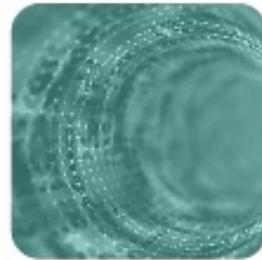
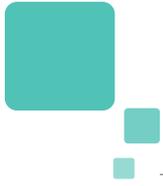


7. An initial summary of all overdraft and loan events



This chapter provides

the full definition of each borrowing event together with summary tables of their occurrence. Subsequent chapters then investigate these events in more detail, and over time. The chapter covers the individual waves of interviews conducted to date. In each wave, SMEs have been asked about borrowing events in the previous 12 months, so overall, borrowing events may have occurred from Q2 2010 to Q4 2017. Where year-ending data is provided this is YEQ4 2017.



Key findings

Demand for loan and overdraft finance remained limited but there were some signs in Q4 2017 of a slight increase in new applications and renewals:

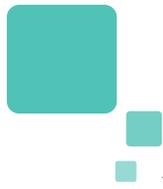
- In the first half of 2016, 6% of SMEs had applied for a new or renewed loan or overdraft facility. Immediately post referendum, this fell slightly to 4% and remained at this lower level for the rest of 2016 and to Q3 2017
- In Q4 2017, 7% of SMEs reported that they had applied for a new/renewed facility (with a slight increase in both new and renewal applications) back to levels seen in Q4 2015
- On an annual basis, 5% of SMEs reported an application for new/renewed finance in 2017 as a whole, in line with 2016 but at half the level seen in 2012 (11%). Excluding the PNBs increases the figure for 2017 to 9%, also in line with 2016 but lower than 2012 (16%).

Both loan and overdraft events have halved since 2012 but there are signs of more applications being made in 2017:

- In 2012 8% of SMEs reported a new or renewed overdraft application in the previous 12 months, declining over time to 3% in 2016 and 4% in 2017
- For loans the decline has been from 4% in 2012 to 2% in both 2016 and 2017
- An analysis of when those applications were made showed that fewer applications were made during 2016 than would have been expected. Overdraft applications showed signs of increase in 2017, loans were more in line with the proportion expected (assuming an even distribution over time)
- In 2017, an additional 9% of all SMEs reported the automatic renewal of an overdraft.

12% of SMEs had applied for one of the other forms of finance recorded, typically leasing/HP or a credit card. This was also slightly lower than in 2012 when 15% had applied:

- Most SMEs (77%) had reported neither a loan or overdraft event nor an application for another form of finance, up from 68% in 2012.



All SMEs reported on activities occurring in the 12 months prior to interview concerning borrowing on loan or overdraft. These borrowing events have been split into three types, defined as follows:

- Type 1, where the SME had applied for a new facility or to renew/roll over an existing facility
- Type 2, where the bank had sought to cancel an existing borrowing facility or renegotiate an existing facility
- Type 3, where the SME had sought to reduce an existing borrowing facility or pay off an existing facility.

This chapter provides analysis on loan and overdraft events reported in interviews conducted to YEQ4 2017. This provides bigger base sizes and more granularity for sub-group analysis, such as by employee size band. Where possible, analysis has also been shown over time.

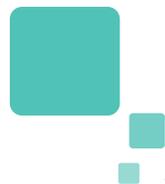
The rolling aggregate of demand/activity

The table below shows the percentage of all SMEs interviewed in recent quarters that reported a loan or overdraft borrowing event in the 12 months prior to interview. Type 1 events remained the most common and the Q4 2017 figure (7%) was the highest seen since Q4 2015:

Borrowing events in the previous 12 months

All SMEs- over time By date of interview	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Unweighted base:	5003	4500	4500	4500	4500	4500	4507	4505	4500
Type 1: New application/renewal	7%	6%	6%	4%	4%	4%	4%	4%	7%
Applied for new facility (any)	4%	3%	3%	2%	3%	2%	2%	2%	4%
Renewed facility (any)	4%	3%	3%	2%	2%	2%	2%	2%	4%
Type 2: Cancel/renegotiate by bank	3%	2%	2%	1%	2%	1%	1%	1%	2%
Type 3: Chose to reduce/pay off facility	2%	1%	1%	*	1%	1%	2%	1%	2%

Q25/26 All SMEs



In the previous chapter of this report it was noted that almost half of SMEs met the definition of a Permanent non-borrower and therefore appeared disinclined to use external finance. The table below excludes those PNBs from the sample, and shows the higher proportion of remaining SMEs that had an event as a result.

