

10 OUTCOME OF TYPE 1 APPLICATIONS

THIS CHAPTER PROVIDES

more detail on the outcome of all Type 1a and Type 1b borrowing events for new/renewed finance, including the amount granted and whether security was required.

KEY FINDINGS

This chapter is based on the 1755 Type 1 applications (both Type 1a and 1b) made between Q3 2017 and Q2 2019 and reported in interviews between Q1 2018 and Q2 2019. Any SME making more than one application will appear more than once in the data

Application context: The majority of all applications were made to the main bank (62%) and a similar proportion (63%) were for either a bank loan or overdraft

- Aside from the 62% applying to the main bank, 18% of applications were made to an existing provider, 14% to a new provider and 4% to an online platform
- The main products applied for were: bank overdraft (32%), bank loan (31%), leasing/hp (8%), commercial mortgage (6%) and credit cards (5%)
- 79% of applications were made in the name of the business while a third (35%) were made online
- 49% of applications involved an SME applying for a product for the first time
- Smaller applicants were more likely to have applied online or to have been a first time applicant
- Analysis by product showed that almost all bank overdraft applications were made to the main bank (90%), credit card applications were most likely to be in a personal name (42%), commercial mortgages were less likely to be applied for online (13%) and leasing/hp applications were less likely to come from first time applicants (34%)

Success rates: 76% of all applications made Q3 2017 to Q2 2019 and reported Q1 2018 to Q2 2019 resulted in a facility: 69% were offered what they wanted and took it, 6% took a facility after issues and 2% took a different financial product from the same provider. Meanwhile, 6% were offered a facility but turned it down and 18% were declined for the facility they applied for

- Success rates increased by size of SME (74% for those with 0 employees to 91% of those with 50-249 employees) and were higher for those that were not applying for the first time (83% v 71% of first time applicants) and those applying to an existing provider but not their main bank (90% v 74% applying to main bank)
- Success rates by product ranged from 94% for leasing/hp, to 85% for credit cards, 82% for commercial mortgages and 79% for bank overdrafts, to 63% for bank loans. Bank loan applications were the most likely to have been declined (27%)

Successful applications: 32% of all successful applications were for £25,000 or more, 37% required security and 69% were on a fixed interest rate

- Larger successful applicants were more likely to have a facility above £25,000 (21% of those with 0 employees to 86% of those with 50-249 employees). Commercial mortgages were the most likely to be for this amount (86%) with credit cards the least likely (19%)
- Larger successful applicants were also more likely to have a facility that was secured (35% of successful applications from 0 employee SMEs to 50% of successful applications from SMEs with 50-249 employees)
- Applications from SMEs with 1-9 or 10-49 employees were somewhat more likely to have a facility on fixed rate (75% and 74%), as were those for leasing/hp facilities (92%) and bank loans and commercial mortgages (84%)

Success rates over time: Overall success rates have been stable across the three 18 month periods for which data can be provided spanning Q1 2017 to Q2 2019 (78%/ 77%/ 76%)

- This was also the case for bank overdrafts (77%/ 79%/ 78%), albeit this was somewhat lower than the 85% success rate reported for the 18 months to Q4 17 (using the previous questionnaire)
- Bank loan applications became somewhat less likely to be successful over time (65%/ 63%/ 62%) and again this was somewhat lower than the 67% success rate reported for the 18 months to Q4 17 (using the previous questionnaire)
- Leasing/hp applications were somewhat less likely to be successful than before, but almost all of them were (99%/ 95%/ 94%)

Declined applications: 18% of applications were declined, with those applying to their main bank, for a loan and/or for the first time somewhat more likely to be declined

- A third of those declined were told it was due to their current business performance, while around 1 in 7 were told they could not afford it, or that they had a poor credit record. 1 in 5 said they were not given a reason
- Of those turned down by their main bank, half had an explanation of the decision from the bank, a quarter were asked to provide more information and a few were referred to an external source of advice. 1 in 10 were offered a referral and a quarter were made aware of the appeals process

The way the application was handled: 82% of applications were handled satisfactorily, with relatively little variation by size of applicant

- As might be expected, satisfaction varied by application outcome. 94% of those who were offered what they wanted were satisfied with the way their application was handled, compared to 39% of those who were declined
- Similarly, applicants for products with higher success rates were typically more satisfied with the way the application had been handled: More than 90% were satisfied for leasing/hp, credit cards and commercial mortgages, compared to 81% for overdraft applications and 75% for loans

The outcome of the application: 57% were very satisfied with the outcome of their application and a further 12% said there had been no adverse impact on the business

- The key negative impacts, as previously seen, were that running the business was more of a struggle (1 in 5 applications), or that the business had not been improved / expanded as they would have wished (both 1 in 10 applications)
- Those who were offered what they wanted were the most likely to be very satisfied or to say there were no adverse impacts (78%) compared to 39% where the application was declined, where 37% had not expanded as they would have wished and 3 in 10 cited running the business being more of a struggle, having to make spending cuts and/or not improving the business as they wanted to
- There was less variation by product applied for than for some other measures , ranging from 76% very satisfied/no adverse effects for leasing/hp to 62% for bank overdrafts

This is the final of the four revised chapters looking at all borrowing events in the wider finance market beyond loans and overdrafts. It looks at the application process, the final outcome of these Type 1 borrowing events and the impact on the SME of the outcome of the application(s) made. The new questionnaire was designed to provide an overall view of all applications for finance (across providers and products) and how successful these applications were, but some analysis is now possible by specific type of provider and product.

