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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

Applications made Q3 2020 to Q4 2021 were typically for a loan, made to the main bank, and made online, with a 'spike' in applications in H2 2020:

- Over half of applications in this period (61%) were made for a bank loan, compared to 7% for a bank overdraft and 3% for leasing/hp.
- 90% of applications were in the name of the business, 68% were made to the main bank and 65% were made online, twice the level seen pre-pandemic. 70% were applying for a product for the first time.
- Analysis showed that 70% of all applications made in this period were made in H2 2020, rather than the 50% expected from an even distribution of applications across the whole period.
- Applications for bank loans were more likely to come from first time borrowers and to have been made in H2 2020.

85% of applications Q3 2020 to Q4 2021 were successful:

- 82% of applications that had received a response had been offered the facility they wanted and took it, and a further 3% took their facility after issues. 2% were offered a facility but turned it down and 13% were declined.
- Almost all applications were successful, but success rates did increase slightly by size of SME from 85% of those with 0 employees to 94% of those with 10-49 or 50-249 employees.
- Applications made by first time borrowers and/or online were as likely to be successful as their peers, while applications made to the main bank (87%) or to a completely new provider (89%) were somewhat more likely to be successful than an application to an existing provider who was not the main bank (71%).
- Applications for bank loans were more likely have been successful (87%) than those for bank overdrafts (66%), with almost all applications for leasing/hp resulting in a facility (97%).

Success rates increased for applications made in 2020 or 2021:

- Immediately prior to the pandemic, 71% of applications made Q3 2018 to Q4 2019 were successful, with 26% declined. Since then success rates have been 84-86%, with 12-14% declined, as the impact of the government backed schemes was reflected in application outcomes.
- Bank loans made up the majority of applications and their success rates followed a similar pattern. 60% of loan applications made pre-pandemic in Q3 2018 to Q4 2019 were successful, with 33% declined. Since then success rates have been 85-89%, with 10-13% declined.
- Success rates for bank overdrafts did not follow the same pattern, declining steadily over time from 76% pre-pandemic in Q3 2018 to Q4 2019 to 66% of applications made Q3 2020 to Q4 2021.
- Pre-pandemic, applications to the main bank were as likely, or slightly less likely, to have been successful compared to applications made elsewhere (69% v 72% for Q318-Q4 19). During the pandemic, this position changed and in the current period, 87% of main bank applications were successful, compared to 81% made elsewhere.

8 in 10 application outcomes were satisfactory, with the main impact for those less than very satisfied that running the business was more of a struggle:

- 54% of application outcomes were very satisfactory, with 26% fairly satisfactory. 67% of application outcomes resulted in no adverse impact to the business, with the most common issue that running the business was now more of a struggle (21% of all applications).
- Satisfaction rates for loans (81%) and leasing/hp (96%) reflected their higher success rates compared to bank overdrafts (58%), where 51% of applications resulted in running the business being more of a struggle.

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.

Unlike the previous chapters, 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, then as cumulative base sizes increased, for the Q2 2019 and Q4 2019 report analysis in this chapter was based on 2 years of applications.

From the 2020 report it was possible once again to report on 18 month periods, the latest of which is Q3 2020 to Q4 2021. 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 2021 onwards is interim at this stage.

ALL APPLICATIONS MADE – CONTEXT

YEQ4 2021, 11% 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 2020 and Q4 2021 is reported below. Two thirds of Type 1 applications were made to the main bank, most were in the name of the business, 7 in 10 were first time applications for a particular product and almost as many applications were made online:

All Type 1a/1b applications made Q3 2020 to Q4 2021

Size of applicant	<p>Of the 1665 applications recorded:</p> <ul style="list-style-type: none"> • 68% of applications were made by 0 employee SMEs • 27% by those with 1-9 employees • 4% by those with 10-49 employees • 1% by those with 50-249 employees. <p>1-9 employee SMEs make up 20% of all SMEs and 27% of all applications while those with 0 employees make up 75% of all SMEs and 68% of all applications (other size bands in line with their proportion of SMEs overall).</p>
Where applied	<p>The majority (68%) of all applications were made to the main bank, and a further 8% to another existing provider.</p> <p>14% were made to a new provider, 7% 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). The impact of the government backed schemes can be seen in this analysis.</p> <p>If the applications had been evenly distributed, half (50%) would have been made in H2 2020, a third (35%) in H1 2021 and the remainder (15%) in H2 2021. Instead there was a 'spike' in applications in H2 2020, when 70% of all the applications reported were made (two thirds of them in Q3 2020), compared to the 50% predicted. As a result, fewer applications were reported in H1 2021 (23% v 35% expected) while H2 2021 was also slightly lower (8% v 15% expected).</p>
Applied online	<p>A higher proportion of applications had been made online than was seen pre-pandemic: 65% of applications were made this way (60% via a website and 5% via an app), in line with Q3 2019 to Q4 2020 but higher than the 3 in 10 applying this way pre-pandemic. This remained more likely to be the case for smaller SMEs, who were also more likely to look online for providers and advice (68% of applications made by 0 employee SMEs were made online, 63% of those with 1-9 employees, 46% with 10-49 employees and 30% of those made by SMEs with 50-249 employees).</p>

