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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 2021 to Q4 2022 were typically for a loan, made to a known provider such as the main bank, and made online:

- 50% of applications made in this time period were for a bank loan, while 17% were for a bank overdraft.
- Most applications were to a known provider, with 59% made to the main bank and 11% to another existing provider.
- Just over half (56%) of applications were made online.
- Compared to the 18 months to Q4 2021, fewer applications in the current period were for loans (down from 61%), to the main bank (down from 68%), or made online (down from 65%) but they remained the most common types of application.

62% of all applications made in the current period (Q3 2021 to Q4 2022) were successful:

- Success rates for the 18 months from Q3 2021 to Q4 2022 (62% for applications overall) increased by size of applicant from 56% of applications made by 0 employee SMEs to 94% of applications made by those with 50-249 employees.
- Success rates were also somewhat higher for those who had borrowed before (68% v 56% of first time applicants) and those that did not apply online (71% v 54% of those who did).
- By product, where base sizes permit, applications for leasing/HP were almost always successful (95%), compared to 61% of applications for bank overdrafts and 56% of applications for bank loans.
- 1 in 3 successful applications were for £25,000 or more, again with clear differences by size of SME (24% of applications from 0 employee SMEs to all of the applications from those with 50-249 employees).
- 22% of facilities were secured and 88% were on a fixed interest rate.

- 37% of applications were declined, with the key reasons cited as a lack of track record, poor credit rating, a lack of security and/or affordability concerns. 7 in 10 of those declined received some explanation or advice from the bank, but referrals and appeals remained limited.

After the ‘boost’ to success rates from the Government backed schemes during the pandemic, success rates were somewhat lower in the current period and also below pre-pandemic levels, but this change did not affect all SMEs equally:

- Pre-pandemic around 7 in 10 of all applications were successful (71% for applications made in the 18 months to Q4 2019). This then increased to over 8 in 10 during the pandemic (82% for the 18 months to Q4 2021), but as reported above, the overall success rate was 62% for the current period.
- On limited base sizes, there were indications that applications by 0 employee SMEs and those borrowing for the first time were less likely to be successful than previously (from over 8 in 10 to 6 in 10 for both 0 employee SMEs and for first time applicants), whereas there has been much less of a change in success rates for SMEs with employees.
- Analysis by product showed that the change was seen predominantly for bank loans, the product that formed the basis of Government backed support during the pandemic. Bank loan success rates reduced from 85% in the 18 months to Q4 2021 to 56% in the 18 months to Q4 2022, whereas success rates for overdrafts and leasing/HP were stable. Across this period, loans made up a significant proportion of all applications so the change in loan success rates made more of an impact on overall success rates.

6 in 10 of all applications were seen as having a satisfactory outcome. The key issues for those not satisfied were that running their business was more of a struggle and/or they hadn't been able to expand/improve the business as they wished:

- The outcome of 38% of all applications was 'Very satisfactory', increasing to 62% of those offered what they wanted and taking it.
- Overall 62% of applications were either very or fairly satisfactory, ranging from 90% of those offered what they wanted to 12% of those that had been turned down.
- 53% of all applications reported some negative impact from the application (84% if it had been turned down), typically that running the business was more of a struggle (34% of all applications), that the business had not expanded (28%) or had not improved (27%) as they would have wished.

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, with some analysis 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 aside from 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.
- Applications reported from 2020 are likely to include some (but not all) of the applications made to Government backed lending schemes. Data specifically on these applications (where the success rate was over 90%) is provided in the opening Covid chapter of this report, but their impact on this broader analysis of *all* applications can be seen in the higher overall success rates enjoyed in 2020-21.

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 permit.

Prior to Q1 2018, application data was reported in 18 month periods by application (not interview) date. 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 2018 reports included all applications reported to date, then as cumulative base sizes increased, in 2019 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 2021 to Q4 2022. 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 2022 onwards is interim at this stage.