THE OUTCOME OF ALL TYPE 1A/1B NEW AND RENEWED APPLICATIONS

Those who had applied for a facility to meet a finance need and those who reported making any other application for new or renewed finance were asked a series of questions about this/these application(s), including their outcome.

Compared to previous reports, this section:

- Has been expanded to include applications for a wider range of products and providers other than the main bank to provide a more holistic view of finance applied for.
- Has been simplified in terms of the number of questions asked about each application.

The analysis below is based on the total number of Type 1a and 1b applications made, as one SME could make several applications for different products and to different providers.

The first half of this chapter presents the overall application success rates and impact of the application, across all applications made, with some analysis by size of SME and finance provider. The second half of the chapter provides this data by individual product, where base sizes are sufficient.

Prior to Q1 2018, application data was reported in 18 month periods by application (not interview) date (eg Q1 2016 to Q2 2017), in order to provide analysis on a robust base size. When the questionnaire was updated in Q1 2018, the application data effectively started to build again from scratch, as both the questions asked and the products covered had changed. So the first two reports based on the new questionnaire (Q2 2018 and Q4 2018) included all applications reported to date, which for the Q4 2018 report covered a period of 2 years (as applications reported during 2018 could potentially have been made between Q1 2017 and Q4 2018).

For this Q2 2019 report, analysis in this chapter is based on 2 years of applications that were made between Q3 2017 and Q2 2019, as reported by applicants interviewed between Q1 2018 and Q2 2019. As base sizes build, it is anticipated that analysis for the whole of this chapter will revert to an 18 month application period. In the meantime, this chapter includes additional reporting of overall success rates by 18 month application period.

As applicants can report on applications made up to 12 months previously, data for applications made from Q3 2018 onwards is interim at this stage.

ALL APPLICATIONS MADE - CONTEXT

YEQ2 2019, 4% of SMEs reported any Type 1a or Type 1b applications for new or renewed finance in the previous 12 months. Further information about those applications that took place between Q3 2017 and Q2 2019 is reported below. 6 in 10 Type 1 applications were made to the main bank, and a similar proportion involved either a loan or an overdraft. Most applications were in the name of the business, half were first time applications for a particular product and a third of applications were made online:

All Type 1a/1b applications made Q3 2017 to Q2 2019

| | |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Size of applicant | <p>Of the 1755 applications recorded:</p> <ul style="list-style-type: none"> • 59% of applications were made by 0 employee SMEs • 31% by those with 1-9 employees • 9% by those with 10-49 employees • 1% by those with 50-249 employees. <p>0 employee SMEs make up 75% of all SMEs but 59% of all applications made, while those with 10-249 employees make up 5% of all SMEs but 10% of all applications.</p> |
| Where applied | <p>6 in 10 (62%) of all applications were made to the main bank, and a further 18% to another existing provider.</p> <p>14% were made to a new provider, 4% to an online platform and 2% were made elsewhere.</p> |
| Date of application | <p>Respondents were asked when their application had been made and this can then be compared to an even distribution of applications over time (based on how often each quarter has been available as an eligible answer).</p> <p>Applications were slightly more likely to have been made in H2 17 (29% v 26% if evenly distributed) or H1 2018 (39% v 36% if evenly distributed) than expected. There were fewer applications than might have been expected in H2 2018 (22% v 26% if evenly distributed) with H1 19 currently in line with expectations (10% v 11%).</p> |
| Applied online | <p>A third of applications (35%) were made online. This was more likely to be the case for smaller SMEs (41% of those made by 0 employee SMEs, 30% with 1-9 employees, 21% with 10-49 employees and 13% of those made by SMEs with 50-249 employees).</p> |
| Business name | <p>The majority of applications (79%) were made in the name of the business. 88% of the applications made in a personal name were made by SMEs with 0 employees.</p> |
| First time applicants | <p>49% of applications involved a product that had not been applied for before by that SME (excluding DK answers). This was more likely to be the case for applications made by 0 employee SMEs (53%), declining by size to 29% of those with 50-249 employees.</p> |

As the table below shows, almost two thirds of all Type 1 applications were for either a bank loan or overdraft:

| All applications made Q3 2017 to Q2 2019 | Total |
|------------------------------------------|-------------|
| <i>Unweighted base:</i> | 1755 |
| Bank Overdraft | 32% |
| Bank Loan | 31% |
| Commercial mortgage | 6% |
| Credit cards | 5% |
| Other overdraft | 3% |
| Other loan | 4% |
| Leasing/hire purchase | 8% |
| Invoice finance | 1% |
| Other specified product | 9% |

All applications for finance- new definition from Q1 2018. Applications made Q317 to Q219 and reported Q118 to Q219

ALL APPLICATIONS MADE – THE FINAL OUTCOME

SMEs were asked about the final outcome of these applications. When this question was previously asked (specifically for loans and overdrafts and with slightly fewer answer options), 80% of applications made in the 18 months to Q4 2017 had resulted in a facility.

4% of applications had not received a response from the lender at the time of interview and have been excluded from this chapter.