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Business name	The majority of applications (90%) were made in the name of the business. 82% of the applications made in a personal name were made by SMEs with 0 employees.
First time applicants	70% 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 (72%), declining by size (66% with 1-9 employees and 47% of those with 10-49 employees or 50-249 employees).

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

All applications made Q3 2020 to Q4 2021	Total
Unweighted base:	1665
Bank Loan	61%
Bank Overdraft	7%
Other loan	4%
Leasing/hire purchase	3%
Credit cards	2%
Other overdraft	1%
Commercial mortgage	1%
Invoice finance	*
Other specified product	21%

All applications for finance- new definition from Q1 2018. Applications made Q3 2020 to Q4 2021 and reported by Q4 2021

Also as reported in the last chapter, aside from applications for core finance products, the next most popular applications were for grants.

ALL APPLICATIONS MADE – THE FINAL OUTCOME

SMEs were asked about the final outcome of these applications. 84% of these applications took place in the period between Q3 2020 and Q1 2021, also a time when BBLs were available to SMEs, primarily from their main bank.

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, 85% of the applications made Q3 2020 to Q4 2021 and reported by Q4 2021 resulted in a facility, increasing by size of applicant:

All applications with a response Q320-Q421	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	1585	281	659	502	143
Offered facility wanted and took it	82%	83%	80%	90%	93%
Offered facility after issues	3%	2%	3%	4%	*
Took a different product from provider	*	*	*	*	1%
Have facility	85%	85%	83%	94%	94%
Offered facility but declined to take it	2%	2%	2%	*	1%
Turned down for facility	13%	13%	16%	6%	5%

Q39/57 Applications made Q3 2020 to Q4 2021 and reported by Q4 2021 excluding those waiting to hear

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

- 4 applications (<1%) resulted in the applicant taking a different product to the one applied for, typically a loan.
- There were also a few occasions where something was offered but it was declined (2%, or 18 applications). Typically this was because the facility was seen as too expensive.
- 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 (91 applications).

Applications (for any product) made to either the main bank or a new provider were more likely to be successful (87% and 89%) than those made to an existing provider who was not the main bank (71%):

All applications Q320-Q421	Total	Main bank	Existing provider	New provider
Unweighted base:	1585	1123	158	184
Offered facility wanted and took it	82%	84%	61%	87%
Offered facility after issues	3%	2%	11%	1%
Took a different product from provider	*	*	*	-
Have facility	85%	87%	71%	89%
Offered facility but declined to take it	2%	*	12%	2%
Turned down for facility	13%	13%	17%	10%

Q39/57 Applications made Q3 2020 to Q4 2021 and reported by Q4 2021 excluding those waiting to hear

Indicative data for those applying to an online platform showed that 8 in 10 applications resulted in a facility.

Those applying for a product for the first time were no less likely to end the process with a facility (unlike in pre-pandemic applications), as did those applying online compared to those applying through another channel:

All applications Q320-Q421	Total	First time	Not first time	Online	Not online
Unweighted base:	1585	908	580	861	654
Offered facility wanted and took it	82%	82%	79%	81%	84%
Offered facility after issues	3%	2%	4%	4%	1%
Took a different product from provider	*	*	*	*	*
Have facility	85%	84%	83%	85%	85%
Offered facility but declined to take it	2%	2%	3%	1%	2%
Turned down for facility	13%	14%	14%	14%	13%

Q39/57 Applications made Q3 2020 to Q4 2021 and reported by Q4 2021 excluding those waiting to hear

The success rate reported for first time applicants (84%) 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 seven 18 month periods, starting with Q3 2017 to Q4 2018 and continuing to the latest period Q3 2020 to Q4 2021.

