

Banking Taskforce
Appeals Process
Independent External Reviewer
Annual Report
2013/2014

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1. Executive Summary

I am asked regularly whether I think that the Appeals Process is having an impact and if so how. This third Annual Report will set out where we are and the wide range of impacts it is having, but to me the impact of the Appeals Process was set out clearly by a Relationship Manager of one of the banks at a meeting I had with them and a Scottish Government Minister earlier this year. The Relationship Manager was asked by the Minister whether he thought the Appeals Process was having a real impact. The reply from the Relationship Manager was succinct and to the point in that he felt the real benefit was that it had made him have a better conversation with his customers and because of that he was having a better relationship with them, which has and would lead to a better lending environment and thus help his customers to gain funding either in the short, medium or long term. This was as true for when they were being declined for lending and appealing, or when lending was accepted. To me that improved conversation is the real benefit that the Appeals Process is bringing, so all that I do now is focussed on making that conversation better and ensuring that lenders and others have in place the people and processes to make that happen, as well as SMEs understanding that they have a part to play in that conversation. In my first Annual Report I said that I always thought that education, and from that a better understanding of the lending process by both lenders and SMEs, would be the major benefit and I am pleased to say that is now being evidenced as reality by both sides. In the rest of this report I will explore in various ways how the Appeals Process is helping that conversation, and where there is still work to do.

I am also asked from time to time whether I think adding more 'powers' to my role would help SMEs get more funding and banks operate better. Since I took on this position when the Appeals Process started in April 2011 its scope and powers have increased as my own and others' knowledge of what needs to be done grows. These have included (all of which are expanded on elsewhere in this report)

- i) An increase in what SMEs can appeal for in terms of type of funding and the terms and conditions of that funding. These will continue to grow as changes in regulation necessitate lenders adding more rules to how banks lend as well as me looking for areas that may have been missed.
- ii) Overseeing issues that are related to the Appeals Process including generic campaigns on awareness raising and 'discouragement' of SME lending.
- iii) Leading on issues around lending which impact on appeals, including credit scoring and the influence of the Consumer Credit Act.
- iv) Looking at whether those who do not appeal are who I would expect them to be.

However, on the issue of whether I should have 'power' to adjudicate or intervene in SME lending I am of the opinion that this may in fact detract from, rather than add to, the progress that is being made.

In other jurisdictions where there is a third party influence (be it legislative or recommending) on individual lending decisions, the focus tends to be on those individual lending decisions and not on the wider reasons or processes of why lenders and SMEs are not operating in the way that is best and most sustainable for them both. The uniqueness of the way that the Appeals Process works in the UK is that my work is with the banks and others at a systemic level, to ensure they all have fair and transparent appeals systems in place and then understand what all the numbers produced mean and the reasons behind them, and then to work with the lenders and business to change what needs to be done in terms of process to make it better for all those that come in the future rather than just for that individual at that time.

I think because I and my team understand now how each lender operates, and can evidence ways in which changing process would benefit both them and the SME, we are able to gain real benefit for both parties. As I will explain later, the Appeals Process is having a major impact on all lenders and there is not one who we work with that has not changed something (be it small or large) that will benefit them and also their customers. Whether it is being better at telling a SME why they have been turned down for lending, to when is a better time to make the lending decision, or to asking whether I (as a lender) know the detail of why I have said what I have. If my focus had been on helping on individual decisions only I do not think we would have made the progress that in the end will provide a better lending environment for all SMEs and lenders as well into the future.

I think also the positive impact that the Appeals Process is having on lenders is spreading amongst some lenders who are not yet part of the initiative, to the point that over the coming year both the TSB and Clydesdale Bank (including its Yorkshire Bank) will join the Appeals Process and I hope to add one other as well so that they and their customers can take advantage of the benefits it brings. I will report more definitively on when they will join and be part of the numbers in my Quarterly Reports. Once they have come on board then the number of customers who do not have access to the Appeals Process will only be small.