In Q4 2017, 12% of SMEs (excluding the PNBs) reported a Type 1 event in the 12 months prior to interview, also the highest proportion since Q4 2015:

Borrowing events in the previous 12 months

All SMEs, excluding

PNBs over time

By date of interview

	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Unweighted base:	3338	2854	3008	2755	3017	3011	3038	2890	3001
Type 1: New application/renewal	12%	11%	10%	7%	7%	8%	8%	8%	12%
Applied for new facility (any)	6%	6%	6%	4%	5%	4%	4%	4%	7%
Renewed facility (any)	7%	6%	6%	4%	3%	4%	4%	5%	6%
Type 2: Cancel/renege by bank	5%	5%	5%	3%	4%	2%	3%	2%	3%
Type 3: Chose to reduce/pay off	3%	2%	2%	1%	2%	1%	4%	2%	3%

Q25/26 All SMEs



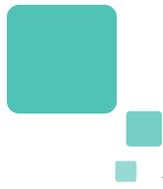
Events in the 12 months prior to interview, by key demographics

The remainder of this chapter looks in more detail at the types of SME that were more or less likely to report any of the loan or overdraft events specified. In order to provide robust sub-sample groups, these are reported below for YEQ4 2017, and, unless otherwise stated, are based on all SMEs.

The table below shows how SMEs with employees remained more likely to have experienced a Type 1 event and that for the largest SMEs this was more likely to be a renewal than an application for a new facility:

Borrowing events in the previous 12 months		0	1-9	10-49	50-249
YEQ4 17 all SMEs	Total	emp	emps	emps	emps
Unweighted base:	18,012	3607	5804	5801	2800
Type 1: New application/renewal	5%	4%	8%	11%	10%
Applied for new facility (any)	3%	2%	4%	5%	3%
- applied for new loan	1%	1%	2%	3%	2%
- applied for new overdraft	2%	2%	2%	2%	1%
Renewed facility (any)	3%	2%	5%	7%	8%
- renewed existing loan	1%	*	2%	3%	3%
- renewed existing overdraft	2%	2%	4%	6%	6%
Type 2: Cancel/renegotiate by bank	1%	1%	2%	2%	3%
Bank sought to renegotiate facility (any)	1%	1%	2%	2%	3%
- sought to renegotiate loan	*	*	1%	1%	1%
- sought to renegotiate overdraft	1%	*	1%	1%	2%
Bank sought to cancel facility (any)	1%	*	1%	1%	1%
- sought to cancel loan	*	*	1%	*	*
- sought to cancel overdraft	*	*	*	*	*
Type 3: Chose to reduce/pay off facility	1%	1%	2%	2%	3%
- reduce/pay off loan	1%	1%	1%	2%	2%
- reduce/pay off overdraft	1%	1%	1%	1%	1%

Q25/26 All SMEs – does not include automatic renewal of overdraft facilities



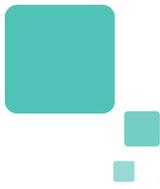
Excluding those SMEs with no employees increased the incidence of Type 1 events to 8% of SMEs with employees, of Type 2 events to 2% and of Type 3 events to 2%.