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 2021 is still interim at this stage as further data about such applications will be gathered in 2022. A summary table of success rates for different products and providers is provided at the end of this chapter.

The table shows 85% of applications in the latest period resulted in a facility, somewhat higher than seen pre-pandemic, notably for the 18 months to Q4 2019 when 7 in 10 were successful:

Outcome by application period	Q317- Q418	Q118- Q219	Q3 18- Q4 19	Q1 19- Q2 20	Q3 19- Q4 20	Q1 20- Q2 21*	Q3 20- Q4 21*
<i>Unweighted base:</i>	1620	1652	1552	3033	3698	3544	1585
Offered facility wanted and took it	70%	67%	65%	80%	83%	84%	82%
Offered facility after issues	6%	6%	4%	3%	2%	2%	3%
Took a different product from provider	1%	1%	2%	1%	*	*	*
<i>Have facility</i>	77%	74%	71%	84%	85%	86%	85%
Offered facility but declined to take it	5%	5%	4%	2%	2%	1%	2%
Turned down for facility	18%	21%	26%	14%	12%	12%	13%

Q39/57 All applications reported excluding those waiting to hear

*interim data

ALL APPLICATIONS – NATURE OF FACILITY GRANTED

Of the 1585 applications with a response, 1414 were successful and resulted in a facility. 69% of all applications that had received a response, and 71% of those that were successful had been made to the main bank. 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 (85%) than those from the smallest SMEs (27%):

All successful applications Q320-Q421 – size of facility granted	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	1414	240	561	477	136
Less than £5,000	13%	17%	7%	1%	9%
£5,000 to £9,999	13%	16%	8%	3%	2%
£10,000 to £24,999	31%	35%	25%	9%	2%
£25,000 to £49,999	18%	16%	24%	17%	4%
£50,000 to £99,999	13%	8%	21%	34%	20%
£100,000 or more	5%	1%	9%	28%	54%
Don't remember	6%	7%	5%	7%	8%
£25,000+ excl DK	38%	27%	57%	85%	85%

Q41/59 All successful applications made Q320 to Q421 and reported to Q4 21

Almost 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 their main bank (44%) or to an existing provider (40%), compared to 17% applying to a new provider (where 6 in 10 successful respondents were borrowing between £5,000 and £24,999). On limited base sizes, around 3 in 10 of those granted a facility through an online platform received £25,000 or more.

All successful applications Q320-Q421 – size of facility granted	Total	Main bank	Existing provider	New provider
Unweighted base:	1414	1022	138	157
Less than £5,000	13%	9%	15%	22%
£5,000 to £9,999	13%	12%	13%	15%
£10,000 to £24,999	31%	30%	28%	44%
£25,000 to £49,999	18%	22%	11%	6%
£50,000 to £99,999	13%	15%	16%	2%
£100,000 or more	5%	4%	10%	9%
Don't remember	6%	8%	7%	1%
£25,000+ excl DK	38%	44%	40%	17%

Q41/59 All successful applications made Q320 to Q421 and reported to Q4 211022

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 Q320-Q421

Security	<p>14% of all successful applications (excluding DK answers) required security, compared to 4 in 10 pre-pandemic.</p> <p>There was some variation by provider type with security required for 22% of successful applications to an existing provider, 19% of applications to a new provider and 12% of applications to the main bank.</p> <p>There was little difference by size of applicant with the exception of the largest SMES (14% of applications made by SMEs with 0 employees required security, 14% of those with 1-9 employees, 15% with 10-49 employees and 27% of those with 50-249 employees).</p>
Interest rate	<p>83% of successful applications were on a fixed interest rate (excluding DK answers), in line with the last report and still above pre-pandemic levels.</p> <p>Facilities from the main bank were somewhat less likely to have been on a fixed rate (80%) than those made to an existing provider (95%), or of those made to a new provider (89%).</p> <p>There was little difference by size of applicant (81-84%) with the exception of those with 50-249 employees where 74% were on a fixed rate.</p>

Q42/60 and Q43/61 All successful applications made Q320 to Q421 and reported to Q421 excluding DK

ALL APPLICATIONS – THOSE THAT WERE UNSUCCESSFUL

13% of all applications made Q3 2020 to Q4 2021 were declined (excluding those waiting to hear). On limited base sizes, the types of SME more likely to be declined included:

- Those with 1-9 employees – 27% of applications but 32% of declines
- Those applying to an existing provider but not main bank – 7% of applications but 11% of declines
- Those applying for an overdraft – 7% of applications but 18% of declines

From Q3 2018 those declined have been asked what reason was given by the provider for the decline. Of 152 declined applications Q3 2020 to Q4 2021, the key reasons were:

- 16% that the provider didn't think they could afford it
- 11% that it was due to a lack of track record
- 10% were told it was due to current business performance
- 5% that it was due to a poor credit rating or credit issues
- 6% 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.