ALL APPLICATIONS MADE – CONTEXT

In 2022, 5% of SMEs reported a 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 2021 and Q4 2022 is reported below. 6 in 10 Type 1 applications were made to the main bank and a similar proportion were first time applications for a particular product and/or were made online. Most were in the name of the business:

All Type 1a/1b applications made Q3 2021 to Q4 2022

Size of applicant	<p>Of the 918 applications recorded:</p> <ul style="list-style-type: none"> • 73% of applications were made by 0 employee SMEs • 23% 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 23% of all applications while those with 0 employees make up 75% of all SMEs and 73% of all applications (other size bands also in line with their proportion of SMEs overall).</p>
Where applied	<p>Most applications were to a known provider: 59% were made to the main bank, and a further 11% to another existing provider.</p> <p>17% were made to a new provider, 8% to an online platform and 5% 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 had been available as an eligible answer). The impact of the government backed schemes was seen in this analysis last year when a 'spike' in applications was reported for H2 2020: 70% of all the applications reported in the 18 months to Q4 2021 were made in that half year compared to the 50% predicted by an even distribution.</p> <p>If the current group of applications had been evenly distributed, half (50%) would have been made in H2 2021, a third (35%) in H1 2022 and the remainder (15%) in H2 2022. This was broadly the case (56%, 36% and 9%) albeit the proportion of H2 2022 applications was somewhat lower than would be predicted by an even distribution</p>
Applied online	<p>56% of applications were made online (49% via a website and 7% via an app), slightly lower than the 65% in the 18 months to Q4 2021 but higher than the 3 in 10 applying this way pre-pandemic.</p> <p>An online application remained more likely to be the case for smaller SMEs, who had also been more likely to look online for providers and advice: 58% of applications made by 0 employee SMEs were made online, 53% of those with 1-9 employees, 38% with 10-49 employees and 11% of those made by SMEs with 50-249 employees.</p>

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Business name	The majority of applications (89%) were made in the name of the business. 77% of the applications made in a personal name were made by SMEs with 0 employees.
First time applicants	55% of applications involved a product that had not been applied for before by that SME, down from 70% in the 18 months to Q4 2021. This was more likely to be the case for applications made by 0 employee SMEs (55%), or those with 1-9 employees (57%) compared to 39% of those with 10-49 employees and 37% with 50-249 employees.

As the table below shows, half of all Type 1 applications made in this period were for a bank loan. This was somewhat lower than the 61% in the last report (Q3 2020 to Q4 2021), reflecting the impact of the Government backed loan schemes during that period, with a slight increase in overdraft applications (from 7% to 14% of applications made):

All applications made Q3 2021 to Q4 2022	Total
Unweighted base:	918
Bank Loan	50%
Bank Overdraft	17%
Other loan	4%
Leasing/hire purchase	6%
Credit cards	5%
Other overdraft	1%
Commercial mortgage	2%
Invoice finance	1%
Other specified products	14%

All applications for finance- new definition from Q1 2018. Applications made Q3 2021 to Q4 2022 and reported by Q4 2022

As was the case in the 2021 report aside from applications for core finance products, the next most popular application was for a grant.

ALL APPLICATIONS MADE – THE FINAL OUTCOME

SMEs were asked about the final outcome of these applications.

8% 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, 62% of the applications made Q3 2021 to Q4 2022 and reported by Q4 2022 resulted in a facility, increasing markedly by size of applicant:

All applications with a response Q321-Q422	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<i>Unweighted base:</i>	843	147	321	301	74*
Offered facility wanted and took it	57%	52%	69%	84%	94%
Offered facility after issues	5%	4%	7%	3%	-
Took a different product from provider	*	-	-	1%	-
<i>Have facility</i>	62%	56%	76%	87%	94%
Offered facility but declined to take it	1%	1%	3%	1%	4%
Turned down for facility	37%	44%	21%	12%	2%

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:

- 2 applications (<1%) resulted in the applicant taking a different product to the one applied for, one a loan and one an overdraft.
- There were also a few occasions where something was offered but it was declined (1%, or 10 applications). Typically this was because the facility was seen as having too many terms and conditions or was too expensive.
- The applications that were turned down for a facility are reported on later in this chapter.