Also it is worth pointing out that a lot of these process deficiencies or changes we are proposing are not due solely to the financial crisis. I think there is a feeling that things were OK before the financial crisis in terms of banking process but, from what I am finding, that is not the case for some of the key changes some lenders need to make date back well beyond 2008 and were driven by some lenders segmenting their business into profit centres where the leader of each profit centre could make individual decisions of how to manage their part and how much to spend on processes to do so. What is clear now is that decisions in the past to spend less or

'as little as possible' on systems for SME lending means that for some lenders they are now unable to have the kind of positive conversation we all want between them and their customers. All the banks though that I work with now buy into that outcome, but it might take some time to reverse some of the past, some of which was done to save cost rather than give a better conversation between the bank and the SME.

What is clear is that the economy is improving and becoming more stable but that should not lead us to expect a big rise in SME requests for lending as businesses now are much more considered in their borrowing than perhaps they once were.

In terms of progress on the number of appeals that have been made, we have now passed 9,000 over the three years that I have been reviewing the process and have put over £40 million back into the economy in lending from banks that would not have taken place. In terms of this year specifically appeal numbers were up again but I make the point every year that comparing the appeal numbers, or indeed any of the numbers that the Appeals Process generates purely on a year on year basis is both misleading and does not focus on the real issues and change that the Appeals Process is driving in certain areas. The overturn rate has also decreased overall which is good but that has been largely due to a significant drop in credit card overturns which has come about by good process change that has been instigated which has reduced both declines and overturns.

The reasons for lending being declined still has a clear split at the £25,000 lending level with credit scoring still being the major reason below £25,000 and affordability being the major reason above £25,000. This highlights the key use of credit scoring for lending below this level which is partly due to lending processes but also partially due to the effects of the Consumer Credit Act.

On the latter having met with the Financial Conduct Authority earlier this year and received a positive response to looking at how businesses can be better dealt with within what is predominately a consumer piece of legislation I am in the process of gathering information from all stakeholders to commence a more detailed discussion on how those issues might be addressed.

On the overall area of credit scoring much progress has been made on a number of fronts which are detailed in the main report.

In terms of overall awareness of the Appeals Process over which there was concern from everyone involved a lot has been done this year to raise awareness. From the metrics that I have seen to date on the collective campaign which was launched earlier this calendar year, there is clear evidence that many more SMEs have been made aware of the Appeals Process. However what will continue to be extremely difficult for a host of reasons is to link that specifically with any increase in the number of appeals.

This is highlighted by the fact that this year for the first time I and my team have looked at those who were declined but did not appeal to see if there were any that could have and were we missing any. From the four banks on which we have completed that work, we can state that there were only at most between 2% and 5% of SMEs who were declined where the bank might have looked at them again which is what would be expected given that no system is perfect.

However awareness raising must still be a focus to try and help those who may be wary about lending to do so which it could in certain circumstances.

Therefore in summary I feel that good progress has been made on many fronts and we are in a better place generally than we were last year and also now clear pathways ahead of issues that we need to address and pursue to make it even better for everyone.

Professor Russel Griggs OBE
Independent External Reviewer

June 2014

2. Introduction

Year 3 of the Appeals Process has been a year of much activity across all the banks in many ways as both the evidence we have and the knowledge of the banks on its impact become clearer each year.

As I say every year in this Annual Report¹ it is my role as the Independent External Reviewer of the Appeals Process to ensure that the banks both promote and examine appeals in a way that is transparent and fair. In doing that I sit on neither side of the lending fence and try, from the evidence I and my team gather, to create solutions to issues in the lending process which benefit all parties. This can be from any direction and can fall on the lenders but also on customers, those who advise them, and on Government itself.

While we still ensure that we see ourselves the detail of the majority of cases that go through the Appeals Process, more and more of my time is focussed on what the evidence is telling us and how we address those issues that are highlighted from that examination. Therefore, I still spend a lot of time with Relationship Managers and customers understanding what they do and looking at where the gaps may be in processes or relationships and where also processes are being circumvented for sensible reasons. Human beings have a wonderful capacity for getting round things if they think they block what they are trying to achieve and sometimes lending institution systems do not work as they should and employees find ways of getting round them rather than trying to fix them. Where I see this occurring then, either I or one of my team will try to get the process fixed so the whole lending institution operates better rather than just the individual who has found a way round it. These conversations with Relationship Managers and other bank employees also highlight sometimes where customers are being excluded – many times unintentionally – from the Appeals Process so this has helped us to bring in more ‘Declined at Source’ or other customers into the process. I also meet now at least twice a year with Accountable Executives within each bank who are senior personnel with overall responsibility for the Appeals Process at Board level which also allows me to be assured that the issues that I find are being dealt with properly within the bank.