83 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 Q320-Q421

Bank response	<p>37% 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>14% were asked to supply more information, and 10% 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>13% of these SMEs (6 applicants) said that they were offered the opportunity to have their application referred to an online platform. 4 took up the option: 1 successfully and 3 were waiting to hear.</p>
Appeals	<p>16% 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 Q3209 to Q421 and reported by Q421

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 8 in 10 applications were rated as having had a satisfactory outcome, with those from larger applicants more likely to be seen as satisfactory:

All applications Q320-Q421– Application outcome satisfaction	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	1585	281	659	502	143
Very satisfied	54%	53%	52%	66%	73%
Fairly satisfied	26%	25%	28%	24%	17%
Satisfied	80%	79%	80%	90%	91%
Not very satisfied	6%	7%	5%	3%	1%
Not at all satisfied	13%	13%	14%	6%	7%
Don't know	1%	1%	2%	1%	1%

Q48/66 All applications made Q320 to Q421 and reported to Q421 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 92% of those offered what they wanted to 6% of those who were turned down:

All applications Q320-Q421– Application outcome satisfaction	Total	Offered what wanted	After issues	Turned down
Unweighted base:	1585	1356	54*	152
Very satisfied	54%	64%	13%	1%
Fairly satisfied	26%	29%	60%	5%
Satisfied	80%	92%	73%	6%
Not very satisfied	6%	4%	23%	13%
Not at all satisfied	13%	2%	4%	80%
Don't know	1%	1%	-	1%

Q48/66 All applications made Q320 to Q421 and reported to Q421 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 two thirds (67%) were either very satisfied with the outcome of their application or said that there had been no negative impact, with the larger SMEs more likely to be in this category:

All applications Q320-Q421– Impact of application outcome	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	1585	281	659	502	143
Very satisfied	54%	53%	52%	66%	73%
No adverse impact	13%	11%	15%	19%	6%
Very satisfied / no adverse impact	67%	64%	67%	85%	79%
Running the business more of a struggle	21%	23%	20%	10%	16%
Not expanded as would have liked	14%	17%	7%	4%	3%
Made spending cuts	12%	15%	7%	4%	6%
Not improved business as would have liked	11%	14%	7%	4%	1%
Deferred expenditure/investment	5%	5%	3%	3%	1%
Made staff redundant	5%	6%	3%	2%	3%
Other negative impact	4%	3%	7%	3%	1%
Don’t know	1%	1%	2%	1%	1%

Q48/66 and Q49/67 All applications made Q320 to Q421 and reported to Q421 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:

- 77% of applications where the SME was offered what they wanted were either very satisfactory or had caused no adverse effects
- This compared to 31% for those where they had the facility after issues, where 51% reported that running the business was now more of a struggle.
- This declined further to 10% of those who had been declined, where 54% reported that running the business was now more of a struggle, 39% that they had not expanded as they wished and 32% that they had not improved the business as they wanted.

All applications Q320-Q421- Impact of application outcome	Total	Offered what wanted	After issues	Turned down
Unweighted base:	1585	1356	54*	152
Very satisfied	54%	64%	13%	1%
No adverse impact	13%	13%	18%	9%
Very satisfied / no adverse impact	67%	77%	31%	10%
Running the business more of a struggle	21%	15%	51%	54%
Not expanded as would have liked	14%	9%	32%	39%
Made spending cuts	12%	8%	26%	32%
Not improved business as would have liked	11%	8%	29%	32%
Deferred expenditure/investment	5%	2%	27%	14%
Made staff redundant	5%	3%	27%	12%
Other negative impact	4%	3%	7%	7%
Don't know	1%	1%	-	1%

Q48/66 and Q49/67 All applications made Q320 to Q421 and reported to Q421 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. 73% of applications involved one of 4 products: predominantly a bank loan (61%), then an overdraft (7%), leasing/hp (3%), or credit card (2%) and the analysis in this section covers the first 3 of these products where sample sizes are sufficiently robust.