On limited base sizes, applications (for any product) made to either the main bank or a new provider were less likely to be successful (58% and 51%) than those made to an existing provider who was not the main bank (93%):

All applications Q321-Q422	Total	Main bank	Existing provider	New provider
Unweighted base:	843	483	168	102
Offered facility wanted and took it	57%	54%	68%	51%
Offered facility after issues	5%	3%	25%	*
Took a different product from provider	*	*	*	-
Have facility	62%	58%	93%	51%
Offered facility but declined to take it	1%	*	1%	4%
Turned down for facility	37%	42%	6%	45%

Q39/57 Applications made Q3 2021 to Q4 2022 and reported by Q4 2022 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 (unlike first time applications made during the pandemic which they were as likely to be successful), as were those applying online compared to those applying through another channel (typically smaller SMEs):

All applications Q321-Q422	Total	First time	Not first time	Online	Not online
Unweighted base:	843	392	426	360	442
Offered facility wanted and took it	57%	53%	61%	49%	66%
Offered facility after issues	5%	3%	7%	5%	5%
Took a different product from provider	*	*	*	-	*
Have facility	62%	56%	68%	54%	71%
Offered facility but declined to take it	1%	2%	*	1%	1%
Turned down for facility	37%	42%	31%	45%	28%

Q39/57 Applications made Q3 2021 to Q4 2022 and reported by Q4 2022 excluding those waiting to hear

The success rate reported for first time applicants (56%) is back in line with the 50-60% reported for first time loan and overdraft applicants in earlier Monitor reports but lower than the 84% success rate reported for the 18 months to Q4 2021, likely to have been affected by the schemes run with Government support.

ALL APPLICATIONS – THE FINAL OUTCOME OVER TIME

The table below shows overall success rates across six distinct 18 month periods, running from Q3 of one year to Q4 of the next, starting with Q3 2017 to Q4 2018 and continuing to the latest period Q3 2021 to Q4 2022. The exception is the period Q1 2021 to Q2 2022 which is included as the penultimate column below to give a ‘sense of direction’ for more recent applications.

These success rates are all based on an 18 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 2022 is still interim at this stage as further data about such applications will be gathered in 2023. A summary table of success rates for different products and providers is provided at the end of this chapter.

The table shows 62% of applications in the latest period resulted in a facility, somewhat lower than previously seen notably during the pandemic (in the 18 months to both Q4 2020 and to Q4 2021, 8 in 10 applications were successful):

Outcome by application period	Q317- Q418	Q3 18- Q4 19	Q3 19- Q4 20	Q3 20- Q4 21	Q1 21- Q2 22*	Q3 21- Q4 22*
<i>Unweighted base:</i>	1620	1552	3698	2245	1310	843
Offered facility wanted and took it	70%	65%	83%	79%	66%	57%
Offered facility after issues	6%	4%	2%	3%	4%	5%
Took a different product from provider	1%	2%	*	*	*	*
<i>Have facility</i>	77%	71%	85%	82%	70%	62%
Offered facility but declined to take it	5%	4%	2%	2%	1%	1%
Turned down for facility	18%	26%	12%	16%	29%	37%

Q39/57 All applications reported excluding those waiting to hear

*interim data

More analysis of applicants, applications and success rates over time can be found later on in this chapter.

ALL APPLICATIONS – NATURE OF FACILITY GRANTED

Of the 843 applications with a response, 682 were successful and resulted in a facility. 60% of all applications that had received a response, and 57% 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, are provided here.