As the table below shows, 76% of the applications made Q3 2017 to Q2 2019 resulted in a facility, increasing by size of applicant:

| All applications Q317-Q219 | Total | 0 emp | 1-9 emps | 10-49 emps | 50-249 emps |
|------------------------------------------|-------------|------------|------------|------------|-------------|
| Unweighted base: | 1648 | 173 | 523 | 749 | 203 |
| Offered facility wanted and took it | 69% | 66% | 73% | 76% | 89% |
| Offered facility after issues | 6% | 6% | 4% | 7% | 2% |
| Took a different product from provider | 2% | 2% | 1% | 1% | * |
| Have facility | 76% | 74% | 78% | 84% | 91% |
| Offered facility but declined to take it | 6% | 6% | 6% | 3% | 1% |
| Turned down for facility | 18% | 20% | 16% | 13% | 8% |

Q39/57 Applications made Q317 to Q219 and reported Q118 to Q219 excluding those waiting to hear

Further information on the applications that did not result in a facility is somewhat limited at this stage:

- 22 applications (2%) resulted in the applicant taking a different product to the one applied for, typically a loan. 10 of these 22 applications had originally been for an overdraft.
- There were also few occasions where something was offered but it was declined (6%, ie 56 applications). This was typically because the facility was too expensive, with some saying they didn't want to lose control of the business, got a better offer elsewhere or the facility had too many terms and conditions.
- The applications that were turned down for a facility are reported on later in this chapter, predominantly where the original application was made to the main bank (101 applications).

Applications (for any product) made to an existing provider that was not the main bank were somewhat more likely to be successful (90%). 74% of applications to a main bank resulted in a facility, now in line with applications to a new provider (72%):

| All applications Q317-Q219 | Total | Main bank | Existing provider | New provider |
|------------------------------------------|-------------|------------|-------------------|--------------|
| Unweighted base: | 1648 | 973 | 333 | 237 |
| Offered facility wanted and took it | 69% | 66% | 82% | 66% |
| Offered facility after issues | 6% | 7% | 7% | 2% |
| Took a different product from provider | 2% | 1% | 1% | 5% |
| Have facility | 76% | 74% | 90% | 72% |
| Offered facility but declined to take it | 6% | 5% | 4% | 9% |
| Turned down for facility | 18% | 21% | 6% | 18% |

All applications made Q317 to Q219 and reported Q118 to Q219 excluding those waiting to hear

Indicative data for those applying to an online platform showed that 6 in 10 applications resulted in a facility.

Those applying for a product for the first time were less likely to end the process with a facility (although most did), while those applying online were as likely to have been offered the facility they wanted as those applying through another channel:

| All applications Q317-Q219 | Total | First time | Not first time | Online | Not online |
|------------------------------------------|-------------|------------|----------------|------------|-------------|
| Unweighted base: | 1648 | 603 | 1004 | 407 | 1201 |
| Offered facility wanted and took it | 69% | 66% | 73% | 69% | 69% |
| Offered facility after issues | 6% | 4% | 7% | 3% | 7% |
| Took a different product from provider | 2% | 1% | 3% | 4% | 1% |
| Have facility | 76% | 71% | 83% | 76% | 77% |
| Offered facility but declined to take it | 6% | 6% | 5% | 6% | 5% |
| Turned down for facility | 18% | 23% | 12% | 18% | 18% |

All applications made Q317 to Q219 and reported Q118 to Q219 excluding those waiting to hear

The success rate reported for first time applicants (71%) is somewhat higher than the 50-60% reported for first time loan and overdraft applicants over previous Monitor reports and will be monitored over time.

ALL APPLICATIONS – THE FINAL OUTCOME OVER TIME

In previous SME Finance Monitor reports, success rates have been reported in 18 month time periods by date of application. Given the changes made to the questionnaire for Q1 2018, results are not directly comparable to previous data (although separate analysis is underway to link previous and current data around loan and overdraft success rates).

The table below shows overall success rates for three 18 month periods:

- Q1 2017 to Q2 2018
- Q3 2017 to Q4 2018
- Q1 2018 to Q2 2019.

Note that these success rates are based on an 18 month rather than 24 month period, in order to link to previously available data and they are based entirely on data collected in interviews conducted from Q1 2018 using the new questionnaire. Data on applications made and collected in 2017 using the previous questionnaire is not included here.

The table shows 76% of applications in the latest period resulted in a facility, little changed over time:

| Outcome by application period | Applied Q117-Q218 | Applied Q317-Q418* | Applied Q118-Q219* |
|------------------------------------------|----------------------|-----------------------|-----------------------|
| <i>Unweighted base:</i> | 1232 | 1480 | 1157 |
| Offered facility wanted and took it | 70% | 70% | 68% |
| Offered facility after issues | 7% | 6% | 6% |
| Took a different product from provider | 1% | 1% | 1% |
| <i>Have facility</i> | 78% | 77% | 76% |
| Offered facility but declined to take it | 6% | 5% | 6% |
| Turned down for facility | 16% | 18% | 18% |

Q39/57 All applications made Q317 to Q219 and reported Q118 to Q219 excluding those waiting to hear

*interim data

ALL APPLICATIONS - NATURE OF FACILITY GRANTED

Of the 1648 applications made, 1389 were successful and resulted in a facility. Further details about these successful applications, in terms of their size, whether security was required and whether they were on a fixed or variable interest rate, is provided below.

