 in 10) currently reported for Q3 2017 (as was the case in Q3 2016):

Final outcome (Overdraft+Loan)

SMEs seeking new/
renewed facility –

by date of application	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1* 17	Q2* 17	Q3* 17
Unweighted base:	505	423	382	388	346	225	197	312	355	222	126
Offered what wanted and took it	72%	64%	76%	68%	71%	73%	64%	72%	74%	72%	67%
Took facility after issues**	11%	14%	10%	11%	9%	9%	8%	10%	8%	9%	6%
Have facility (any)	83%	78%	86%	79%	80%	82%	72%	82%	82%	81%	73%
Took another form of funding	1%	6%	3%	*	9%	3%	9%	2%	4%	4%	9%
No facility	16%	16%	11%	21%	11%	15%	19%	16%	14%	15%	19%

Final outcome of overdraft/loan application by date of application: * indicates interim results as data is still being gathered on events in these quarters. ** typically the amount initially offered or the terms and conditions relating to the proposed facility such as security, the interest rate or the fee



Taking a longer term view of all applications shows that success rates increased from 69% for the 18 months to Q4 2012 to 82% for the 18 months to Q4 2015 and have been broadly stable since:

Final outcome – all applications

Loans and Overdrafts combined All applications made	Q3 11 Q4 12	Q3 12 Q4 13	Q3 13 Q4 14	Q3 14 Q4 15	Q3 15 Q4 16	Q3 16 Q4 17*
<i>Unweighted base of applications:</i>	4439	3564	3213	2672	1850	1279
Offered what wanted and took it	56	53%	63%	70%	71%	71%
Took facility after issues	13	15%	14%	12%	10%	9%
<i>Have facility (any)</i>	69%	68%	77%	82%	81%	80%
Took another form of funding	5%	6%	6%	3%	4%	4%
No facility	26%	26%	18%	15%	15%	15%

Final outcome of overdraft/loan application by type of finance sought

80% of all loan and overdraft applications in the 18 months to Q4 2017 and reported to date, resulted in a facility. The table below shows that those seeking to renew an existing loan or overdraft facility were more likely to have ended the process with a facility (97%) than those seeking new funds (63%):

Final outcome Loans and Overdrafts combined Q3 16 – Q4 17	New funds sought	Renewals sought
<i>Unweighted base of applications:</i>	494	776
Offered what wanted and took it	52%	90%
Took facility after issues	11%	7%
<i>Have facility (any)</i>	63%	97%
Took another form of funding	7%	2%
No facility	29%	1%

Final outcome of overdraft/loan application by type of finance sought



Further analysis of these two different types of application over recent quarters compares the outcome for renewals to the outcomes for new and specifically first time facilities, by date of application. Half of all applications in the current period involved the renewal of an existing facility.

The outcome of applications for **renewed** loans/overdrafts over recent quarters is detailed below. It shows almost all such applicants ended the process with a renewed facility:

Final outcome (Overdraft+ Loan) – renewed facilities

By date of application	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1* 17	Q2* 17	Q3* 17
Unweighted base of applications:	246	193	168	152	161	109	102	180	230	137	80*
Offered what wanted and took it	95%	97%	97%	89%	98%	90%	86%	96%	85%	86%	95%
Took facility after issues	5%	3%	3%	11%	1%	8%	4%	4%	9%	13%	2%
Have facility (any)	100%	100%	100%	100%	99%	98%	90%	100%	94%	99%	97%
Took another form of funding	-	-	-	-	1%	-	7%	-	3%	*	1%
No facility	*	-	*	-	*	2%	2%	1%	3%	1%	2%

Final outcome of overdraft/loan application by date of application: * indicates interim results as data is still being gathered on events in these quarters



Taking a longer term view of renewals shows that in all periods, back to the 18 months to Q4 2012, the vast majority of applications had been successful with 9 in 10 offered the facility they wanted:

Final outcome – renewals

Loans and Overdrafts combined Renewals	Q3 11 Q4 12	Q3 12 Q4 13	Q3 13 Q4 14	Q3 14 Q4 15	Q3 15 Q4 16	Q3 16 Q4 17*
Unweighted base of applications:	1859	1767	1430	1196	872	776
Offered what wanted and took it	84%	81%	86%	93%	94%	90%
Took facility after issues	10%	15%	11%	6%	5%	7%
Have facility (any)	94%	96%	97%	99%	99%	97%
Took another form of funding	*	1%	1%	*	1%	2%
No facility	5%	3%	2%	*	1%	1%

Final outcome of overdraft/loan application by type of finance sought

Turning now to the final outcome for applications for **new** funds (whether first time applicants or not) made over recent quarters, shown in the table below. There was variability by quarter, with around 3 in 10 of the most recent applicants ending the process with no facility:

Final outcome (Overdraft+ Loan) – applications for new money

By date of application	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1* 17	Q2* 17
Unweighted base of applications:	264	233	205	182	201	174	106	90*	128	125	85*
Offered what wanted and took it	59%	55%	37%	61%	59%	52%	68%	48%	47%	61%	59%
Took facility after issues	12%	10%	21%	13%	11%	13%	5%	11%	16%	7%	6%
Have facility (any)	71%	65%	58%	74%	70%	65%	73%	59%	63%	68%	65%
Took another form of funding	10%	2%	11%	6%	*	15%	5%	10%	4%	5%	8%
No facility	20%	32%	31%	20%	30%	20%	23%	31%	32%	28%	28%

Final outcome of overdraft/loan application by date of application: * indicates interim results as data is still being gathered on events in these quarters



Taking a longer term view of applications for new money shows that success rates increased from around 5 in 10 in the 18 months to Q4 2013 to 7 in 10 applicants in the 18 months to Q4 2015. Success rates since have been slightly lower (currently 63%), with 29% ending the process with no facility:

Final outcome – new money

Loans and Overdrafts combined	Q3 11	Q3 12	Q3 13	Q3 14	Q3 15	Q3 16
All new money applications	Q4 12	Q4 13	Q4 14	Q4 15	Q4 16	Q4 17*
<i>Unweighted base of applications:</i>	2311	1326	1607	1304	881	494
Offered what wanted and took it	40%	34%	50%	56%	57%	52%
Took facility after issues	14%	15%	15%	14%	12%	11%
<i>Have facility (any)</i>	54%	49%	65%	70%	69%	63%
Took another form of funding	7%	8%	8%	5%	6%	7%
No facility	38%	43%	26%	25%	26%	29%

Final outcome of overdraft/loan application by type of finance sought

The success rate for new money combines the outcome of loan and overdraft applications made by first time applicants with the outcome for those who have borrowed before. First time applicants now make up a smaller proportion of all new money applications – they made up 51% of all new money applications in the 18 months to Q4 2017 compared to 66% for the 18 months to Q4 2013.



The table below shows the current success rates for new money applications made in the 18 months to Q4 2017 (63% overall), analysed by whether the SME was applying for a first facility or had borrowed before. Those who had borrowed before remained more likely to end the process with a facility (78%) than those who were applying for the first time (50%):

Final outcome – new money

Loans and Overdrafts combined Q3 16 – Q4 17	First time applicants	Other new money
<i>Unweighted base of applications:</i>	164	330
Offered what wanted and took it	42%	63%
Took facility after issues	8%	15%
<i>Have facility (any)</i>	50%	78%
Took another form of funding	10%	3%
No facility	40%	18%

Final outcome of overdraft/loan application by type of finance sought

The success rate for first time loan/overdraft applicants increased from 41% in the 18 months to Q4 2012 to 60% for the 18 months to Q4 2015. It then declined somewhat, to 50% currently:

**Final outcome – first time
applicants**

Loans and Overdrafts combined	Q3 11 Q4 12	Q3 12 Q4 13	Q3 13 Q4 14	Q3 14 Q4 15	Q3 15 Q4 16	Q3 16 Q4 17*
<i>Unweighted base of applications:</i>	840	658	493	399	278	164
Offered what wanted and took it	30%	27%	41%	49%	47%	42%
Took facility after issues	11%	12%	14%	11%	9%	8%
<i>Have facility (any)</i>	41%	39%	55%	60%	56%	50%
Took another form of funding	8%	9%	6%	5%	6%	10%
No facility	51%	53%	39%	34%	38%	40%

Final outcome of overdraft/loan application by type of finance sought



Success rates for other new money applicants remained higher than for first time applicants having increased to 77% for the 18 months ending Q4 2015 and been stable since:

Final outcome – other new money

Loans and Overdrafts combined	Q3 11	Q3 12	Q3 13	Q3 14	Q3 15	Q3 16
Other applications	Q4 12	Q4 13	Q4 14	Q4 15	Q4 16	Q4 17*
Unweighted base of applications:	1471	668	1114	905	603	330
Offered what wanted and took it	52%	47%	58%	60%	64%	63%
Took facility after issues	18%	22%	16%	17%	14%	15%
Have facility (any)	70%	69%	74%	77%	78%	78%
Took another form of funding	6%	8%	10%	5%	6%	3%
No facility	23%	23%	16%	18%	16%	18%

Final outcome of overdraft/loan application by type of finance sought

Previous analysis had shown that external risk rating was a key predictor of success rates. First time applicants have always been the most likely to have a worse than average risk rating, reflecting the fact that they were typically younger and smaller businesses. For 2017 to date two-thirds of FTAs had such a risk rating (back to levels seen in 2014), compared to a quarter of other seekers of new money, and a third of those renewing a facility:

% of applicants with worse than average external risk rating

Overdraft + Loan	In	In	In	In	In	In
By year of application (base varies)	2012	2013	2014	2015	2016	2017*
First time applicants	71%	69%	67%	55%	49%	66%
Other new money	49%	45%	34%	35%	24%	25%
Renewals	40%	36%	29%	35%	41%	31%

Final outcome of overdraft/loan application by date of application: * indicates interim results as data is still being gathered on events in these quarters

For the SME population as a whole, the proportion with a worse than average external risk rating was just above 50% in 2012 and 2013 and just below it ever since.