The first table below shows the size of facility granted. As would be expected, this increases by size of applicant from 24% of applications made by those with 0 employee SMEs borrowing more than £25,000 (excluding dk answers) to all of those with 50-249 employees:

All successful applications Q321-Q422 – size of facility granted	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	682	94*	250	266	72*
Less than £5,000	22%	26%	17%	1%	-
£5,000 to £9,999	12%	13%	11%	5%	-
£10,000 to £24,999	25%	27%	24%	10%	*
£25,000 to £49,999	9%	9%	9%	13%	7%
£50,000 to £99,999	11%	8%	16%	29%	24%
£100,000 or more	8%	5%	12%	26%	61%
Don't remember	12%	12%	11%	16%	8%
£25,000+ excl DK	32%	24%	42%	82%	100%

Q41/59 All successful applications made Q321 to Q422 and reported to Q4 22

1 in 3 applications were granted a facility of £25,000 or more, and as the table below shows, this varied very little by provider (albeit new providers were more likely to be lending less than £5,000). On limited base sizes, around 1 in 6 of those granted a facility through an online platform received £25,000 or more.

All successful applications Q321-Q422 – size of facility granted	Total	Main bank	Existing provider	New provider
Unweighted base:	682	380	153	79*
Less than £5,000	22%	13%	13%	31%
£5,000 to £9,999	12%	10%	21%	21%
£10,000 to £24,999	25%	33%	26%	7%
£25,000 to £49,999	9%	11%	3%	9%
£50,000 to £99,999	11%	12%	15%	13%
£100,000 or more	8%	8%	13%	13%
Don't remember	12%	14%	9%	7%
£25,000+ excl DK	32%	36%	35%	37%

Q41/59 All successful applications made Q321 to Q422 and reported to Q4 2022

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 Q321-Q422

Security	<p>22% of all successful applications (excluding DK answers) required security, up from 14% for the 18 months to Q4 2021, but still lower than the more typical 4 in 10 pre-pandemic.</p> <p>There was little variation by provider type (20-23%), but security increased slightly by size of applicant: 20% of applications made by SMEs with 0 employees required security, 26% of those with 1-9 employees, 29% with 10-49 employees and 38% of those with 50-249 employees.</p>
Interest rate	<p>88% of successful applications were on a fixed interest rate (excluding DK answers), in line with the last report (83%) and still above pre-pandemic levels.</p> <p>Again there was little difference by provider type (86-95%) and no clear pattern by size of applicant: 93% of applications made by SMEs with 0 employees were on a fixed rate, 76% of those with 1-9 employees, 81% with 10-49 employees and 74% of those with 50-249 employees.</p>

Q42/60 and Q43/61 All successful applications made Q321 to Q422 and reported to Q422 excluding DK

ALL APPLICATIONS – THOSE THAT WERE UNSUCCESSFUL

37% of all applications made Q3 2021 to Q4 2022 were declined (excluding those waiting to hear). On limited base sizes, the profile of SMEs declined broadly matched the profile of those applying, with the exception of those with 0 employees. They made up 74% of applications but 88% of declines.

From Q3 2018 those declined have been asked what reasons were given by the provider for the decline. Of 146 declined applications Q3 2021 to Q4 2022, the key reasons were:

- A lack of track record (17%)
- A poor credit rating or credit issues (16%)
- A lack of available security and/or the provider didn't think they could afford it (15% each)
- Current business performance (12%)
- 9% 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.

85 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 Q321-Q422

Bank response	55% of these unsuccessful applicants said that the bank explained to them why it could not offer them the facility they had applied for. 15% were asked to supply more information, and 14% were referred to an external source of advice. 70% said that the bank had taken one or more of these actions (including on appeals or referrals described below).
Referrals	8% of these SMEs (5 applicants) said that they were offered the opportunity to have their application referred to an online platform. All took up the option: 4 were unsuccessful and 1 was waiting to hear.
Appeals	7% 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 made Q321 to Q422 and reported by Q422

ALL APPLICATIONS – IMPACT OF THE OVERALL PROCESS

All those who had applied for finance to meet a need for funding or 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. This was asked once for all the Type 1a applications they had made and once for all the Type 1b applications.