The table below shows the size of facility granted. As would be expected, successful applications from larger SMEs were more likely to be for £25,000 or more (86%) than those from the smallest SMEs (21%):

| All successful applications Q317-Q219- size of facility granted | Total | 0 emp | 1-9 emps | 10-49 emps | 50-249 emps |
|--------------------------------------------------------------------|-------------|------------|-------------|---------------|----------------|
| Unweighted base: | 1389 | 129 | 421 | 650 | 189 |
| Less than £5,000 | 24% | 32% | 16% | 9% | 2% |
| £5,000 to £24,999 | 38% | 43% | 37% | 21% | 10% |
| £25,000 to £99,999 | 17% | 13% | 21% | 31% | 24% |
| £100,000 or more | 12% | 7% | 16% | 29% | 49% |
| Don't remember | 8% | 6% | 10% | 11% | 15% |
| £25,000+ excl DK | 32% | 21% | 41% | 67% | 86% |

Q41/59 All successful applications for finance made Q317 to Q219 and reported Q118 to Q219

A quarter of those applying to their main bank were granted a facility of £25,000 or more, compared to around 4 in 10 of those granted a facility by either another existing provider or a new provider:

| All successful applications Q317-Q219- size of facility granted | Total | Main bank | Existing provider | New provider |
|--------------------------------------------------------------------|-------------|------------|----------------------|-----------------|
| Unweighted base: | 1389 | 817 | 298 | 188 |
| Less than £5,000 | 24% | 32% | 14% | 9% |
| £5,000 to £24,999 | 38% | 34% | 41% | 53% |
| £25,000 to £99,999 | 17% | 16% | 22% | 14% |
| £100,000 or more | 12% | 8% | 18% | 22% |
| Don't remember | 8% | 9% | 4% | 2% |
| £25,000+ excl DK | 32% | 27% | 42% | 37% |

Q41/59 All successful applications for finance made Q317 to Q219 and reported Q118 to Q219

The table below provides further information on the applications that were successful, with just over a third requiring security and 7 in 10 being on a fixed interest rate:

Successful applications for finance made Q317-Q219

| | |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Security | <p>Just over a third of all successful applications (37% excluding DK answers) required security.</p> <p>There was little variation by provider type (37% if main bank, 42% if existing provider and 35% if new provider).</p> <p>There was some variation by size of applicant (35% of applications made by SMEs with 0 employees to 50% of those with 50-249 employees).</p> |
| Interest rate | <p>69% of successful applications were on a fixed interest rate (excluding DK answers).</p> <p>Applications to a main bank were somewhat less likely to have been on a fixed rate (61%) than those made to an existing (82%) or new (86%) provider.</p> <p>Applications from SMEs with 1-9 or 10-49 employees were somewhat more likely to have been on a fixed rate (75% and 74%) compared to those from 0 and 50-249 employee SMEs (66% and 60%).</p> |

Q42/60 and Q43/61 All successful applications for finance made Q317 to Q219 and reported Q118 to Q219 excluding DK

ALL APPLICATIONS – THOSE THAT WERE UNSUCCESSFUL

18% of all applications made Q3 2017 to Q2 2019 and reported Q118-Q219 were declined (excluding those waiting to hear). On limited base sizes, the types of SME more likely to be declined included:

- Those applying to their main bank – 62% of applications but 73% of declines
- Those applying for a loan – 32% of applications but 49% of declines
- First time applicants – 48% of applications, 62% of declines.

From Q3 2018 those declined have been asked what reason was given by the provider for the decline. Of 144 declined applications:

- 33% were told it was due to current business performance
- 15% that the provider didn't think they could afford it
- 12% that it was due to a poor credit rating or credit issues
- 8% that it was due to a lack of track record
- 19% said they were not given a reason.

Any applicants who were declined by their main bank have been asked further questions about the way the decline was handled. This question was asked once to each SME, rather than for *each* main bank decline (if they had more than one). This means that base sizes will not tally exactly with previous analysis.

101 SMEs had been turned down by their main bank for a finance product or products, so limited analysis is available at this stage.

Unsuccessful applications for finance made Q317-Q219

| | |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Bank response | 49% of these unsuccessful applicants said that the bank explained to them why it could not offer them the facility they had applied for. 28% were asked to supply more information and 6% were referred to an external source of advice. 70% said that the bank had taken some action (including on appeals or referrals described below). |
| Referrals | 11% of these SMEs (14 applicants) said that they were offered the opportunity to have their application referred to an online platform. 3 took up the option, 2 successfully and 1 unsuccessfully. |
| Appeals | 27% of these applicants said they were made aware of their bank's appeals process. No further information is available on the outcome. |

Q46/64 and Q47/65 All unsuccessful applicants for finance at main bank Q317-Q2 19 and reported Q1 18 to Q2 19

ALL APPLICATIONS - SATISFACTION WITH THE WAY THE APPLICATION WAS HANDLED

SMEs were asked, for each application that had received a response (whether successful or not), how satisfied they were with the way the application had been handled. Overall 8 in 10 were satisfied:

| All applications Q317-Q219– Application handling satisfaction | Total | 0 emp | 1-9 emps | 10-49 emps | 50-249 emps |
|---------------------------------------------------------------|-------------|------------|------------|------------|-------------|
| Unweighted base: | 1648 | 173 | 523 | 749 | 203 |
| Very satisfied | 53% | 55% | 49% | 55% | 54% |
| Fairly satisfied | 29% | 30% | 28% | 27% | 29% |
| Satisfied | 82% | 85% | 77% | 82% | 83% |
| Not very satisfied | 5% | 4% | 7% | 6% | 9% |
| Not at all satisfied | 12% | 11% | 14% | 8% | 7% |
| Don't know | 1% | 1% | 2% | 4% | 1% |

