

# 9

## 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

**Types of application made:** Over half of applications (57%) were made for a bank loan, compared to 11% for a bank overdraft and 4% for leasing/hp.

7 in 10 of all applications (70%) were made to the main bank, and in the name of the business (88%), and this was most likely to be the case for applications for loans and overdrafts. A higher than proportionate share of all applications made between Q3 2019 and Q4 2020 occurred in 2020, and especially in H1 (and for a loan).

More applications than previously had been made online (64% compared to the more usual 3 in 10 and more likely when loans and credit cards were being applied for) and a similar proportion came from a first time applicant (64%, especially applications for loans).

**Application outcome:** 8 in 10 (83%) of all applications reported to date for Q3 2019 to Q4 2020 had been successful, with 81% offered the facility they wanted and taking it and 2% having their facility after issues. 2% were offered a facility but declined to take it while 15% were turned down. Applications from larger SMEs remained more likely to be successful (96% of those with 50-249 employees).

Most applications had been made to the main bank, where 86% were successful, compared to 85% of those made to another existing provider and 78% made to a new provider. There was no difference in success rates by whether the facility was applied for online (82%) or not (84%) and unlike previous reports, first time applicants were slightly more likely to have been successful than those who had applied before (85% v 78%).

By product, applications for bank loans (86%) and leasing/hp (88%) were the most likely to have been successful, compared to 74% of overdraft applications and 58% of those for a credit card.

**Successful applications:** 4 in 10 successful applications (41%) were for £25,000 or more. Those applying for a bank loan or leasing/hp were more likely to have been borrowing such sums, as were larger SMEs (83-84% of those with 10-49 and 50-249 employees). Amongst 0 employees the proportion borrowing £25,000 or more, whilst lower than their peers at 29%, was up from 19% when last reported. Those borrowing from their main bank were slightly less likely to be borrowing more than £25,000 (44%) than those borrowing from another existing provider (55%).

Fewer facilities had required security (15% compared to around 4 in 10 previously) and slightly more (87% compared to 7 in 10 previously) were on a fixed interest rate.

**Satisfaction with application process:** SMEs rated themselves as satisfied with 8 out of 10 applications (78%), increasing by size of SME (93% of those with 50-249 employees were satisfied) and amongst those offered what they wanted (90% satisfied compared to 16% of those declined). Satisfaction was higher for loan applications (81%), compared to 73% for leasing/hp, 70% for overdrafts and 49% for credit cards.

Overall, the outcome of 7 in 10 applications was rated as either 'very satisfied' or 'no adverse impact', while 18% said running the business was more of a struggle and 13% had not expanded as they would have liked, both mentioned more in relation to applications by smaller SMEs.

Amongst declined applications, just 14% were rated as either 'very satisfied' or 'no adverse impact', while 55% said running the business was more of a struggle and 44% had not expanded as they would have liked.

**18 month success rates over time:** The overall success rate had previously declined slightly from 78% for applications Q1 2017-Q2 2018 to 71% Q3 2018-Q4 2019. More recent applications were more successful, increasing to 83% in the current period.

Applications for bank loans followed a similar pattern, declining slightly from 65% for applications Q1 2017-Q2 2018 to 60% Q3 2018-Q4 2019, before increasing again, reaching 85% in the current period.

Success rates for overdrafts were initially more stable ( 77% for applications Q1 2017-Q2 2018 to 76% Q3 2018-Q4 2019) before declining to 74% in the current period, now below the success rate for bank loans.

This is the final of the three 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 reports before 2018, this section:

- Has been expanded to include applications across 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 reports based on the new questionnaire (Q2 and Q4 2018) included all applications reported to date.

For the Q2 2019 and Q4 2019 report, analysis in this chapter was based on 2 years of applications. For this report, the increase in applications means that it can be based on applications made in the last 18 months, that is Q3 2019 to Q4 2020, as reported by applicants interviewed between Q3 2019 and Q4 2020. This chapter includes additional reporting of overall success rates since 2017 by 18-month application period.

As applicants can report on applications made up to 12 months previously, data for applications made from Q1 2020 onwards is interim at this stage.