Experience of events was slightly higher for those with a minimal or low risk rating, due to more renewals:

Borrowing events in the previous 12 months

YEQ4 17 – all SMEs	Total	Min	Low	Avg	Worse/ Avg
Unweighted base:	18,012	3086	5460	4186	3876
Type 1: New application/renewal	5%	7%	6%	5%	4%
Applied for new facility (any)	3%	3%	3%	3%	3%
- applied for new loan	1%	2%	1%	1%	1%
- applied for new overdraft	2%	1%	2%	1%	2%
Renewed facility (any)	3%	5%	4%	3%	2%
- renewed existing loan	1%	2%	1%	1%	*
- renewed existing overdraft	2%	4%	3%	3%	2%
Type 2: Cancel/renege by bank	1%	1%	2%	1%	1%
Bank sought to renegotiate facility (any)	1%	1%	2%	1%	1%
- sought to renegotiate loan	*	*	1%	1%	*
- sought to renegotiate overdraft	1%	1%	1%	*	*
Bank sought to cancel facility (any)	1%	*	1%	1%	*
- sought to cancel loan	*	*	*	*	*
- sought to cancel overdraft	*	*	*	*	*
Type 3: Chose to reduce/pay off facility	1%	3%	2%	1%	1%
- reduce/pay off loan	1%	2%	1%	1%	*
- reduce/pay off overdraft	1%	1%	1%	1%	1%

Q25/26 All SMEs with external risk rating

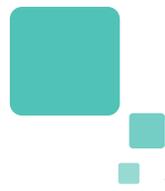


Those in Agriculture remained somewhat more likely to report a Type 1 event, again due to more renewals:

Borrowing events in last 12 months

YEQ4 17 – all SMES	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	1202	1501	3200	1800	1200	2004	3603	1502	2000
Type 1: New application/ renewal	9%	6%	4%	7%	6%	5%	5%	3%	4%
Applied for new facility (any)	3%	3%	2%	4%	3%	3%	3%	2%	2%
- applied for new loan	2%	2%	1%	2%	2%	2%	1%	1%	1%
- applied for new overdraft	2%	2%	1%	2%	2%	2%	2%	2%	1%
Renewed facility (any)	6%	4%	2%	4%	4%	3%	2%	1%	2%
- renewed existing loan	2%	1%	*	1%	2%	*	*	1%	*
- renewed existing overdraft	5%	3%	2%	4%	3%	2%	2%	1%	2%
Type 2: Cancel/ renegotiate by bank	3%	2%	1%	1%	3%	1%	1%	1%	2%
Bank sought to renegotiate facility (any)	2%	1%	1%	1%	2%	1%	1%	1%	1%
- sought to renegotiate loan	1%	*	*	1%	1%	1%	*	*	*
- sought to renegotiate overdraft	1%	1%	*	1%	1%	1%	*	1%	1%
Bank sought to cancel facility (any)	1%	1%	1%	1%	1%	*	*	*	1%
- sought to cancel loan	1%	*	*	*	1%	*	*	*	*
- sought to cancel overdraft	*	*	*	*	1%	*	*	*	*
Type 3: Chose to reduce/ pay off facility	2%	2%	1%	2%	2%	2%	1%	1%	1%
- reduce/pay off loan	1%	1%	*	1%	1%	1%	1%	1%	1%
- reduce/pay off overdraft	1%	1%	*	1%	1%	1%	*	1%	1%

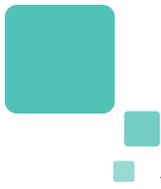
Q25/26 All SMEs



The table below repeats this detailed analysis for all SMEs once the Permanent non-borrowers had been excluded from the SME population. The incidence of Type 1 events (applications/renewals) increased as a result from 5% to 9% of remaining SMEs:

Borrowing events in the previous 12 months	Total	All excl. PNBs
YEQ4 17 – all SMEs		
Unweighted base:	18,012	11,940
Type 1: New application/renewal	5%	9%
Applied for new facility (any)	3%	5%
- applied for new loan	1%	2%
- applied for new overdraft	2%	3%
Renewed facility (any)	3%	5%
- renewed existing loan	1%	1%
- renewed existing overdraft	2%	4%
Type 2: Cancel/renege by bank	1%	3%
Bank sought to renegotiate facility (any)	1%	2%
- sought to renegotiate loan	*	1%
- sought to renegotiate overdraft	1%	1%
Bank sought to cancel facility (any)	1%	1%
- sought to cancel loan	*	1%
- sought to cancel overdraft	*	*
Type 3: Chose to reduce/pay off facility	1%	2%
- reduce/pay off loan	1%	1%
- reduce/pay off overdraft	1%	1%