Q45/63 All applications made Q317 to Q219 and reported Q118 to Q219 excluding those waiting to hear

Those who applied to an existing provider were more likely to be satisfied with the way the application was handled:

| All applications Q317-Q219– Application handling satisfaction | Total | Main bank | Existing provider | New provider |
|---------------------------------------------------------------|-------------|------------|-------------------|--------------|
| Unweighted base: | 1648 | 973 | 333 | 327 |
| Very satisfied | 53% | 48% | 77% | 46% |
| Fairly satisfied | 29% | 33% | 16% | 31% |
| Satisfied | 82% | 81% | 93% | 77% |
| Not very satisfied | 5% | 5% | 2% | 10% |
| Not at all satisfied | 12% | 13% | 5% | 11% |
| Don't know | 1% | 2% | 1% | 1% |

Q45/63 All applications made Q317 to Q219 and reported Q118 to Q219 excluding those waiting to hear

As would be expected, even with the limited base sizes currently available for some groups, there were clear differences in levels of satisfaction depending on the outcome of the application. While 9 in 10 of those with a facility were satisfied, this declined to two thirds of the small group who turned down the facility offered to them and 4 in 10 of those declined for a facility:

| All applications Q317-Q219– Application handling satisfaction | Total | Offered what wanted | After issues | Decided not to | Turned down |
|------------------------------------------------------------------|-------------|------------------------|-----------------|-------------------|----------------|
| Unweighted base: | 1648 | 1273 | 94* | 59* | 200 |
| Very satisfied | 53% | 65% | 43% | 27% | 20% |
| Fairly satisfied | 29% | 29% | 44% | 40% | 19% |
| Satisfied | 82% | 94% | 87% | 67% | 39% |
| Not very satisfied | 5% | 3% | 6% | 14% | 11% |
| Not at all satisfied | 12% | 1% | 6% | 18% | 50% |
| Don't know | 1% | 2% | * | * | 1% |

Q45/63 All applications made Q317 to Q219 and reported Q118 to Q219 excluding those waiting to hear

As reported earlier, 22 applications resulted in the SME taking a different product to the one they applied for. Two thirds of them were satisfied with the way their application was handled

ALL APPLICATIONS - IMPACT OF THE OVERALL PROCESS

Those who had applied for finance to meet a need for funding and those who reported making any other application for new or renewed finance were then asked some further questions about the impact of this/these application(s) on the SME, asked once for all the Type 1a applications they had made and once for all the Type 1b applications.

In order to report this data in a consistent way with other data in this chapter, the single answer given to cover all type 1a applications has been applied to each individual Type 1a application made (if an SME made more than one) and the same principle was applied to each individual Type 1b application (if more than one was made), so the table is based on the 1648 applications that had received a response.

80% of applications were rated as having a satisfactory outcome:

| All applications Q317-Q219– Application outcome satisfaction | Total | 0 emp | 1-9 emps | 10-49 emps | 50-249 emps |
|--------------------------------------------------------------|-------------|------------|------------|------------|-------------|
| Unweighted base: | 1648 | 173 | 523 | 749 | 203 |
| Very satisfied | 57% | 60% | 53% | 53% | 58% |
| Fairly satisfied | 23% | 22% | 25% | 26% | 28% |
| Satisfied | 80% | 82% | 78% | 79% | 86% |
| Not very satisfied | 5% | 4% | 7% | 7% | 4% |
| Not at all satisfied | 12% | 13% | 12% | 8% | 6% |
| Don't know | 2% | 1% | 3% | 6% | 4% |

Q48/66 All applications made Q317 to Q219 and reported Q118 to Q219 excluding those waiting to hear

Applications from the largest SMEs were slightly more likely to be seen as having a satisfactory outcome, with relatively little difference otherwise by size of applicant.

As would be expected, satisfaction with application outcome varied considerably by whether the application(s) in question had been successful or not:

| All applications Q317-Q219– Application outcome satisfaction | Total | Offered what wanted | After issues | Decided not to | Turned down |
|-----------------------------------------------------------------|-------------|------------------------|-----------------|-------------------|----------------|
| <i>Unweighted base:</i> | 1648 | 1273 | 94* | 59* | 200 |
| Very satisfied | 57% | 71% | 62% | 25% | 18% |
| Fairly satisfied | 23% | 24% | 24% | 30% | 16% |
| <i>Satisfied</i> | 80% | 95% | 86% | 55% | 34% |
| Not very satisfied | 5% | 3% | 8% | 7% | 15% |
| Not at all satisfied | 12% | * | 3% | 37% | 50% |
| Don't know | 2% | 2% | 3% | 1% | 1% |

Q48/66 All applications made Q317 to Q219 and reported Q118 to Q219 excluding those waiting to hear

Those applications where the applicant had been less than 'very satisfied' with the outcome were asked whether there had been any negative impact on the running of their business as a result of these applications not being entirely satisfactory.