Satisfaction was somewhat lower than the 8 in 10 seen in previous periods, with 6 in 10 applications rated as having had a satisfactory outcome, with those from larger applicants remaining more likely to be seen as satisfactory:

All applications Q321-Q422– Application outcome satisfaction	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	843	147	321	301	74*
Very satisfied	38%	34%	45%	58%	83%
Fairly satisfied	21%	20%	25%	23%	8%
Satisfied	59%	54%	70%	81%	91%
Not very satisfied	6%	7%	5%	4%	3%
Not at all satisfied	32%	37%	23%	10%	6%
Don't know	3%	3%	1%	5%	-

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

Applications from smaller SMEs were less likely to be rated as satisfactory, having been more likely to be declined and the table below demonstrates the clear difference in satisfaction between those applications approved and those declined, from 90% satisfaction amongst those offered what they wanted, to 12% for those who were turned down, little changed from the last report:

All applications Q320-Q421– Application outcome satisfaction	Total	Offered what wanted	After issues	Turned down
Unweighted base:	843	644	36	150
Very satisfied	38%	62%	14%	4%
Fairly satisfied	21%	28%	37%	8%
Satisfied	59%	90%	51%	12%
Not very satisfied	6%	4%	3%	11%
Not at all satisfied	32%	3%	45%	76%
Don't know	3%	4%	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 almost half (47%) 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 Q321-Q422- Impact of application outcome	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	843	147	321	301	74*
Very satisfied	38%	34%	45%	58%	83%
No adverse impact	9%	8%	11%	12%	4%
Very satisfied / no adverse impact	47%	42%	56%	70%	87%
Running the business more of a struggle	34%	37%	28%	14%	-
Not expanded as would have liked	28%	30%	23%	12%	9%
Not improved business as would have liked	27%	31%	16%	9%	6%
Made spending cuts	23%	26%	15%	10%	6%
Deferred expenditure/investment	15%	17%	10%	5%	4%
Made staff redundant	12%	14%	10%	4%	6%
Other negative impact	10%	10%	9%	4%	6%
Don't know	3%	3%	1%	5%	-

Q48/66 and Q49/67 All applications made Q321 to Q422 and reported to Q422 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 mainly by those with 0 or 1-9 employees. Smaller SMEs were less likely to have been satisfied with the outcome of their application and also gave a wider range of answers about the impact, including not expanding and/or improving the business as they would have hoped.

The table below shows how impact varied by application outcome:

- 70% of applications where the SME was offered what they wanted were either very satisfactory or had caused no adverse effects. 1 in 5 of this group still found running their business to be more of a struggle.
- This compared to 18% very satisfied or no adverse impact for the small group where they had the facility after issues. Here, two thirds had not expanded as they wished and half had not improved the business and/or had to make spending cuts.
- There was little further change for those who had been declined (16% very satisfied or no adverse impact), where 54% reported that running the business was now more of a struggle, and 49% had not expanded and/or improved the business as they wanted.

All applications Q321-Q422- Impact of application outcome	Total	Offered what wanted	After issues	Turned down
Unweighted base:	843	644	36*	150
Very satisfied	38%	62%	14%	4%
No adverse impact	9%	8%	4%	12%
Very satisfied / no adverse impact	47%	70%	18%	16%
Running the business more of a struggle	34%	20%	30%	54%
Not expanded as would have liked	28%	10%	67%	49%
Not improved business as would have liked	27%	10%	48%	49%
Made spending cuts	23%	9%	57%	38%
Deferred expenditure/investment	15%	6%	16%	26%
Made staff redundant	12%	4%	15%	25%
Other negative impact	10%	4%	6%	20%
Don't know	3%	4%	1%	1%

Q48/66 and Q49/67 All applications made Q321 to Q422 and reported to Q422 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. 79% of applications involved one of 4 products: predominantly a bank loan (50%), then an overdraft (18%), leasing/hp (6%), or credit card (5%) and the analysis in this section covers the first 3 of these products where sample sizes are sufficiently robust.

