



# Supporting SMEs: unlocking finance

Finance & Leasing Association and  
Association of Chartered Certified Accountants

Conservative and Labour Party Conference Roundtables 2018



Think Ahead



## The Issue

The Finance & Leasing Association (FLA) and the Association of Chartered Certified Accountants (ACCA) joined forces at the 2018 Labour and Conservative Party Conferences to highlight the fact that SMEs – which represent the vast majority of UK firms – need more help to find the right finance at the time.

Too many businesses simply opt for traditional funding sources – like a bank loan, overdraft or a company or personal credit card – without realising that a more tailored and appropriate option would make better financial sense. With Brexit fast approaching, Government and other public agencies need to take action to help close this knowledge gap, by enhancing and better coordinating disparate pieces of existing support for small businesses to create a comprehensive and easily-accessible information framework.

Measures discussed at the Party Conference events included a web-based “first-stop-shop” for SMEs seeking finance, probably hosted by the British Business Bank (BBB). This would link to a high-quality regional advice network for SMEs, provided by better-resourced Local Enterprise Partnerships and Growth Hubs. At the same time, the current regulatory system for business finance – both prudential and conduct – should be modernised post-Brexit to improve the flow of finance to SMEs. Alongside these measures, the Small Business Commissioner would be given new responsibilities for keeping regulation under review on behalf of the Government, and for sign-posting small businesses to sources of advice.

We hope that politicians of all parties will support this practical set of measures, which would help improve UK productivity and competitiveness.



## Challenges

**Challenge:** Participants suggested that many UK businesses do not recognise that for almost all funding requirements there is a suitable funding solution. Even if they do, they often do not know where to find it. This problem is most acute among smaller firms, because business owners have little time to look around for suitable finance and may lack the relevant business management skills. In addition, the current disjointed and patchy advice framework frequently fails to provide reliable local information about finance and where to find it.

**Solution:** Infrastructure already exists to support SMEs. It needs to be better coordinated and resourced.

This should include an on-line “first stop shop” for SMEs seeking finance at all stages of growth. The BBB would be well-placed to host and run such a resource, which would combine features of several of its current publications, and build on its existing Finance Your Growth

site. The new portal would include information on the full range of finance options available (local and national), an easy-to-use path which firms could follow to help them decide which finance options best suited their circumstances, information on the relevant lenders, and a referral to their Local Enterprise Partnership (LEP) and/or Growth Hub.

Consistent and continued funding for the LEPs and Growth Hubs will be another important element of a fully functional advice system. The LEPs and Hubs are well-placed to provide face-to-face information to businesses about how and where to seek finance locally. But the expertise currently available varies very widely across regions. A baseline of minimum standards for staffing and services is urgently needed.

The remit of the Small Business Commissioner’s Office should also be widened to include signposting SMEs to sources of information on finance.



**Challenge:** Participants noted the growing regulatory burden on small firms – ranging from rules which deter international investors and the way current State Aid rules inhibit local investment decisions, to the challenge of complying with the increasingly Byzantine (and often over-interpreted) Anti-Money Laundering Regulations. Added to this, lenders – including challenger banks – were constrained both by capital adequacy requirements not well-tailored to forms of finance like leasing, and by out-of-date Consumer Credit Act (CCA) rules designed for individual consumers but applied to hundreds of thousands of very small businesses.

**Solution:** A more proportionate and holistic approach to regulation affecting small business and those who fund them.

The Small Business Commissioner's Office should be given responsibility for keeping under review the regulations affecting SMEs, and reporting periodically to the Government and the relevant regulators where change is needed.

The capital adequacy rules should be amended where they apply to leasing and other similar types of lending where the risks to the lender are, by definition, lower. Brexit affords an opportunity to address this.

The Financial Conduct Authority's (FCA) current review of the CCA is timely. Major change is needed, both in the conduct rules as they apply to small business lending, and in the position of the current regulatory boundary.

In reviewing the State Aid regime post-Brexit, the opportunity should be taken to develop a bespoke support model which encourages local solutions to local investment issues.