In order to present the views of all applicants, the table below includes those who were very satisfied with the outcome of their application (and so were not asked this question) and shows that 7 in 10 were either very satisfied with the outcome of their application or said that there had been no negative impact, with little variation by size of SME:

| All applications Q317-Q219- Impact of application outcome | Total | 0 emp | 1-9 emps | 10-49 emps | 50-249 emps |
|-----------------------------------------------------------|-------------|------------|------------|------------|-------------|
| Unweighted base: | 1648 | 173 | 523 | 749 | 203 |
| Very satisfied | 57% | 60% | 53% | 53% | 58% |
| No adverse impact | 12% | 11% | 13% | 11% | 12% |
| Very satisfied / no adverse impact | 69% | 71% | 66% | 64% | 70% |
| Running the business more of a struggle | 18% | 18% | 20% | 19% | 20% |
| Not improved business as would have liked | 10% | 11% | 8% | 10% | 7% |
| Not expanded as would have liked | 9% | 9% | 10% | 13% | 3% |
| Made spending cuts | 8% | 9% | 6% | 10% | 6% |
| Deferred expenditure/investment | 5% | 4% | 5% | 7% | 7% |
| Made staff redundant | 2% | 1% | 4% | 7% | 5% |
| Other negative impact | 2% | 3% | 1% | 4% | 3% |
| Don't know | 2% | 1% | 3% | 6% | 4% |

Q48/66 and Q49/67 All applications made Q317 to Q219 and reported Q118 to Q219 excluding those waiting to hear

The most frequently mentioned negative impacts (as in previous Monitor reports) were that running the business was more of a struggle, expansion / improvement had been limited or spending cuts made, with relatively little variation by size of applicant.

The table below shows how this varied by application outcome:

- 78% of applications where they were offered what they wanted were either very satisfactory or caused no adverse effects (68% for those where they had the facility after issues).
- This declined to 39% of those who were turned down, with 37% saying they had not expanded as they wished and 32% that running the business was now more of a struggle.

| All applications Q317-Q219– Impact of application outcome | Total | Offered what wanted | After issues | Decided not to | Turned down |
|--------------------------------------------------------------|-------------|------------------------|-----------------|-------------------|----------------|
| Unweighted base: | 1648 | 1273 | 94* | 59* | 200 |
| Very satisfied | 57% | 71% | 62% | 25% | 18% |
| No adverse impact | 12% | 7% | 6% | 36% | 21% |
| Very satisfied / no adverse impact | 69% | 78% | 68% | 61% | 39% |
| Running the business more of a struggle | 18% | 14% | 19% | 30% | 32% |
| Not expanded as would have liked | 10% | 2% | 7% | 16% | 37% |
| Not improved business as would have liked | 9% | 4% | 7% | 16% | 28% |
| Made spending cuts | 8% | 2% | 4% | 6% | 29% |
| Deferred expenditure/investment | 5% | 1% | 4% | 6% | 19% |
| Made staff redundant | 2% | 1% | 2% | 6% | 8% |
| Other negative impact | 2% | * | 1% | 1% | 12% |
| Don't know | 2% | 2% | 3% | 1% | 1% |

Q48/66 and Q49/67 All applications made Q317 to Q219 and reported Q118 to Q219 excluding those waiting to hear

THE APPLICATION PROCESS - BY PRODUCT

This section analyses the data available on applications made by the product that was applied for. 82% of applications involved one of 5 products: an overdraft (32%), loan (31%), leasing/hp (8%), commercial mortgage (6%) or credit card (5%) and the analysis in this section covers these specific products where sample sizes are sufficiently robust.

Almost all bank overdrafts were applied to at the main bank (90%). The small group applying for credit cards were more likely to be applying in a personal name (42%). Bank loans were more likely than bank overdrafts to be applied for in a personal name, and from a first time applicant, while leasing applicants were less likely to be applying for the first time:

| All applications Q317-Q219 | Bank OD | Bank Loan | Leasing hp | Credit cards | Comml mtge |
|----------------------------|------------|------------|------------|--------------|------------|
| Unweighted base: | 488 | 500 | 245 | 85* | 93* |
| Applied to main bank | 90% | 59% | 12% | 64% | 43% |
| Applied in personal name | 11% | 23% | 24% | 42% | 14% |
| Applied online | 32% | 38% | 37% | 27% | 13% |
| Applied for the first time | 43% | 51% | 34% | 48% | 51% |

Analysis of when these applications took place gives an indication of any change in the types of products being applied for:

- More traditional funding, bank overdrafts and loans, was more likely to have been applied for in H2 17 (than an even distribution would suggest) and less likely to have been applied for in 2018.
- Meanwhile leasing, credit cards and commercial mortgages were less likely to have been applied for in H2 2017 and more likely to have been applied for during 2018, notably in H1 2018.
- Indicatively, due to small base sizes, applications involving equity from 3rd parties or crowd funding were more likely to have happened in 2019 than an even distribution of applications would suggest.

Almost all leasing/hp applications were successful, compared to around 8 in 10 credit card, commercial mortgage and overdraft applications and around two thirds of bank loan applications:

| All applications Q317-Q219 | Bank OD | Bank Loan | Leasing hp | Credit cards | Comml mtge |
|------------------------------------------|------------|------------|------------|--------------|------------|
| <i>Unweighted base:</i> | 469 | 461 | 239 | 84* | 83* |
| Offered facility wanted and took it | 70% | 59% | 90% | 64% | 81% |
| Offered facility after issues | 5% | 2% | 4% | 21% | 1% |
| Took a different product from provider | 4% | 2% | * | - | - |
| <i>Have facility</i> | 79% | 63% | 94% | 85% | 82% |
| Offered facility but declined to take it | 5% | 9% | 2% | 1% | 10% |
| Turned down for facility | 16% | 27% | 3% | 14% | 9% |

Q39/57 Applications made Q317 to Q219 and reported Q118 to Q219 excluding those waiting to hear

Those applying for a bank loan were more likely to be declined (27%) than those applying for an overdraft (16%), and this was also true in previous Monitor reports. In the Q4 2017 Monitor report, the combined overdraft and loan success rate was 80% (71% offered what they wanted and 9% taking a facility after issues). Here for overdrafts and loans combined (including commercial mortgages) it is 71%, with 66% offered what they wanted.