Most bank overdraft and loan applications were made to the main bank. Bank loans were more likely to be from a first-time applicant and slightly more likely than overdrafts to have been applied for online. 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 Q321-Q422	Bank OD	Bank Loan	Leasing hp
Unweighted base:	138	429	90*
Applied in personal name	10%	7%	21%
Applied online	45%	51%	39%
Applied for the first time	36%	60%	38%

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. In the current period, a representative spread of applications would be 50% in H2 2021, 35% in H1 2022 and 15% in H2 2022. Each product followed a slightly different pattern:

- 6 in 10 loan applications across this period (62%) were made in H2 2021, slightly above an even distribution (50%) but more in line than in the last report when 8 in 10 had been made in H1 2020. The proportion made in H2 2022 was 7%, compared to the 15% of an even distribution.
- Overdraft applications were slightly less likely to have occurred in H2 2021 than predicted (43% v 50%) but more likely to have occurred in H1 2022 (43% v 35% predicted). 14% occurred in H2 2022, in line with an even distribution.
- Finally, leasing/hp applications, like loans, were slightly more likely to have occurred in H2 2021 (57% v 50% expected), then slightly less likely in H1 2022 (29% v 35% expected), leaving H2 2022 in line with expectations.

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

All applications Q321-Q422	Bank OD	Bank Loan	Leasing hp
<i>Unweighted base:</i>	123	403	87*
Offered facility wanted and took it	59%	53%	85%
Offered facility after issues	2%	3%	10%
Took a different product from provider	-	*	-
<i>Have facility</i>	61%	56%	95%
Offered facility but declined to take it	*	1%	1%
Turned down for facility	39%	43%	4%

Q39/57 All applications made Q321 to Q422 and reported to Q422 excluding those waiting to hear

Those applying for a bank loan were now as likely to be declined (43%) as those applying for a bank overdraft (39%). As previously, almost all applications for leasing/HP were successful.

THE FINAL OUTCOME OVER TIME – BY PRODUCT

The table below shows overall success rates across six distinct 18 month periods, starting with Q3 2017 to Q4 2018 and continuing to the latest period Q3 2021 to Q4 2022 where the data is still interim. The exception is the period Q1 2021 to Q2 2022 which is included as the penultimate column below to give a ‘sense of direction’ for more recent applications.

Note that these success rates are based entirely on data collected since Q1 2018 using the new questionnaire. 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.

The table for bank overdrafts shows a decline in success rates to 61% for the 18 months to Q4 2021 with success rates broadly stable since:

All applications outcome

by date of application – Bank overdraft	Q317- Q418	Q318- Q419	Q319- Q420	Q320- Q421	Q121- Q322*	Q321- Q422*
Unweighted base:	466	329	273	178	170	123
Offered facility wanted and took it	71%	65%	69%	59%	54%	59%
Offered facility after issues	6%	7%	2%	2%	2%	2%
Took a different product	2%	4%	2%	-	-	-
Have facility	79%	76%	73%	61%	56%	61%
Offered facility but declined to take	5%	3%	2%	3%	2%	*
Turned down for facility	16%	21%	24%	36%	42%	39%

Q39/57 All Applications reported Q118 to Q422 excluding those waiting to hear. *interim data

Most overdraft applications were made to the main bank and the success rates for such applications declined over the period shown from 79% to 61%. There were too few bank overdraft applications made to another provider to report on over time, but indicatively their success rates were similar.

The table for bank loans shows an initial slight decline in success rates (65% to 60% in the 18 months to Q4 2019) before an increase to 88% for the 18 months to Q4 2020 that was maintained for the 18 months to Q4 2021, reflecting the availability and uptake of Government backed loans during the pandemic. Since then however bank loan success rates have declined and were 56% in the 18 months to Q4 2022 (still partial data):

All applications outcome

by date of application – Bank loan	Q317- Q418	Q318- Q419	Q319- Q420	Q320- Q421	Q121- Q322*	Q321- Q422*
Unweighted base:	461	465	2399	1395	627	403
Offered facility wanted and took it	61%	57%	86%	81%	63%	53%
Offered facility after issues	2%	2%	2%	3%	3%	3%
Took a different product	2%	1%	*	1%	1%	*
Have facility	65%	60%	88%	85%	67%	56%
Offered facility but declined to take	6%	7%	1%	2%	1%	1%
Turned down for facility	28%	33%	10%	14%	32%	43%