## ALL APPLICATIONS MADE – CONTEXT

YEQ4 2020, 8% 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 2019 and Q4 2020 is reported below. Two thirds of Type 1 applications were made to the main bank, most were in the name of the business, two thirds were first time applications for a particular product and a similar proportion of applications were made online:

### All Type 1a/1b applications made Q3 2019 to Q4 2020

Size of applicant	<p>Of the 2234 applications recorded:</p> <ul style="list-style-type: none"> <li>• 68% of applications were made by 0 employee SMEs</li> <li>• 25% by those with 1-9 employees</li> <li>• 6% by those with 10-49 employees</li> <li>• 1% by those with 50-249 employees.</li> </ul> <p>0 employee SMEs make up 75% of all SMEs and 68% of all applications made, while those with 10-249 employees make up 5% of all SMEs and 7% of all applications.</p>
Where applied	<p>The majority (70%) of all applications were made to the main bank, and a further 7% to another existing provider.</p> <p>13% were made to a new provider, 6% to an online platform and 4% 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>If the applications had been evenly distributed, half (50%) would have been made in H2 2019, a third (35%) in H1 2020 and the remainder (15%) in H2 2020. Instead there was a 'spike' in applications in H1 2020, when 64% of all the applications reported were made (the majority of them in Q2), compared to the 35% predicted. As a result, fewer applications were reported in H2 2019 (16% v 50% expected) while H2 2020 was closer to expectations (20% v 15% expected).</p>
Applied online	<p>A higher proportion of applications had been made online than was previously seen: 64% of applications were made this way (61% via a website and 3% via an app) compared to around 3 in 10 applications in previous periods. This remained more likely to be the case for smaller SMEs (70% of applications made by 0 employee SMEs, 56% with 1-9 employees, 40% with 10-49 employees and 35% of those made by SMEs with 50-249 employees), but all size bands saw an increase. Applications made in H2 2020 were the most likely to have been made online (7 in 10 compared to 5 in 10 earlier in the year).</p>

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Business name	The majority of applications (88%) were made in the name of the business. 91% of the applications made in a personal name were made by SMEs with 0 employees.
First time applicants	64% of applications involved a product that had not been applied for before by that SME. This was more likely to be the case for applications made by 0 employee SMEs (68%), declining by size (58% with 1-9 employees, 45% with 10-49 employees and 42% of those made by SMEs with 50-249 employees). Again, this was more likely to be the case for applications made in H2 2020 (7 in 10) compared to half in H1 2020.

As the table below shows, almost 6 in 10 of all Type 1 applications made in this period were for a bank loan:

All applications made Q3 2019 to Q4 2020	Total
<b><i>Unweighted base:</i></b>	<b>2234</b>
Bank Loan	57%
Bank Overdraft	11%
Other loan	5%
Leasing/hire purchase	4%
Credit cards	3%
Other overdraft	*
Commercial mortgage	*
Invoice finance	1%
Other specified product	18%

All applications for finance- new definition from Q1 2018. Applications made Q118 to Q419 and reported Q118 to Q419

Also as reported in the last chapter, the majority of “other specified product” applications were for a grant.

## ALL APPLICATIONS MADE – THE FINAL OUTCOME

SMEs were asked about the final outcome of these applications.

6% 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, 83% of the applications made Q3 2019 to Q4 2020 and reported to date resulted in a facility, increasing by size of applicant:

All applications Q319-Q420	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>2099</b>	<b>305</b>	<b>708</b>	<b>814</b>	<b>272</b>
Offered facility wanted and took it	81%	78%	86%	86%	94%
Offered facility after issues	2%	2%	2%	3%	2%
Took a different product from provider	*	*	*	1%	*
<b>Have facility</b>	<b>83%</b>	<b>81%</b>	<b>88%</b>	<b>89%</b>	<b>96%</b>
Offered facility but declined to take it	2%	1%	2%	4%	1%
Turned down for facility	15%	18%	10%	7%	3%

Q39/57 Applications made Q319 to Q420 and reported Q319 to Q420 excluding those waiting to hear

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

- 10 applications (<1%) resulted in the applicant taking a different product to the one applied for, across a range of products.
- There were also a few occasions where something was offered but it was declined (2%, or 46 applications). Half said that it was because the decision took too long, with some mentions of not wanting to give security and/or 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 (111 applications).