THE FINAL OUTCOME OVER TIME – BY PRODUCT

In previous SME Finance Monitor reports, success rates have been reported in 18 month time periods by date of application. Given the changes made to the questionnaire for Q1 2018, results are not directly comparable to previous data (although separate analysis is underway to link previous and current data around success rates).

The table below shows overall success rates for three 18 month periods:

- Q1 2017 to Q2 2018
- Q3 2017 to Q4 2018
- Q1 2018 to Q2 2019.

Note that these success rates are based entirely on data collected since Q1 2018 using the new questionnaire. Data on applications made but also collected in 2017 using the previous questionnaire is not included here.

The table for bank overdrafts shows very consistent success rates across the 18 month periods for which (partial) data is available:

| All applications outcome by date of application – Bank overdraft | Q117- Q218 | Q317- Q418* | Q118- Q219* |
|---------------------------------------------------------------------|---------------|----------------|----------------|
| Unweighted base: | 371 | 432 | 296 |
| Offered facility wanted and took it | 72% | 71% | 67% |
| Offered facility after issues | 3% | 6% | 7% |
| Took a different product | 2% | 2% | 4% |
| Have facility | 77% | 79% | 78% |
| Offered facility but declined to take | 6% | 5% | 3% |
| Turned down for facility | 16% | 16% | 18% |

Q39/57 All Applications made Q117 to Q219 and reported Q118 to Q219 excluding those waiting to hear. *interim data

Most applications were made to the main bank and the success rates for such applications were also stable over time (78-79%). Qualitatively, bank overdraft applications made to another provider became more likely to be successful over time (from 6 in 10 to 8 in 10).

The table for bank loans shows a slight decline in success rates (65% to 62%) across the 18 month periods for which (partial) data is available:

| All applications outcome by date of application – Bank loan | Q117- Q218 | Q317- Q418* | Q118- Q219* |
|----------------------------------------------------------------|---------------|----------------|----------------|
| Unweighted base: | 361 | 412 | 303 |
| Offered facility wanted and took it | 58% | 59% | 58% |
| Offered facility after issues | 5% | 2% | 3% |
| Took a different product | 2% | 2% | 1% |
| Have facility | 65% | 63% | 62% |
| Offered facility but declined to take | 9% | 7% | 12% |
| Turned down for facility | 26% | 29% | 26% |

Q39/57 All Applications made Q117 to Q219 and reported Q118 to Q219 excluding those waiting to hear. *interim data

Applications made to the main bank were broadly stable over these time periods (66% to 64%) while those made to other providers saw something of a decline (63% to 58%).

The table for leasing and hp shows very consistent success rates across the 18 month periods for which (partial) data is available, with almost all applications resulting in a facility:

| All applications outcome by date of application – Leasing/HP | Q117- Q218 | Q317- Q418* | Q118- Q219* |
|-----------------------------------------------------------------|---------------|----------------|----------------|
| Unweighted base: | 169 | 204 | 175 |
| Offered facility wanted and took it | 88% | 91% | 91% |
| Offered facility after issues | 11% | 3% | 3% |
| Took a different product | * | * | - |
| Have facility | 99% | 95% | 94% |
| Offered facility but declined to take | * | 2% | 3% |
| Turned down for facility | 1% | 3% | 4% |

Q39/57 All Applications made Q117 to Q219 and reported Q118 to Q219 excluding those waiting to hear. *interim data

On limited base sizes, applications to the main bank were somewhat more likely to be successful than those made elsewhere, but almost all resulted in a facility.

Base sizes for applications of commercial mortgages and credit cards are too small to report at present. However, qualitatively, a consistent 8 in 10 commercial mortgage applications were successful while there was a slight decline in success rates for credit card applications (from 9 in 10 to 8 in 10).

NATURE OF FACILITY GRANTED – BY PRODUCT

4 in 10 bank overdrafts granted were for less than £5,000 (40%), with a similar proportion of bank loans granted for a larger sum between £5,000 and £25,000. As expected, commercial mortgages were typically larger facilities:

| All successful applications Q317-Q219– size of facility granted | Bank OD | Bank Loan | Leasing hp | Credit cards | Comml mtge |
|--------------------------------------------------------------------|------------|--------------|---------------|-----------------|---------------|
| Unweighted base: | 394 | 339 | 231 | 77* | 71* |
| Less than £5,000 | 40% | 12% | 9% | 29% | 11% |
| £5,000 to £24,999 | 32% | 45% | 59% | 48% | 3% |
| £25,000 to £99,999 | 16% | 19% | 19% | 18% | 21% |
| £100,000 or more | 4% | 15% | 6% | 1% | 62% |
| Don't remember | 8% | 9% | 7% | 3% | 3% |
| £25,000+ excl DK | 22% | 36% | 26% | 19% | 86% |

Q41/59 All successful applications made Q317 to Q219 and reported Q118 to Q219

In the Q4 2017 Monitor report, 14% of overdrafts and 36% of loans granted were for £25,000 or more. Note that the loans category previously included commercial mortgages - adding the commercial mortgages and loans together in the latest data would see 47% of such applications being granted for £25,000 or more.