Q39/57 All Applications reported Q118 to Q422 excluding those waiting to hear. *interim data

The success rates for loan applications made to the main bank followed the same recent pattern, 90% for the 18 months to Q4 2020 declining to 54% in the 18 months to Q4 2022. Amongst the smaller group of loans from other providers, success rates moved somewhat less, from 73% for the 18 months to Q4 2020 to 64% in the 18 months to Q4 2022.

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

All applications outcome

by date of application – Leasing/HP	Q317- Q418	Q318- Q419	Q319- Q420	Q320- Q421	Q121- Q322*	Q321- Q422*
<i>Unweighted base:</i>	220	262	200	129	114	87
Offered facility wanted and took it	91%	84%	88%	89%	88%	85%
Offered facility after issues	3%	3%	1%	7%	7%	10%
Took a different product	*	1%	*	*	-	-
<i>Have facility</i>	94%	88%	89%	96%	95%	95%
Offered facility but declined to take	2%	2%	2%	2%	2%	1%
Turned down for facility	3%	10%	8%	2%	3%	4%

Q39/57 All Applications reported Q118 to Q422 excluding those waiting to hear. *interim data

NATURE OF FACILITY GRANTED – BY PRODUCT

Leasing/HP facilities were the most likely to have been granted for £25,000 or more, followed by bank loans. Most bank overdrafts granted were for a smaller sum:

All successful applications Q321-Q422

– size of facility granted

	Bank OD	Bank Loan	Leasing hp
Unweighted base:	88*	320	83*
Less than £5,000	21%	15%	3%
£5,000 to £24,999	42%	41%	33%
£25,000 to £99,999	6%	27%	52%
£100,000 or more	2%	9%	9%
Don't remember	29%	8%	4%
£25,000+ excl DK	11%	40%	63%

Q41/59 All successful applications made Q321 to Q422 and reported to Q422

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 Q321-Q422

Security	22% of all successful applications (excluding DK answers) required security. 18% of bank overdrafts, 25% of leasing/hp facilities, and 24% of bank loans were secured (up from 10% in the last report).
Interest rate	9 in 10 successful applications were on a fixed interest rate (88% excluding DK answers). 98% of leasing/hp facilities and 94% of bank loans were on a fixed rate, compared to 59% of bank overdrafts.

Q42/60 and Q43/61 All successful applications made Q321 to Q422 and reported to Q422

IMPACT OF PROCESS – BY PRODUCT

The outcomes of 6 in 10 applications were satisfactory (59% overall), but 3 in 10 applications for a bank overdraft and 4 in 10 for a bank loan were not rated as satisfactory:

All applications Q321-Q422

– Application outcome satisfaction

	Bank OD	Bank Loan	Leasing hp
Unweighted base:	123	403	87*
Very satisfied	32%	40%	42%
Fairly satisfied	24%	14%	51%
Satisfied	57%	54%	93%
Not very satisfied	8%	7%	*
Not at all satisfied	25%	37%	6%
Don't know	11%	1%	1%

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

As the table below shows:

- Around half of applications for each product were either rated “very satisfactory” or had no adverse impact. Note that despite the much higher success rate, those applying for leasing/hp were more likely to have rated the application ‘fairly’ rather than ‘very’ satisfactory.
- The most common barriers were that running the business was more of a struggle and issues expanding and or improving the business (all these were mentioned slightly less by those who applied for an overdraft but they were more likely to be unable to provide an answer).