Applications (for any product) made to either the main bank or an existing provider that was not the main bank were somewhat more likely to be successful (86% and 85%) than those made to a new provider (78%):

All applications Q319-Q420	Total	Main bank	Existing provider	New provider
<b>Unweighted base:</b>	<b>2099</b>	<b>1429</b>	<b>247</b>	<b>239</b>
Offered facility wanted and took it	81%	84%	82%	74%
Offered facility after issues	2%	2%	2%	4%
Took a different product from provider	*	*	2%	*
<b>Have facility</b>	<b>83%</b>	<b>86%</b>	<b>85%</b>	<b>78%</b>
Offered facility but declined to take it	2%	2%	2%	1%
Turned down for facility	15%	12%	13%	21%

Q39/57 Applications made Q319 to Q420 and reported Q319 to Q420 excluding those waiting to hear

Indicative data for those applying to an online platform showed that two thirds of applications resulted in a facility.

Those applying for a product for the first time were now no less likely to end the process with a facility, while those applying online remained as likely to have been offered the facility they wanted as those applying through another channel:

All applications Q319-Q420	Total	First time	Not first time	Online	Not online
<b>Unweighted base:</b>	<b>2099</b>	<b>1099</b>	<b>855</b>	<b>1010</b>	<b>967</b>
Offered facility wanted and took it	81%	82%	75%	80%	80%
Offered facility after issues	2%	2%	2%	2%	3%
Took a different product from provider	*	1%	*	*	1%
<b>Have facility</b>	<b>83%</b>	<b>85%</b>	<b>78%</b>	<b>82%</b>	<b>84%</b>
Offered facility but declined to take it	2%	1%	3%	1%	4%
Turned down for facility	15%	15%	19%	17%	12%

Q39/57 Applications made Q319 to Q420 and reported Q319 to Q420 excluding those waiting to hear

The success rate reported for first time applicants (85%) is higher than the 50-60% reported for first time loan and overdraft applicants over previous Monitor reports and the 69% reported for the 2 years to Q4 2019, and may well have been affected by the schemes run with Government support.

## ALL APPLICATIONS – THE FINAL OUTCOME OVER TIME

The table below shows overall success rate, now across six 18 month periods, starting with Q1 2017 to Q2 2018 and continuing to the latest period Q3 2019 to Q4 2020.

These success rates are based on an 18 month rather than a 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 collected in 2017 using the previous questionnaire is not included here. Data for applications made in 2020 is still interim at this stage as further data about such applications will be gathered in 2021. A summary table of success rates for different products and providers is provided at the end of this chapter.

The table shows 83% of applications in the latest period resulted in a facility, somewhat higher than previously seen, notably for the 18 months to Q4 2019 when 7 in 10 were successful:

<b>Outcome by application period</b>	<b>Q117- Q218</b>	<b>Q317- Q418</b>	<b>Q118- Q219</b>	<b>Q3 18- Q4 19</b>	<b>Q1 19- Q2 20*</b>	<b>Q3 19- Q4 20*</b>
<b><i>Unweighted base:</i></b>	<b>1232</b>	<b>1620</b>	<b>1652</b>	<b>1552</b>	<b>2277</b>	<b>2099</b>
Offered facility wanted and took it	70%	70%	67%	65%	76%	81%
Offered facility after issues	7%	6%	6%	4%	3%	2%
Took a different product from provider	1%	1%	1%	2%	1%	*
<b><i>Have facility</i></b>	<b>78%</b>	<b>77%</b>	<b>74%</b>	<b>71%</b>	<b>80%</b>	<b>83%</b>
Offered facility but declined to take it	6%	5%	5%	4%	2%	2%
Turned down for facility	16%	18%	21%	26%	18%	15%

Q39/57 All applications reported excluding those waiting to hear

\*interim data

## ALL APPLICATIONS – NATURE OF FACILITY GRANTED

Of the 2099 applications with a response, 1864 were successful and resulted in a facility. Further details about these successful applications, in terms of the size of the facility, whether security was required and whether they were on a fixed or variable interest rate, is provided below.