The table below provides further information on the applications that were successful, with 4 in 10 requiring security and 7 in 10 being on a fixed interest rate:

Successful applications made Q317-Q219

| | |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Security | <p>Just over a third of all successful applications (37% excluding DK answers) required security.</p> <p>92% of commercial mortgages were secured, compared to 18% of credit cards. Similar proportions of overdrafts (29%), loans (34%) and leasing/hp (29%) were secured.</p> |
| Interest rate | <p>7 in 10 successful applications were on a fixed interest rate (69% excluding DK answers).</p> <p>92% of leasing/hp facilities were on a fixed rate, as were 84% of commercial mortgages and bank loans. Credit cards (58%) and bank overdrafts (49%) were somewhat less likely to be on a fixed rate.</p> |

Q42/60 and Q43/61 All successful applications made Q317 to Q219 and reported Q118 to Q219

APPLICATION HANDLING AND IMPACT OF PROCESS – BY PRODUCT

When asked about their satisfaction with the way the application had been handled, most applicants were satisfied:

- Those applying for leasing/hp, credit cards and commercial mortgages (where almost all had been successful) were the most likely to be satisfied (92-94%).
- Those applying for a loan (where two thirds had been successful) were somewhat less satisfied (75%).
- Success rates for bank overdrafts were only slightly lower than for a commercial mortgage but applicants were less likely to be satisfied with the way the application had been handled (81%) and notably less likely to be ‘very satisfied’:

| All applications Q317-Q219– Application handling satisfaction | Bank OD | Bank Loan | Leasing hp | Credit cards | Comml mtge |
|---------------------------------------------------------------|------------|------------|------------|--------------|------------|
| Unweighted base: | 469 | 461 | 239 | 84* | 83* |
| Very satisfied | 42% | 50% | 76% | 62% | 71% |
| Fairly satisfied | 39% | 25% | 17% | 30% | 23% |
| Satisfied | 81% | 75% | 93% | 92% | 94% |
| Not very satisfied | 6% | 5% | 3% | 2% | 3% |
| Not at all satisfied | 12% | 19% | 3% | 5% | 3% |
| Don't know | 1% | 1% | 1% | 1% | * |

Q45/63 Applications made Q317 to Q219 and reported Q118 to Q219 excluding those waiting to hear

The second satisfaction metric, satisfaction with the overall application outcome, is asked once for all Type 1a and once for all Type 1b applications, but the answers have been applied to all Type 1a or Type 1b applications made by an individual SME. Most applications had a satisfactory outcome (80% overall), but around a quarter of applications for a loan were not rated as satisfactory:

| All applications Q317-Q219– Application outcome satisfaction | Bank OD | Bank Loan | Leasing hp | Credit cards | Comml mtge |
|--------------------------------------------------------------|------------|------------|------------|--------------|------------|
| Unweighted base: | 469 | 461 | 239 | 84* | 83* |
| Very satisfied | 50% | 54% | 73% | 63% | 65% |
| Fairly satisfied | 30% | 20% | 17% | 30% | 20% |
| Satisfied | 80% | 74% | 90% | 93% | 85% |
| Not very satisfied | 6% | 5% | 3% | 3% | 3% |
| Not at all satisfied | 12% | 19% | 3% | 3% | 11% |
| Don't know | 1% | 2% | 3% | 1% | 1% |

Q48/66 All Applications made Q317 to Q219 and reported Q118 to Q219 excluding those waiting to hear

As the table below shows:

- The outcome of 76% of applications for leasing/hp was either very satisfactory or reported no adverse effects.
- This was also true for 7 in 10 loan, credit card and commercial mortgage applications and 6 in 10 overdraft applications.
- The main issues for applications where negative effects were reported, were struggling to run the business day to day, or not improving/expanding the business, with loan applicants citing a wider range of issues.

| All applications Q317-Q219– Application outcome satisfaction | Bank OD | Bank Loan | Leasing hp | Credit cards | Comm mtge |
|--------------------------------------------------------------|------------|------------|------------|--------------|------------|
| <i>Unweighted base:</i> | 469 | 461 | 239 | 84* | 83* |
| Very satisfied | 50% | 54% | 73% | 63% | 65% |
| No adverse impact | 12% | 19% | 3% | 8% | 4% |
| <i>Very satisfied / no adverse impact</i> | 62% | 73% | 76% | 71% | 69% |
| Running the business more of a struggle | 23% | 15% | 14% | 19% | 22% |
| Not improved business as would have liked | 8% | 14% | 8% | 6% | 14% |
| Not expanded as would have liked | 7% | 15% | 6% | 4% | 11% |
| Made spending cuts | 7% | 14% | 3% | 1% | 5% |
| Deferred expenditure/investment | 1% | 10% | 3% | * | 2% |
| Made staff redundant | 3% | 3% | 1% | * | 1% |
| Other negative impact | 2% | 5% | * | * | 1% |
| Don't know | 1% | 2% | 3% | 1% | 1% |

Q48/66 and Q49/67 All Applications made Q317 to Q219 and reported Q118 to Q219 excluding those waiting to hear