All applications Q321-Q422– Impact of application outcome

	Bank OD	Bank Loan	Leasing hp
Unweighted base:	123	403	87*
Very satisfied	32%	40%	42%
No adverse impact	11%	9%	4%
Very satisfied / no adverse impact	43%	49%	46%
Running the business more of a struggle	26%	38%	45%
Not expanded as would have liked	13%	28%	26%
Not improved business as would have liked	19%	27%	23%
Made spending cuts	12%	26%	23%
Deferred expenditure/investment	5%	18%	20%
Made staff redundant	7%	8%	21%
Other negative impact	8%	9%	4%
Don't know	11%	1%	1%

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 over time for different types of application:

- The overall success rate initially declined to 71% in the 18 months to Q4 2019, but during the pandemic increased to 85% for the 18 months to Q4 2020 and remained at that level for the 18 months to Q4 2021.
- As the Government backed schemes ended, both the number of applications and their success rates declined, reaching 62% in the 18 months to Q4 2022 (interim data).
- These lower success rates more recently were seen across all provider types and most markedly for loans. Success rates for overdrafts had declined over time to 61% for the 18 months to Q4 2021 and have been stable since:

All applications success rates						
by date of application – All with a facility	Q317- Q418	Q318- Q419	Q319- Q420	Q320- Q421	Q121- Q322*	Q321- Q422*
Unweighted base:	1620	1552	3698	2245	1310	843
All applications	77%	71%	85%	82%	70%	62%
All applications at main bank	74%	69%	88%	84%	68%	57%
All applications elsewhere	82%	72%	81%	80%	75%	68%
All overdraft applications	79%	76%	73%	61%	56%	61%
All loan applications	65%	60%	88%	85%	67%	56%
All leasing/hp applications	94%	88%	89%	96%	95%	95%

Q39/57 All Applications reported Q118 to Q422 excluding those waiting to hear. *interim data

Previous SMEFM reports have shown how success rates vary by both products and applicants and it is important to understand that success rates are not ‘One size fits all’. The latest success rate is at the low end of the range previously seen, but the change looks more stark against the higher success rates for the 18 months to Q4 2020 and to Q4 2021 influenced by the availability of Government backed facilities during the pandemic. Comparing the current success rate of 62% to these periods is therefore not comparing like with like.

A comparison instead between the latest 18 months to Q4 2022 and the 18 months to Q4 2019 may provide better insight into what is affecting the current success rate, starting with the type of applications made. As the table below shows:

- Half of the applications in the more recent period were for loans, compared to just over a third in the earlier period. As the loan success rate (reported above) moved from 60% to 56%, having more loans in the mix for the 18 months to Q4 2022 increased the negative impact on overall success rates.
- Meanwhile the success rate for leasing/hp increased from 88% to 95%, but fewer applications were made for these products in the 18 months to Q4 2022 (5% from 12%) so the overall success rate did not benefit as much as it might have from this increase.

Application information by date of application	Q318-Q419	Q321-Q422
Unweighted base:	1552	848
All applications successful	71%	62%
All applications declined	26%	37%
% of applications that were loans	37%	51%
% of applications that were overdrafts	28%	16%
% of applications that were leasing /hp	12%	5%

Similar analysis can be done looking at the types of SMEs that were applying for finance and the relative change in decline rates, as shown in the table below.

This shows that:

- In the 18 months to Q4 2022, a larger proportion of applications were from 0 employee SMEs than in the 18 months to Q4 2019 (75% v 55%)
- At the same time the success rates for the applications those 0 employee SMEs made fell from 63% to 56%, increasing the impact on overall success rates.
- This also meant that a smaller proportion of applications came from those with employees, where success rates were little changed:

% of applications & % declined for any facility by date of application	% of applns Q318-Q419	% of applns Q321-Q422	Success rate Q318-Q419	Success rate Q321-Q422
<i>Unweighted base (overall):</i>	1552	848	1552	848
All applications	100%	100%	71%	62%
0 employee	55%	75%	63%	56%
1-9 employees	35%	22%	76%	76%
10-49 employees	10%	4%	86%	87%
50-249 employees	*	*	98%	94%

There was a similar type of impact from an increasing proportion of applications coming from Starts, and the success rate being lower in the 18 months to Q4 2022, but the base sizes are too small to report at this stage.