Q25/26 All SMEs/all excluding the Permanent non-borrowers



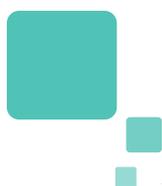
Other business demographics showed limited variation in incidence of a Type 1 event YEQ4 2017:

Demographic	Incidence of Type 1 events reported YEQ4 2017
Age of business	The incidence of Type 1 events continued to vary only slightly by age of business (from 3% of Starts to 6% of those trading for 10-15 years).
Profitable SMEs	Those who had made a loss remained somewhat more likely to report a borrowing event (7%), compared to those who had made a profit (5%) or broken even (3%).
Growth	Those who had either grown by 20% or more, or declined in size, in the past year were slightly more likely to have had a Type 1 event: Grown 20%+ 9% Grown by less than this 5% Stayed the same size 4% Declined 6%.
Importers/exporters	Those engaged in international trade were only slightly more likely to have had an event (7%) than those who were not (4%).

The next analysis focuses specifically on Type 1 events and on the SMEs more or less likely to report such an event.

The first table below shows the proportion reporting a Type 1 event over recent quarters, overall and by key demographics. All size bands saw a decline in reported applications in the second half of 2016. For the 0 and 1-9 employee SMEs this lower level of demand continued until a slight increase in the most recent quarter, while for larger SMEs demand started to improve in Q2 2017.

The subsequent table takes the longer term annual view from 2012. This shows that Type 1 borrowing events (a new or renewed loan or overdraft facility) halved, from 11% of all SMEs in 2012 to 5% in 2017, and this was also the case once the PNBs had been excluded. This was due to the steady decline in applications from 0 employee SMEs (9% to 4%), while amongst larger SMEs appetite for finance in 2017 was slightly higher than in 2016.



Had any Type 1 event

New application/renewal

By date of interview

Over time – row percentages

	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
All SMEs	7%	6%	6%	4%	4%	4%	4%	4%	7%
0 employee	5%	4%	5%	3%	4%	3%	3%	3%	5%
1-9 employees	12%	9%	8%	5%	6%	6%	8%	8%	10%
10-49 employees	13%	12%	10%	6%	9%	8%	11%	11%	13%
50-249 employees	13%	10%	8%	6%	6%	8%	12%	9%	11%
Minimal external risk rating	11%	6%	6%	6%	5%	4%	6%	7%	13%
Low external risk rating	9%	10%	7%	4%	6%	6%	5%	5%	7%
Average external risk rating	7%	6%	5%	4%	3%	4%	4%	3%	9%
Worse than average external risk rating	6%	5%	5%	3%	4%	4%	4%	4%	5%
Agriculture	10%	11%	5%	12%	7%	10%	7%	11%	9%
Manufacturing	12%	7%	7%	5%	3%	4%	6%	6%	10%
Construction	5%	6%	6%	2%	4%	4%	2%	2%	6%
Wholesale/Retail	6%	10%	7%	7%	7%	5%	6%	6%	10%
Hotels & Restaurants	16%	9%	9%	6%	5%	4%	7%	5%	8%
Transport	6%	5%	4%	2%	2%	5%	5%	4%	6%
Property/Business Services etc.	6%	2%	4%	2%	5%	4%	6%	4%	4%
Health	7%	4%	5%	2%	4%	1%	2%	2%	7%
Other Community	7%	7%	8%	5%	2%	3%	2%	4%	8%
All SMEs excluding Permanent non-borrowers	12%	11%	10%	7%	7%	8%	8%	8%	12%

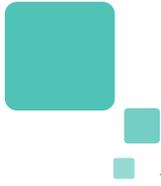
Q26 All SMEs: base size varies by category



The longer term view shows the decline in Type 1 borrowing events (a new or renewed loan or overdraft facility) from 2012, led by those with 0 employees:

Type 1 borrowing events						
Over time – all SMEs						
Row percentages	2012	2013	2014	2015	2016	2017
All	11%	8%	8%	7%	5%	5%
0 emp	9%	6%	6%	5%	4%	4%
1-9 emps	16%	13%	12%	12%	7%	8%
10-49 emps	19%	15%	15%	13%	9%	11%
50-249 emps	19%	14%	12%	10%	8%	10%
Minimal external risk rating	13%	9%	10%	8%	6%	7%
Low	13%	10%	9%	11%	7%	6%
Average	10%	7%	7%	7%	4%	5%
Worse than average	11%	7%	7%	6%	4%	4%
Agriculture	18%	13%	14%	12%	9%	9%
Manufacturing	11%	9%	10%	9%	5%	6%
Construction	10%	7%	7%	5%	5%	4%
Wholesale/Retail	14%	10%	10%	10%	8%	7%
Hotels & Restaurants	16%	12%	9%	11%	7%	6%
Transport	10%	9%	6%	6%	3%	5%
Property/ Business Services	10%	6%	6%	6%	3%	5%
Health	6%	5%	6%	5%	4%	3%
Other	10%	5%	8%	8%	6%	4%
All excl PNBs	16%	13%	13%	13%	9%	9%

Q26 All SMEs



The remainder of this chapter provides some further information on the proportion of SMEs that reported a Type 1 new or renewed loan or overdraft event in the 12 months prior to interview, both over time and by key demographics. It also includes data on the proportion of overdrafts that have been ‘automatically renewed’ by the bank, rather than a formal review being conducted

(something which has not been included in the data reported in the first part of this chapter).

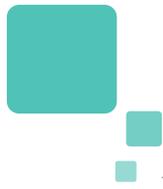
Type 2 (bank cancellation or renegotiation) and Type 3 (SME reducing/repaying facility) events remained rare and at stable levels and from Q3 2014 no further questions were asked about the detail of these events. This will be reviewed should the proportion of SMEs reporting such events start to increase.

Subsequent chapters of this report investigate those SMEs that had applied for a new overdraft or loan facility or to renew an existing one (a Type 1 event), and the outcome of that application by application date.

- SMEs were only asked these follow up questions for a maximum of one loan and one overdraft event. Those that had experienced more than one event in a category were asked which had occurred most recently and were then questioned on this most recent event. Base sizes may therefore differ from the overall figures reported above.

While reflecting on these events, it is important to bear in mind that 38% of SMEs used external finance while less than 1 in 10 reported one of the Type 1 borrowing ‘events’ in the previous 12 months. Indeed, around half of SMEs might be considered to be outside the borrowing process – the Permanent non-borrowers described earlier.

A later chapter reports on those SMEs that had not had a borrowing event in the 12 months prior to interview and explores why this was the case.



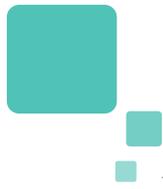
Loan and overdraft applications

As the table below shows, the proportion of SMEs having had any Type 1 **overdraft** event in the 12 months prior to interview has been fairly stable over recent quarters, but with somewhat higher results in Q4 2017. This was also true once the Permanent non-borrowers were excluded:

Overdraft events in previous 12 months

All SMEs– over time By date of interview	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Unweighted base:	5003	4500	4500	4500	4500	4500	4507	4505	4500
Applied for a new overdraft	2%	2%	2%	1%	2%	2%	2%	1%	2%
Renewed an existing overdraft	3%	3%	3%	2%	1%	2%	2%	2%	3%
Any Type 1 overdraft event	5%	4%	4%	2%	3%	3%	3%	3%	5%
Any Type 1 overdraft event excluding PNBs	9%	8%	8%	5%	5%	6%	6%	6%	8%

Q26 All SMEs



The incidence of Type 1 **loan** events in the 12 months prior to interview remained at lower levels than overdrafts but was also somewhat higher in Q4 2017:

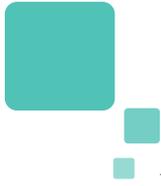
Loan events in previous 12 months

All SMEs – over time By date of interview	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Unweighted base:	5003	4500	4500	4500	4500	4500	4507	4505	4500
Applied for a new loan	2%	1%	2%	1%	1%	1%	1%	1%	2%
Renewed an existing loan	1%	1%	1%	*	1%	*	1%	*	1%
Any Type 1 loan event	3%	2%	2%	2%	2%	1%	1%	1%	3%
Any Type 1 loan event excl PNBs	5%	4%	4%	3%	3%	2%	3%	2%	5%

Q26 All SMEs

Looking at the longer term picture, since 2012 there has been a decline in Type 1 applications for both loans and overdrafts, overall and once the PNBs were excluded:

Type 1 borrowing events							
Over time – all SMEs	2012	2013	2014	2015	2016	2017	
Any Type 1 overdraft event	8%	6%	5%	5%	3%	4%	
Any Type 1 loan event	4%	3%	3%	3%	2%	2%	
Any Type 1 overdraft (excl PNBs)	12%	10%	9%	9%	6%	7%	
Any Type 1 loan (excl PNBs)	6%	5%	6%	6%	4%	3%	



Further analysis was undertaken to explore the proportion of applications being made in each quarter, in order to establish whether any change in demand for Type 1 loan/overdraft finance can be identified. Respondents have had fewer opportunities to nominate a Type 1 borrowing event that occurred in Q4 2017 (which has only appeared as an option in one quarter of the SME Finance Monitor), compared to other quarters like Q2 2016 which has appeared as an option in 5 quarters (the maximum number possible).

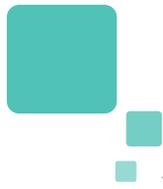
If all applications made and reported to date from Q3 2015 to Q4 2017 had been distributed evenly over that period then the following distribution would have been seen:

- 25% of applications would have been made in H2 2015 – but the actual proportion made was higher for both overdrafts (29%) and loans (34%)
- 25% of applications would have been made in H1 2016 – but the actual proportions of overdrafts (23%) and loans (22%) made were somewhat lower
- 25% of applications should have been made in H2 2016 – but the actual proportions made were lower again (19% for overdrafts and 21% for loans)
- 25% of applications should have been made in 2017 – the actual proportion of overdrafts was somewhat higher (29%) but loans were more in line (23%)

The analysis supports the declining appetite for finance seen in the latter half of 2016 but suggests something of an increase in appetite for 2017.

Those that reported a Type 1 event were asked whether the application was made in the name of the business or a personal name. For YEQ4 2017:

- 11% of overdraft applications reported were made in a personal name, while for loans the figure was 16% (excluding DK answers).
- In both instances applicants with 0 employees were more likely to have applied in a personal name (14% for overdrafts and 26% for loans) and the majority of all applications in a personal name were from 0 employee SMEs.



Overdraft events – definition and further clarification

Overdrafts are usually granted for a period of 12 months or less, but it was apparent in early Monitor reports that not all those with an overdraft facility went on to report having had an overdraft ‘event’ in the 12 months prior to interview.

To explore this further, such SMEs were asked whether, in the previous 12 months, their bank had automatically renewed their overdraft

facility at the same level, for a further period, without their having to do anything.

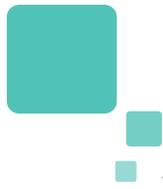
The results for YEQ4 2017 are reported below and show that half of overdraft holders (51%) reported that they had had such an automatic renewal, the equivalent of 9% of all SMEs. The analysis also shows that 3 in 10 SMEs with an overdraft reported neither an overdraft event nor an automatic overdraft renewal in the past 12 months:

Any overdraft activity YEQ4 17	All with overdraft	All SMEs
Unweighted base:	4780	18,012
Had an overdraft ‘event’	17%	3%
Had automatic renewal	51%	9%
Neither of these but have overdraft	32%	6%
No overdraft	-	82%

Q15/ 26/26a All SMEs who now have an overdraft/all SMEs

Additional questions provide some further detail on these automatic renewals:

- For YEQ4 2017, 11% of those reporting an automatic renewal said that the facility was in a personal name (in line with other overdraft applications, where 11% were in a personal name).
- The proportion of automatic renewals that were in a personal name has varied over time. Analysis by when the automatic renewal took place (rather than when it was reported) shows that in 2013, 21% of renewals that took place were in a personal name, but that since then the proportion has declined: it was 10% for 2016 and 9% for 2017 to date.