The first 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 (84%) than those from the smallest SMEs (29%, but this is up from 19% in the last report):

All successful applications Q319-Q420 – size of facility granted	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>1864</b>	<b>249</b>	<b>624</b>	<b>732</b>	<b>259</b>
Less than £5,000	9%	12%	4%	1%	6%
£5,000 to £9,999	14%	16%	10%	4%	2%
£10,000 to £24,999	32%	37%	26%	10%	6%
£25,000 to £49,999	21%	20%	24%	20%	11%
£50,000 to £99,999	12%	7%	21%	28%	14%
£100,000 or more	4%	*	7%	25%	47%
Don't remember	8%	7%	7%	12%	14%
<b>£25,000+ excl DK</b>	<b>41%</b>	<b>29%</b>	<b>57%</b>	<b>83%</b>	<b>84%</b>

Q41/59 All successful applications made Q319 to Q420 and reported Q319 to Q420

4 in 10 of those applying were granted a facility of £25,000 or more, and as the table below shows, this was most likely to be the case for those applying to an existing provider (55%), compared to 44% applying to their main bank and 20% applying to a new provider (where half of successful respondents were borrowing between £10,000 and £24,999). On limited base sizes, around a third of those granted a facility through an online platform received £25,000 or more.

All successful applications Q319-Q420 – size of facility granted	Total	Main bank	Existing provider	New provider
<b>Unweighted base:</b>	<b>1864</b>	<b>1278</b>	<b>222</b>	<b>205</b>
Less than £5,000	9%	7%	5%	16%
£5,000 to £9,999	14%	14%	16%	9%
£10,000 to £24,999	32%	30%	20%	51%
£25,000 to £49,999	21%	22%	24%	9%
£50,000 to £99,999	12%	14%	15%	6%
£100,000 or more	4%	3%	13%	4%
Don't remember	8%	8%	8%	7%
<b>£25,000+ excl DK</b>	<b>41%</b>	<b>44%</b>	<b>55%</b>	<b>20%</b>

Q41/59 All successful applications made Q319 to Q420 and reported Q319 to Q420

The table below provides further information on the applications that were successful, with 15% requiring security and 9 in 10 being on a fixed interest rate:

#### Successful applications for finance made Q319-Q420

Security	<p>15% of all successful applications (excluding DK answers) required security, compared to 4 in 10 in the last report.</p> <p>There was some variation by provider type with security required for 26% of applications to an existing provider, 15% of applications to the main bank and 11% of applications to a new provider.</p> <p>Applications from smaller SMEs were less likely to require security (13% of applications made by SMEs with 0 employees, 17% of those with 1-9 employees 23% with 10-49 employees and 37% of those with 50-249 employees).</p>
Interest rate	<p>87% of successful applications were on a fixed interest rate (excluding DK answers), compared to 7 in 10 in the last report.</p> <p>Successful applications to a main bank were somewhat less likely to have been on a fixed rate (86%) than those made to an existing (96%), while those to a new provider were the least likely to be on a fixed rate, although most were (79%).</p> <p>There was little difference by size of applicant (84%-87%) with the exception of those with 50-249 employees where 76% were on a fixed rate.</p>

Q42/60 and Q43/61 All successful applications made Q319 to Q420 and reported Q319 to Q420 excluding DK

### ALL APPLICATIONS – THOSE THAT WERE UNSUCCESSFUL

15% of all applications made Q3 2019 to Q4 2020 were declined (excluding those waiting to hear). On limited base sizes, the types of SME more likely to be declined included:

- Those with 0 employees – 68% of applications but 79% of declines
- Those applying to a new provider – 13% of applications but 17% of declines
- Those applying for an overdraft – 11% of applications but 17% of declines
- Those applying online – 64% of applications, 72% of declines.

From Q3 2018 those declined have been asked what reason was given by the provider for the decline. Of 178 declined applications Q3 2019 to Q4 2020, the key reasons were:

- 24% that it was due to a poor credit rating or credit issues
- 13% that the provider didn't think they could afford it
- 9% were told it was due to current business performance
- 9% that it was due to a lack of track record
- 15% said they were not given a reason.

Any applicants who were declined by their main bank were 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.

111 SMEs had been turned down by their main bank for a finance product or products, so limited analysis is available:

#### Unsuccessful applications for finance made Q319-Q420

Bank response	<p>39% of these unsuccessful applicants said that the bank explained to them why it could not offer them the facility they had applied for.</p> <p>5% were asked to supply more information and 13% were referred to an external source of advice.</p> <p>57% said that the bank had taken one or more of these actions (including on appeals or referrals described below).</p>
Referrals	<p>7% of these SMEs (11 applicants) said that they were offered the opportunity to have their application referred to an online platform. 2 took up the option: 1 unsuccessfully and 1 was waiting to hear.</p>
Appeals	<p>19% of these applicants said they were made aware of their bank's appeals process. No further information is available on the outcome.</p>

Q46/64 and Q47/65 All unsuccessful applicants for finance at main bank made Q319 to Q420 and reported Q319 to Q420

From Q1 2018 to Q2 2019, SMEs were asked, for each application made, how satisfied they were with the way the application was handled. 82% were satisfied (53% very satisfied) with little change over time, and the results were very similar to a second question about satisfaction with the outcome of the application. From Q3 2019 therefore the application handling question has not been asked.