Almost all bank overdraft and loan applications were made to the main bank. Bank loans were slightly more likely than overdrafts to have been applied for online and more likely to be from a first-time applicant. Applications for leasing/hp were slightly more likely to have been made in a personal name and slightly less likely to have been made online:

All applications Q320-Q421	Bank OD	Bank Loan	Leasing hp
Unweighted base:	113	1069	90*
Applied in personal name	9%	7%	18%
Applied online	61%	64%	55%
Applied for the first time	53%	72%	53%

Analysis of when these applications took place gives an indication of any change in the types of products being applied for (and/or the incentives for applying for a specific product) 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. Loan applications were “front-loaded” to the start of the period, leasing / HP to the end and overdrafts followed a more expected distribution across the quarters:

- 8 in 10 loan applications across this period (81%) were made in H2 2020, significantly above the level expected from an even distribution (50%). The proportion made in H1 2021 was 15%, compared to the 35% of an even distribution.
- Overdraft applications followed a more expected pattern, with 55% applied for in H2 2020 (v 50%) and 34% in H1 2021 (v 35% expected).
- Finally, leasing/hp applications followed a different pattern with 36% of the applications made in H2 2020 (v 50% expected), 35% in H1 2021 (v 35% expected) and 30% in H2 2021 (v 15% expected).

In terms of the final outcome, almost all bank loan and leasing/hp applications were successful, compared to two thirds of bank overdraft applications:

All applications Q320-Q421	Bank OD	Bank Loan	Leasing hp
<i>Unweighted base:</i>	102	1038	87*
Offered facility wanted and took it	64%	85%	88%
Offered facility after issues	2%	2%	9%
Took a different product from provider	-	*	*
<i>Have facility</i>	66%	87%	97%
Offered facility but declined to take it	1%	2%	3%
Turned down for facility	33%	11%	*

Q39/57 All applications made Q320 to Q421 and reported to Q421 excluding those waiting to hear

In contrast to pre-pandemic reports, those applying for a bank loan were less likely to be declined (11%) than those applying for a bank overdraft (33%). As previously, almost all applications for leasing/HP were successful.

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 rate, now across seven 18 month periods, starting with Q3 2017 to Q4 2018 and continuing to the latest period Q3 2020 to Q4 2021 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 a decline in success rates over the periods shown from 79% to 66% of applicants:

All applications outcome

by date of application – Bank overdraft	Q317- Q418	Q118- Q219	Q318- Q419	Q119- Q220	Q319- Q420	Q120- Q221*	Q320- Q421*
Unweighted base:	466	397	329	319	273	213	102
Offered facility wanted and took it	71%	66%	65%	65%	69%	64%	64%
Offered facility after issues	6%	7%	7%	3%	2%	2%	2%
Took a different product	2%	3%	4%	4%	2%	1%	-
Have facility	79%	76%	76%	72%	73%	67%	66%
Offered facility but declined to take	5%	3%	3%	2%	2%	1%	1%
Turned down for facility	16%	20%	21%	26%	24%	32%	33%

Q39/57 All Applications reported Q118 to Q421 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 65%. 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% Q318 to Q4 19) before an increase to 88% for the 18 months to Q4 2020 and the subsequent 18 month periods (partial data), reflecting the availability and uptake of Government backed loans during the pandemic:

All applications outcome

by date of application – Bank loan	Q317- Q418	Q118- Q219	Q318- Q419	Q119- Q220	Q319- Q420	Q120- Q221*	Q320- Q421*
Unweighted base:	461	454	465	1688	2399	2382	1038
Offered facility wanted and took it	61%	58%	57%	82%	86%	87%	85%
Offered facility after issues	2%	2%	2%	2%	2%	2%	2%
Took a different product	2%	1%	1%	1%	*	*	*
Have facility	65%	61%	60%	85%	88%	89%	87%
Offered facility but declined to take	6%	9%	7%	2%	1%	1%	2%
Turned down for facility	28%	30%	33%	13%	10%	10%	11%

Q39/57 All Applications reported Q118 to Q421 excluding those waiting to hear. *interim data

The success rates for loan 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 remained more stable at around 6 in 10 before increasing to 7 in 10 for the 18 months to Q4 2020 and subsequent periods.

