

EAST ANGLIAN FSB BANKING FORUM
13th January 2012.

Attended East Anglian FSB Banking Forum at Lynford Hall Hotel, Mundford on Friday 13th January.

Forum organised by FSB in conjunction with David Ruffley MP and Elizabeth Truss MP.

MP's present:

David Ruffley	Conservative	Bury St Edmunds
Elizabeth Truss	Conservative	South West Norfolk
Chloe Smith (Economic Secretary to the Treasury)	Conservative	Norwich North
Therese Coffee	Conservative	Suffolk Coastal
Keith Simpson	Conservative	Broadland
Norman Lamb	Liberal Democrat	North Norfolk
George Freeman	Conservative	North Norfolk
Brandon Lewis	Conservative	Great Yarmouth
Richard Bacon	Conservative	South Norfolk
Simon Wright	Liberal Democrat	Norwich South
Peter Aldous	Conservative	Waveney

Bank representative present:

James Howlett	HSBC	Area Commercial Director
Peter Ibbetson	RBS	Chairman – Small Business Banking
James Cliffe	Barclays	Divisional Director
Steven Elsom	Lloyds TSB	Area Director Commercial Banking
Martyn Dawson	Santander	Regional Director Commercial Banking

The meeting was opened by Elizabeth Truss MP who gave us an overview of the purpose of the meeting. She highlighted the following concerns of her constituents:

- Terms of lending
- High interest rates
- Security required
- 'Computer says NO!' culture
- Difficulties switching accounts

Chloe Smith MP, Economic Secretary to the Treasury gave us an outline of the UK economy and the measures taken so far by the government to help small businesses. Her main points were:

- The scale of the challenge is enormous. Government borrowing as a proportion of national income was the highest on record outside of war time but is now falling.
- The boom preceding the recession was unsustainable and the recession was deeper than first thought
- There is a need to re-balance the economy from an over reliance on financial services to a more export led 'real' economy. In addition, a change in balance from the public sector to the private sector is needed.
- A reform in banking is required.
- Situation in the Eurozone is worse than in the UK, but the UK is not immune from the problems. Our trading links with Europe make us very vulnerable.
- European situation is highly volatile.
- What started as a private debt crisis has become a sovereign debt crisis.

The Government have introduced the following measure:

- Corporation tax has been reduced
- Small Business Rate Relief has been extended for a further year
- Reduction in regulation facing small business
- Infrastructure projects in respect of rail, road and broadband
- Enterprise Finance Guarantee Scheme
- Enterprise Capital Fund
- National Loan Guarantee Scheme
- Business Finance Partnership

The MP's attending each spoke for a few minutes highlighting the problems with the banking sector experienced by business people in their constituencies and issues/ opportunities relevant to the SME sector. The following points were raised:

- Difficulties with dialogue
- Need to export beyond Europe to BRIC economies
- Unilateral changes in terms of business
- Opportunities available in offshore energy
- Homebuilding sector
- Banks' focus on investment banking instead of retail banking
- Access to finance
- Provision of mentors
- Right of appeal for loans refused. In 2010, 35% of these appeals were successful suggesting that there is a problem with the first decision!
- Highly concentrated industry

- Need for more 'Community Banks' as in Europe and USA
- Eastern Region opportunities in food, medicine and energy industries
- Help with cashflow
- Credit unions
- Relationship banking

The banking representatives were invited to speak in turn.

James Howlett – HSBC

- Stressed their international heritage and invited people to contact him directly if they had problems with HSBC

Peter Ibbetson – RBS

- Willing to help SME's but not if it meant losing money
- Has an appetite to lend
- Wants to help reduce risk for customers
- Help customers reduce cost
- Average lending rate is 3.6%

James Cliffe – Barclays

- Believe they offer real value
- Run seminars for customers
- Lending clinics to help customers understand the process
- Particular help with start-ups
- More expertise in their 'intensive care' section
- Local managers have industry specialisms

Steven Elsom – Lloyds TSB

- Has 70 relationship managers in the region with discretionary lending power
- Education programme to give all managers hands-on experience in businesses
- Improve communications with agencies such as Foundation East
- Improve dialogue with customers

Martyn Dawson – Santander

- Santander are new kids on the block having taken over Alliance & Leicester and Abbey
- Little Corporate history
- Now has 33 Business Managers
- Met its Merlin Targets
- Has a high growth fund
- Advice initiatives

The floor was opened for questions.

It soon became clear that although the banking representatives had taken the time to engage and had given us their corporate line, they were living in what seemed to be a parallel universe. The

stories told by the bankers just did not match the experience of the people in the room.

All the bankers stressed their desire to build relationships with their customers and recognised that if they did not support their customers, they would lose them and consequently cease to exist.

There was recognition that the banks had got it wrong and needed to change. They have an almost impossible task requiring them to rebuild their Balance Sheets, reduce the risk of their lending and at the same time increase their lending to customers. It was recognised by the MP's that this was an impossible task.

Following closing comments from Robin Twigge of the FSB, David Ruffley summed-up the meeting. It was agreed that an increased dialogue would take place between the banks and the FSB / MP's with two or three forums per annum attended by nominated banking representatives and MP's and an annual banking forum along today's lines.

The meeting ended at 13:15..

James Davey
13th January 2012.

Further Reading:

Enterprise Finance Guarantee (EFG)

How does it work? EFG is a loan guarantee scheme designed to facilitate additional lending to viable SMEs lacking the security or proven track record for a commercial loan. It is not a replacement for commercial products and will account for 1%-2% of total lending to SMEs. The Government provides the lender with a 75% guarantee for each individual loan, subject to a cap on total claims arising from a Lender's portfolio.

Enterprise Capital Funds (ECFs)

What are they? For many young innovative firms equity finance is the best option to reach their high growth potential but many struggle to obtain this form of finance. This is often because the relative high costs of undertaking due diligence in early stage companies, in relation to the deal size, often means that investors prefer to make larger investments in later stage companies. This disconnect is called the 'equity gap'. Enterprise Capital Funds (ECFs) address this market weakness.

The National Loan Guarantee Scheme (NLGS)

This is a new Scheme that was announced by the Government on the 29 November and will be launched soon.

How does it work? The scheme will allow banks to raise up to £20bn of funding guaranteed by the Government, to lend directly to smaller businesses at a lower cost.

Business Finance Partnership (BFP)

This is a new Scheme that was announced by the Government on the 29 November and will be launched soon.

How does it work? The BFP will invest an initial £1bn in loan funds, alongside private sector co-investors. These funds will then lend to mid-sized businesses, helping to diversify the channels of finance available to them. The Government will also consider options for investing through other non-bank lending channels that reach SMEs.

For more information see <http://www.bis.gov.uk/policies/enterprise-and-business-support/access-to-finance>