## 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.

A stable 78% of applications were rated as having had a satisfactory outcome, with larger applicants more likely to be satisfied:

All applications Q319-Q420– Application outcome satisfaction	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>2099</b>	<b>305</b>	<b>708</b>	<b>814</b>	<b>272</b>
Very satisfied	62%	59%	69%	66%	77%
Fairly satisfied	16%	15%	17%	22%	16%
<b>Satisfied</b>	<b>78%</b>	<b>74%</b>	<b>86%</b>	<b>88%</b>	<b>93%</b>
Not very satisfied	9%	11%	4%	3%	1%
Not at all satisfied	11%	12%	8%	7%	4%
Don't know	2%	3%	2%	1%	2%

Q48/66 All applications made Q319 to Q420 and reported Q319 to Q420 excluding those waiting to hear

As would be expected, satisfaction with application outcome varied considerably by whether the application(s) in question had been successful or not, from 90% of those offered what they wanted to 16% of those who were turned down:

All applications Q319-Q420– Application outcome satisfaction	Total	Offered what wanted	After issues	Decided not to	Turned down
<b>Unweighted base:</b>	<b>2099</b>	<b>1797</b>	<b>57*</b>	<b>48*</b>	<b>187</b>
Very satisfied	62%	73%	47%	24%	5%
Fairly satisfied	16%	17%	32%	6%	10%
<b>Satisfied</b>	<b>78%</b>	<b>90%</b>	<b>79%</b>	<b>30%</b>	<b>16%</b>
Not very satisfied	9%	5%	13%	50%	26%
Not at all satisfied	11%	2%	8%	20%	56%
Don't know	2%	3%	*	-	3%

Q48/66 All applications made Q319 to Q420 and reported Q319 to Q420 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 also includes those who were very satisfied with the outcome of their application (and so were not asked the follow up question) and shows that 7 in 10 (70%) were either very satisfied with the outcome of their application or said that there had been no negative impact, with the largest SMEs more likely to agree:

All applications Q319-Q420- Impact of application outcome	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>2099</b>	<b>305</b>	<b>708</b>	<b>814</b>	<b>272</b>
Very satisfied	62%	59%	69%	66%	77%
No adverse impact	8%	7%	10%	12%	7%
<b>Very satisfied / no adverse impact</b>	<b>70%</b>	<b>66%</b>	<b>79%</b>	<b>78%</b>	<b>84%</b>
Running the business more of a struggle	18%	21%	11%	15%	12%
Not expanded as would have liked	13%	17%	7%	5%	1%
Not improved business as would have liked	10%	13%	6%	5%	*
Made spending cuts	10%	12%	5%	5%	1%
Deferred expenditure/investment	5%	6%	2%	5%	1%
Made staff redundant	5%	6%	2%	2%	1%
Other negative impact	2%	1%	3%	2%	*
Don't know	2%	3%	2%	1%	2%

Q48/66 and Q49/67 All applications made Q319 to Q420 and reported Q319 to Q420 excluding those waiting to hear

The most frequently mentioned negative impact (as in previous Monitor reports) was that running the business was more of a struggle, and this was mentioned across all sizes of SME. Other impacts such as expansion / improvement having been limited or spending cuts made, were more likely to be mentioned by the smaller SMEs.

The table below shows how this varied by application outcome:

- 81% of applications where the SME was offered what they wanted were either very satisfactory or caused no adverse effects, compared to 54% for those where they had the facility after issues.
- This declined to 14% of those who were turned down, where 55% reported that running the business was now more of a struggle, 44% that they had not expanded as they wished and 37% that they had not improved the business as they wanted.