The table for leasing and hp shows almost all applications resulting in a facility:

All applications outcome

by date of application – Leasing/HP	Q317- Q418	Q118- Q219	Q318- Q419	Q119- Q220	Q319- Q420	Q120- Q221*	Q320- Q421*
Unweighted base:	220	251	262	249	200	135	87*
Offered facility wanted and took it	91%	91%	84%	86%	88%	93%	88%
Offered facility after issues	3%	3%	3%	2%	1%	1%	9%
Took a different product	*	1%	1%	1%	*	*	*
Have facility	94%	95%	88%	89%	89%	94%	97%
Offered facility but declined to take	2%	2%	2%	3%	2%	5%	3%
Turned down for facility	3%	3%	10%	8%	8%	*	*

Q39/57 All Applications reported Q118 to Q421 excluding those waiting to hear. *interim data

NATURE OF FACILITY GRANTED – BY PRODUCT

Half of bank loans (50%) granted were for £25,000 or more, twice the proportion of bank overdrafts and Leasing/HP facilities:

All successful applications Q320-Q421

– size of facility granted	Bank OD	Bank Loan	Leasing hp
Unweighted base:	75*	953	84*
Less than £5,000	20%	7%	2%
£5,000 to £24,999	52%	40%	68%
£25,000 to £99,999	22%	41%	18%
£100,000 or more	3%	4%	6%
Don't remember	3%	8%	6%
£25,000+ excl DK	26%	50%	26%

Q41/59 All successful applications made Q320 to Q421 and reported to Q421

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 Q320-Q421

Security	14% of all successful applications (excluding DK answers) required security. 24% of bank overdrafts and 32% of leasing/hp facilities were secured, compared to 10% of bank loans.
Interest rate	8 in 10 successful applications were on a fixed interest rate (83% excluding DK answers). 99% of leasing/hp facilities and 83% of bank loans were on a fixed rate, compared to 67% of bank overdrafts.

Q42/60 and Q43/61 All successful applications made Q320 to Q421 and reported to Q421

IMPACT OF PROCESS – BY PRODUCT

Most applications were satisfactory (80% overall), but 1 in 4 applications for a bank overdraft were not rated as satisfactory:

All applications Q320-Q421

– Application outcome satisfaction	Bank OD	Bank Loan	Leasing hp
Unweighted base:	102	1038	87*
Very satisfied	31%	57%	68%
Fairly satisfied	26%	24%	27%
Satisfied	58%	81%	96%
Not very satisfied	9%	6%	2%
Not at all satisfied	34%	10%	2%
Don't know	*	2%	-

Q48/66 All Applications made Q320 to Q421 and reported to Q421 excluding those waiting to hear

As the table below shows:

- 7 in 10 applications for bank loans or leasing/hp were either very satisfactory or reported no adverse effects, compared to 4 in 10 overdraft applications
- Half of those who had applied for a bank overdraft said that they were struggling to run the business day to day, and 3 in 10 had not expanded the business

All applications Q320-Q421- Impact of application outcome

	Bank OD	Bank Loan	Leasing hp
Unweighted base:	102	1038	87*
Very satisfied	31%	57%	68%
No adverse impact	8%	15%	2%
Very satisfied / no adverse impact	39%	72%	70%
Running the business more of a struggle	51%	16%	25%
Not expanded as would have liked	28%	12%	18%
Made spending cuts	23%	12%	17%
Not improved business as would have liked	21%	10%	20%
Deferred expenditure/investment	13%	4%	18%
Made staff redundant	11%	4%	17%
Other negative impact	6%	4%	1%
Don't know	*	2%	-

Q48/66 and Q49/67 All Applications made Q320 to Q421 and reported 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 77% to 71% in the 18 months to Q4 2019, but increased to 85% for the 18 months to Q4 2020 and has remained stable since, boosted by higher success rates for loans and applications at the main bank more generally:

All applications outcome							
by date of application – All with a facility	Q317- Q418	Q118- Q219	Q318- Q419	Q119- Q220	Q319- Q420	Q120- Q221*	Q320- Q421*
Unweighted base:	1620	1652	1552	3033	3698	3544	1585
All applications	77%	74%	71%	84%	85%	86%	85%
All applications at main bank	74%	71%	69%	86%	88%	88%	87%
All applications made elsewhere	82%	78%	72%	79%	81%	81%	81%
All overdraft applications	79%	76%	76%	72%	73%	67%	66%
All loan applications	65%	61%	60%	85%	88%	89%	87%
All leasing/hp applications	94%	95%	88%	89%	89%	94%	97%

Q39/57 All Applications reported Q118 to Q421 excluding those waiting to hear. *interim data