Back in 2012, 50% of SMEs with an overdraft said that it had been automatically renewed, the equivalent of 11% of all SMEs. Since then the proportion has varied year by year but was around 50% for 2017:

Experienced an automatic renewal in previous 12 mths

By date of interview – over

time	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Row percentages	2015	2016	2016	2016	2016	2017	2017	2017	2017
SMEs with overdraft	49%	44%	48%	52%	38%	47%	49%	54%	52%
'All SMEs' equivalent	9%	6%	8%	8%	8%	6%	10%	11%	10%

Q15/ 26/26a All SMEs who now have an overdraft/all SMEs

Over time the proportion of total overdraft *activity* (i.e. an event or an automatic renewal) which was accounted for by a borrowing event has declined somewhat. In both 2012 and 2013, 40% of overdraft activity was an 'event'. In 2015 the proportion was 37% and for 2016 it was 31%. As the next table shows, the interim figure for YEQ4 2017 was 25%.

For SMEs with an overdraft facility, overdraft 'events' continued to make up a higher proportion of overdraft 'activity' if they had employees:

Overdraft activity		0	1-9	10-49	50-249
YEQ4 17 – All with overdraft	Total	emp	emps	emps	emps
Unweighted base:	4780	654	1334	1675	1117
Had an overdraft 'event'	17%	15%	21%	24%	21%
Had automatic renewal	51%	53%	48%	41%	37%
% of overdraft activity that was 'event'	25%	22%	30%	37%	36%
Neither of these but have overdraft	32%	32%	31%	35%	42%

Q15/ 26/26a All SMEs



Analysis by external risk rating shows the proportion of activity that was an ‘event’ remained higher for those with a better risk rating:

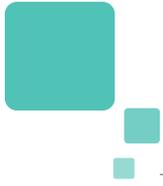
Overdraft activity						Worse/ Avge
YEQ4 17 – All with overdraft		Total	Min	Low	Avge	
Unweighted base:		4780	877	1630	1134	825
Had an overdraft ‘event’		17%	23%	21%	18%	15%
Had automatic renewal		51%	42%	52%	51%	51%
% of overdraft activity that was ‘event’		25%	35%	29%	26%	23%
Neither of these but have overdraft		32%	35%	27%	31%	34%

Q15/ 26/26a All SMEs

Analysis by sector showed that the proportion of overdraft ‘activity’ made up by an ‘event’ varied from 37% of those with an overdraft in Agriculture to 18% in Health:

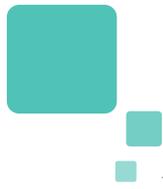
Overdraft activity										
YEQ4 17 – All with overdraft		Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:		408	375	857	535	294	541	859	451	460
Had an overdraft ‘event’		25%	19%	14%	17%	18%	18%	19%	10%	20%
Had automatic renewal		43%	53%	51%	52%	50%	43%	54%	47%	60%
% of overdraft activity that was ‘event’		37%	26%	22%	25%	26%	30%	26%	18%	25%
Neither of these but have overdraft		32%	28%	35%	32%	32%	39%	27%	43%	21%

Q15/ 26/26a All SMEs



The answers to these questions reflect the SME's perception of how their business overdraft facility had been managed by their bank. Given the low level of 'events' reported generally, these SMEs with an automatic renewal form a substantial group and, from Q2 2012, they have answered further questions about this automatic renewal.

The definition of 'having a borrowing event' has been adjusted to include these automatic renewals and data is available on the security and fees relating to these automatically renewed overdraft facilities.



Recent applications for other forms of finance

The majority of this report focuses on activity around loans and overdrafts. For a complete picture of external finance applications in the 12 months prior to interview, an overview is provided below of applications for other forms of funding and the extent to which these were successful.