All applications Q319-Q420- Impact of application outcome	Total	Offered what wanted	After issues	Decided not to	Turned down
<b>Unweighted base:</b>	<b>2099</b>	<b>1797</b>	<b>57*</b>	<b>48*</b>	<b>187</b>
Very satisfied	62%	73%	47%	24%	5%
No adverse impact	8%	8%	7%	8%	9%
<b>Very satisfied / no adverse impact</b>	<b>70%</b>	<b>81%</b>	<b>54%</b>	<b>32%</b>	<b>14%</b>
Running the business more of a struggle	18%	11%	30%	13%	55%
Not expanded as would have liked	13%	7%	3%	59%	44%
Not improved as would have liked	10%	5%	12%	16%	37%
Made spending cuts	10%	6%	6%	8%	33%
Deferred expenditure/investment	5%	3%	3%	6%	16%
Made staff redundant	5%	4%	2%	-	12%
Other negative impact	2%	1%	3%	11%	5%
Don't know	2%	3%	*	-	3%

Q48/66 and Q49/67 All applications made Q319 to Q420 and reported Q319 to Q420 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. 75% of applications involved one of 4 products: predominantly a bank loan (57%), then an overdraft (11%), leasing/hp (4%), or credit card (3%) and the analysis in this section covers these specific products where sample sizes are sufficiently robust.

Almost all bank overdraft and loan applications were made to the main bank. Bank loans were more likely than overdrafts to have been applied for online and/or to be from a first-time applicant. The small group of credit card applications were the most likely of the 4 products to be applied for online, in a personal name or from a first-time applicant, while few applications for leasing/hp were made to the main bank:

All applications Q319-Q420	Bank OD	Bank Loan	Leasing hp	Credit cards
<b>Unweighted base:</b>	<b>232</b>	<b>1222</b>	<b>182</b>	<b>50*</b>
Applied to main bank	91%	89%	13%	43%
Applied in personal name	13%	6%	19%	27%
Applied online	50%	68%	25%	73%
Applied for the first time	36%	68%	17%	55%

Analysis of when these applications took place gives an indication of any change in the types of products being applied for by comparing the proportion of applications made in a given period to a representative spread of applications over time based on how many times each quarter has featured in the questionnaire. For three of the four products there was a ‘spike’ in applications in H1 2020:

- Two thirds of loan applications across this period (65%) were made in H1 2020, twice the level expected from an even distribution (35%). The proportion made in H2 2020 was 24%, also higher than predicted (15%).
- Overdraft applications were slightly more likely to have been made in H1 2020 (45% v 35% in an even distribution), compared to 43% in H2 2019 and 12% in H2 2020, both slightly lower than expected (50% and 15%).
- There was a similar pattern for credit card applications. 58% were made in H1 2020 (v 35% expected), with 38% made in H2 2019 and 4% in H2 2020 (v 50% and 15%).
- The exception was leasing/hp where 60% of the applications were made in H2 2019 (v 50% expected), 24% in H1 2020 (v 35% expected) and 16% in H2 2020 (v 15% expected).

In terms of the final outcome, almost all bank loan and leasing/hp applications were successful, compared to three quarters of bank overdraft applications and 6 in 10 credit card applications:

All applications Q319-Q420	Bank OD	Bank Loan	Leasing hp	Credit cards
<b><i>Unweighted base:</i></b>	<b>216</b>	<b>1159</b>	<b>179</b>	<b>49*</b>
Offered facility wanted and took it	71%	83%	86%	52%
Offered facility after issues	1%	2%	1%	7%
Took a different product from provider	2%	*	*	-
<b><i>Have facility</i></b>	<b>74%</b>	<b>85%</b>	<b>87%</b>	<b>58%</b>
Offered facility but declined to take it	3%	1%	3%	3%
Turned down for facility	23%	13%	9%	39%

Q39/57 All applications made Q319 to Q420 and reported Q319 to Q420 excluding those waiting to hear

In contrast to previous reports, those applying for a bank loan were less likely to be declined than those applying for a bank overdraft. Those applying for a credit card were the most likely to be declined (39%, more of these applications overall were made in a personal name and/or from a first-time applicant).

## 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 ones.

The table below shows overall success rates for six 18 month periods starting from Q1 2017 to Q2 2018 up to the latest period Q3 2019 to Q4 2020, where the data is still interim. Note that these success rates are based entirely on data collected since Q1 2018 using the new questionnaire. Data on applications collected in 2017 using the previous questionnaire is not included here and data on applications made in 2020 remains interim at this stage.

Data is shown below for overdrafts, loans and leasing/hp. Sample sizes for commercial mortgages and credit cards are not robust enough to be reported at this stage.