# Participants

**Gordon Andrews**, Managing Director,  
Bathgate Business Finance

**Neil Ashbridge**, Chair, Liverpool & Sefton  
Chambers of Commerce

**Liz Barclay**, Freelance Journalist (Chair)

**Paul Bithrey FCCA**, Director, Foxley  
Kingham. Chairperson, ACCA Practitioners  
Network Panel

**Joel Blake OBE**, Executive Officer for  
Growing Businesses Business and Access  
to Finance, Greater Birmingham & Solihull  
Local Enterprise Partnership

**Stephen Bottley**, Partner, DLA Piper

**Ian Cass**, Managing Director,  
Forum of Private Business

**Mike Cherry**, National Chairman,  
Federation of Small Businesses.  
Director at W.H. Mason & Son Ltd

**Glenn Collins FCCA**, Head of Technical  
Advisory, Association of Chartered  
Certified Accountants

**Alan Cunningham**, Partner, DLA Piper

**Andy Devaney**, Business Growth  
Manager, Liverpool City Region Local  
Enterprise Partnership

**Anneliese Dodds MP**,  
Shadow Financial Secretary

**Peter Eaton**, Technical Sales &  
Marketing Manager, U.K. at arensis corp

**Bill Esterson MP**,  
Shadow Small Business Minister

**John Glen MP**,  
Economic Secretary to the Treasury

**Simon Goldie**, Head of Asset Finance,  
Finance & Leasing Association

**Lisa Greenhalgh**, CEO, Merseyside  
Special Investment Fund

**The Rt Hon Lord Hunt of Wirral MBE**,  
Co-Chair, All-Party Parliamentary Group  
for Insurance and Financial Services

**Raj Kandola**, Senior Policy and Patron  
Advisor, Greater Birmingham Chambers  
of Commerce

**Will Kerton**, Partner, Churchfields Saltworks  
& Churchfields Farm Ice Cream

**Nigel Mills MP**, Chair, All-Party Parliamentary  
Group on Business, Finance & Accountancy

**Louise Neave**, Legal Director, DLA Piper

**Mark Pawsey MP**, Member, Business Energy  
and Industrial Strategy Committee

**Mark Rea**, Director, F & M Finance

**The Rt Hon John Redwood MP**, Chair of  
the 1922 Policy Committee on the Economy

**Paul Roberts**, Head of Specialist Finance,  
White Oak UK (FLA member)

**Lee Rowley MP**, Vice Chair of the All-Party  
Parliamentary Group on Alternative Lending.  
Member, Public Accounts Committee

**Edward Simpson**, Head of Government  
Affairs, Finance & Leasing Association

**Stephen Sklaroff**, Director General,  
Finance & Leasing Association

**Paul Uppal**, Small Business Commissioner

**Anthony Walters**, Head of Public  
Affairs, Association of Chartered  
Certified Accountants

**Alan Woods FCCA**, Managing Director,  
Woods Squared

**Gavin Wraith-Carter**, Managing Director,  
Hitachi Capital Business Finance

## **FLA**

The Finance & Leasing Association is the leading trade body for the asset, consumer and motor finance sectors in the UK, and the largest organisation of its kind in Europe.

Our members include banks and their subsidiaries, the finance arms of leading retailers and manufacturing companies, and a range of independent firms.

In 2017, our members provided £128 billion of new finance. £96 billion of this was in the form of consumer credit to support purchases ranging from cars to household goods and £32 billion was provided to businesses and the public sector, representing over a third of UK investment in machinery, equipment and purchased software in the UK last year. £19 billion of this went to SMEs.

## **ACCA**

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants, offering business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

ACCA supports its 208,000 members and 503,000 students in 179 countries, helping them to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of 104 offices and centres and more than 7,300 Approved Employers worldwide, who provide high standards of employee learning and development. Through its public interest remit, ACCA promotes appropriate regulation of accounting and conducts relevant research to ensure accountancy continues to grow in reputation and influence.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. More information is here: [www.accaglobal.com](http://www.accaglobal.com)

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