Overall a minority of SMEs had applied for any of these other forms of finance (12%), with larger SMEs more likely to have applied, notably for leasing and credit cards:

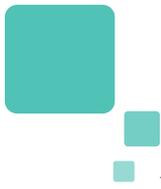
Other finance applied for	Total		Applied for			
	Applied	% success	0 emp	1-9 emps	10-49 emps	50-249 emps
YEQ4 17 – all SMEs						
Unweighted base:	18,012	varies	3607	5804	5801	2800
Leasing/Hire purchase/vehicle finance	5%	77%	4%	7%	12%	14%
Credit cards	5%	76%	5%	5%	7%	10%
Loans from family/friends or directors	3%	63%	3%	4%	3%	2%
Grants	3%	49%	3%	4%	5%	4%
Equity from family/friends or directors	2%	41%	2%	2%	2%	1%
Invoice finance	2%	37%	2%	2%	3%	4%
Loans from other 3 rd parties	2%	44%	2%	3%	2%	2%
Any of these	12%	-	11%	15%	21%	26%

Q222 All SMEs

The proportion of SMEs applying for any of these forms of finance declined somewhat over time – in 2012, 15% had applied, dropping to 10% for 2016 and 12% for 2017.

Up to three quarters of applicants for these types of funding were successful, with larger SMEs (10-249 employees) that applied generally more likely to be successful. On limited base sizes, success rates were typically somewhat lower in 2016 than in 2015, but increased somewhat in 2017. Note that SMEs were only asked if they were successful and, unlike loan and overdraft applications, they were not asked for additional information (such as whether they were offered a facility they chose not to accept).

SMEs that are companies were also asked about equity from other third parties. 1% had applied for such finance.



From 2015 respondents have been asked in more detail about these other forms of finance:

Applications for other forms of finance YEQ4 2017

Net applications for facilities	<p>12% reported an application for one or more of these other forms of finance. As reported above, 5% of SMEs interviewed YEQ4 2017 reported that they had made an application for a new or renewed loan or overdraft facility (not including any automatically renewed facility).</p> <p>Putting the two together increases the proportion making <i>any</i> application to 16% (29% when the PNBs are excluded).</p> <p>This was somewhat higher than in 2016 (13%) but remained lower than previously seen (21% had made any application in 2012) due primarily to fewer loan and overdraft applications. Applications for these other forms of finance also declined somewhat (15% in 2012, 13% in both 2014 and 2015, and 10% in 2016) but stabilised in 2017 (12%).</p>
Other applications	<p>For YEQ4 2017, 1% of SMEs said that they had applied for some other form of finance not listed, half successfully and half unsuccessfully. The type of finance applied for was not recorded.</p>
Identifying additional Would-be seekers of other forms of finance	<p>SMEs who had <u>not</u> sought any of these forms of finance (whether from the list specified or any other source as above) were asked whether they had wanted to apply for any of them but had felt that something had stopped them.</p> <p>87% of SMEs <i>qualified</i> for this question for YEQ4 2017 because they had not applied for any additional form of external finance.</p>
Would-be seekers of other forms of finance	<p>2% of these SMEs went on to say that something had stopped them applying for an additional form of finance, with no difference by size of SME.</p> <p>This is the equivalent of 2% of <u>all</u> SMEs – the potential impact on the proportion of Would-be seekers overall is explored later in this report.</p>
Net users of finance	<p>Taking all loan/overdraft events (including automatic renewal of overdrafts) and the applications for these other types of finance together showed that for YEQ4 2017:</p> <ul style="list-style-type: none"> - Most SMEs (77%), reported neither a loan/overdraft ‘event’ nor an application for any of the types of finance listed above - 11% reported a loan/overdraft event, but had not applied for any of these other forms of finance - 8% had applied for these other forms of finance but did not report a loan/overdraft event - 4% reported both a loan/overdraft event <u>and</u> applying for one of these forms of finance. <p>By comparison, in 2012, 6% of SMEs had applied for both types of finance, 26% had applied for one form or the other and 68% had not applied for either.</p>