The table for bank overdrafts shows fairly consistent success rates across the 18-month periods for which (partial) data is available with three quarters of applications resulting in a facility:

### All applications outcome

by date of application – Bank overdraft	Q117- Q218	Q317- Q418	Q118- Q219	Q318- Q419	Q119- Q220*	Q319- Q420*
<b>Unweighted base:</b>	<b>373</b>	<b>466</b>	<b>397</b>	<b>329</b>	<b>298</b>	<b>216</b>
Offered facility wanted and took it	72%	71%	66%	65%	66%	71%
Offered facility after issues	3%	6%	7%	7%	3%	1%
Took a different product	2%	2%	3%	4%	4%	2%
<b>Have facility</b>	<b>77%</b>	<b>79%</b>	<b>76%</b>	<b>76%</b>	<b>73%</b>	<b>74%</b>
Offered facility but declined to take	6%	5%	3%	3%	2%	3%
Turned down for facility	16%	16%	20%	21%	25%	23%

Q39/57 All Applications reported Q118 to Q420 excluding those waiting to hear. \*interim data

Most overdraft applications were made to the main bank and the success rates for such applications declined slightly over the period shown from 79% to 75%. There are too few bank overdraft applications made to another provider to report on over time.

The table for bank loans shows an initial slight decline in success rates (65% to 60%) before an increase to 85% for the 18 months to Q4 2020 (partial data):

#### All applications outcome

by date of application – Bank loan	Q117- Q218	Q317- Q418	Q118- Q219	Q318- Q419	Q119- Q220*	Q319- Q420*
<b>Unweighted base:</b>	<b>365</b>	<b>461</b>	<b>454</b>	<b>465</b>	<b>1086</b>	<b>1159</b>
Offered facility wanted and took it	58%	61%	58%	57%	78%	83%
Offered facility after issues	5%	2%	2%	2%	2%	2%
Took a different product	2%	2%	1%	1%	*	*
<b>Have facility</b>	<b>65%</b>	<b>65%</b>	<b>61%</b>	<b>60%</b>	<b>80%</b>	<b>85%</b>
Offered facility but declined to take	9%	6%	9%	7%	3%	1%
Turned down for facility	26%	28%	30%	33%	17%	13%

Q39/57 All Applications reported Q118 to Q419 excluding those waiting to hear. \*interim data

The success rates for applications made to the main bank followed the same pattern, a decline from 66% to 61% but up to 89% in the latest period. For the smaller group of applications made to another provider, the success rate has remained more stable at around 6 in 10 (63% in the latest period).

The table for leasing and hp shows almost all applications resulting in a facility, but success rates in the last three 18-month periods were slightly lower than for the first three shown below:

#### All applications outcome

by date of application – Leasing/HP	Q117- Q218	Q317- Q418	Q118- Q219*	Q318- Q419*	Q119- Q220*	Q319- Q420*
<b>Unweighted base:</b>	<b>172</b>	<b>220</b>	<b>251</b>	<b>262</b>	<b>246</b>	<b>179</b>
Offered facility wanted and took it	88%	91%	91%	84%	85%	86%
Offered facility after issues	11%	3%	3%	3%	2%	1%
Took a different product	*	*	1%	1%	1%	*
<b>Have facility</b>	<b>99%</b>	<b>94%</b>	<b>95%</b>	<b>88%</b>	<b>88%</b>	<b>87%</b>
Offered facility but declined to take	*	2%	2%	2%	3%	3%
Turned down for facility	1%	3%	3%	10%	8%	9%

Q39/57 All Applications reported Q118 to Q420 excluding those waiting to hear. \*interim data

## NATURE OF FACILITY GRANTED – BY PRODUCT

Half of leasing/hp facilities (57%) and bank loans (51%) granted were for £25,000 or more, twice the proportion of bank overdrafts granted for that amount. 8 in 10 successful credit card applications were for less than £10,000:

All successful applications Q319-Q420 – size of facility granted	Bank OD	Bank Loan	Leasing hp	Credit cards
<b>Unweighted base:</b>	<b>174</b>	<b>1024</b>	<b>173</b>	<b>42*</b>
Less than £5,000	21%	3%	4%	41%
£5,000 to £9,999	24%	11%	5%	41%
£10,000 to £24,999	24%	32%	28%	2%
£25,000 to £49,999	10%	27%	30%	2%
£50,000 to £99,999	7%	18%	8%	1%
£100,000 or more	6%	3%	12%	*
Don't remember	7%	6%	13%	13%
<b>£25,000+ excl DK</b>	<b>25%</b>	<b>51%</b>	<b>57%</b>	<b>4%</b>

Q41/59 All successful applications made Q319 to Q420 and reported Q319 to Q420

The table below provides further information on the applications that were successful, with 1 in 6 requiring security and 9 in 10 being on a fixed interest rate:

#### Successful applications made Q319-Q420

Security	15% of all successful applications (excluding DK answers) required security. 24% of bank overdrafts and 22% of leasing/hp facilities were secured, compared to 15% of bank loans and 5% of credit card facilities.
Interest rate	9 in 10 successful applications were on a fixed interest rate (87% excluding DK answers). 98% of leasing/hp facilities and 91% of bank loans were on a fixed rate, compared to 66% of bank overdrafts and 42% of the (very small group) of credit card facilities

Q42/60 and Q43/61 All successful applications made Q319 to Q420 and reported Q319 to Q420

### IMPACT OF PROCESS – BY PRODUCT

Most applications had a satisfactory outcome (78% overall), but 1 in 4 applications for a bank overdraft were not rated as satisfactory:

#### All applications Q319-Q420

– Application outcome satisfaction	Bank OD	Bank Loan	Leasing hp	Credit cards
<b>Unweighted base:</b>	<b>216</b>	<b>1159</b>	<b>179</b>	<b>49*</b>
Very satisfied	46%	65%	54%	30%
Fairly satisfied	24%	16%	19%	19%
<b>Satisfied</b>	<b>70%</b>	<b>81%</b>	<b>73%</b>	<b>49%</b>
Not very satisfied	6%	7%	5%	35%
Not at all satisfied	18%	10%	18%	6%
Don't know	6%	2%	3%	10%

Q48/66 All Applications made Q319 to Q420 and reported Q319 to Q420 excluding those waiting to hear

As the table below shows:

- Three quarters of applications for bank loans were either very satisfactory or reported no adverse effects.
- This compared to half of overdraft and leasing applications and a third of credit card 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

### All applications Q319-Q420

– Application outcome satisfaction	Bank OD	Bank Loan	Leasing hp	Credit cards
<b>Unweighted base:</b>	<b>216</b>	<b>1159</b>	<b>179</b>	<b>49*</b>
Very satisfied	46%	65%	54%	30%
No adverse impact	8%	10%	2%	3%
<b>Very satisfied / no adverse impact</b>	<b>54%</b>	<b>75%</b>	<b>56%</b>	<b>33%</b>
Running the business more of a struggle	31%	16%	26%	44%
Not improved business as would have liked	8%	8%	11%	35%
Not expanded as would have liked	15%	10%	21%	38%
Made spending cuts	10%	9%	2%	32%
Deferred expenditure/investment	1%	4%	2%	19%
Made staff redundant	1%	4%	1%	22%
Other negative impact	1%	2%	1%	-
Don't know	6%	2%	3%	10%

Q48/66 and Q49/67 All Applications made Q319 to Q420 and reported Q319 to Q420 excluding those waiting to hear

## SUCCESS RATES OVER TIME – A SUMMARY

It is now possible to provide a summary table of success rates for different types of application and this will be extended as more data becomes available.

The overall success rate initially declined from 78% to 71% but increased to 83% in the latest data for Q3 2019 to Q4 2020, due to the increase in success rates for loan applications and those made at the main bank more generally:

<b>All applications outcome</b>	Q117- Q218	Q317- Q418	Q118- Q219	Q318- Q419	Q119- Q220*	Q319- Q420*
<i>Unweighted base:</i>	<b>1232</b>	<b>1620</b>	<b>1652</b>	<b>1552</b>	<b>2277</b>	<b>2099</b>
All applications	78%	77%	74%	71%	80%	83%
All applications made at main bank	77%	74%	71%	69%	81%	86%
All applications made elsewhere	81%	82%	78%	72%	74%	77%
All overdraft applications	77%	79%	76%	76%	73%	74%
All loan applications	65%	65%	61%	60%	80%	85%
All leasing/hp applications	99%	94%	95%	88%	88%	87%

Q39/57 All Applications reported Q118 to Q420 excluding those waiting to hear. \*interim data