The structure of this year’s Annual Report follows the format of the first two and focusses first on what the economic context this fits into and then looks at what I said we would do in the last report and where we are with each of those. It then looks at the numbers and changes we have made in our own processes before focussing on what we will do in the year to come and where appropriate beyond that.

¹ <http://www.betterbusinessfinance.co.uk/independent-reports>

As a reminder to all, Annexes A and B set out the original aims and objectives of the Appeals Process and the minimum standards that a bank must comply with to be part of it.

I would also once again like to thank all of those who work with me and my team wherever they fit into the process for all the positive engagement they have with us sometimes in situations that cannot be comfortable at that time but all of us are focussed on making that relationship between the lender and the SME better which is exactly the right place we should all be.

3. Current Economic and Financial Context

It is clear from all the economic indicators that the economy across the UK is improving although there still remain some geographic and sectoral differences so it is not uniform but in general much improved.

Last year I highlighted that while some SMEs were acknowledging that there was an improving economic environment they were still cautious as it was still deemed to be 'fragile'.

I think that feeling of fragility has almost gone away as the economic evidence becomes more consistent and robust but that is not to say that we should expect a sudden rise in SME borrowing due to a renewed confidence in their business.

In the conversations I have with many businesses across the UK you can sense that there is a feeling of 'things are getting better' but that is balanced by a much more 'considered' approach to growth and lending than there was before 2008, which can only be a good thing if it brings better and more sustainable businesses going forward. By 'considered' I mean looking at things in the round and deciding on priorities in a sensible time frame. One business I spoke to perhaps summed it up for all

'I see the economy getting better and can see opportunities for me to grow and have no problem in accessing finance from banks. However this is probably the first year in the last few where I need to look at giving my staff a salary increase as they have not had one for a while, and also I need to take account of things like the auto enrolment scheme for pensions etc. and how it might affect what we do. Therefore I think this year we will have to increase our cost base and then look to expand next year once we can see the effect all those changes have.'

To me the above is not a negative scenario but a positive one where businesses now are looking in a more considered way at how they will expand and realising that a more holistic approach to that decision making is better for them and their business and will probably provide a more sustainable business going forward which has to be good for us all.

Therefore in summary while the economy is generally improving I am not sure we will see a rush by SMEs to increase their borrowings. Also for those with overdraft and other flexible facilities already in place there is still, across all banks, about 50% of unused capacity in what has already been agreed so there is much room for manoeuvre in what already exists.

4. Priorities for Year 3

As I have stated in both my first two Annual Reports, judging how well the Appeals Process, and indeed myself, have done in terms of delivering on what I indicated were my priorities at the outset of the year is key to ensuring that there is a coherent flow to what the Appeals Process does. Below are the priorities I listed at the end of last year's Annual Report in terms of what I felt the priorities were at that time and what has happened on each since then.

a) Getting the message on the Appeals Process and that it is working out to more SMEs and within the banks to more Relationship Managers both in terms of knowledge and understanding.

This has been the subject of much discussion and actions in many ways this year and I am pleased that much progress has been made on all sides.

One of the concerns was that SMEs who were being declined were not aware of the Appeals Process and therefore were not appealing when they could. From some specific work done by one of the banks and the work I have done on Declines' Sampling across all the banks involved in the Appeals Process (see section 7 of this report) our findings show that there are not a lot of SMEs who would have been successful had they chosen to appeal their decline decision.

However that does not say that there is not still a lot to do in terms of awareness and both the banks generically and individual banks have done much to push that forward. From my own viewpoint making sure that all Relationship Managers within each bank are as knowledgeable and committed to the Appeals Process as they can be is as important as SMEs knowing about it.

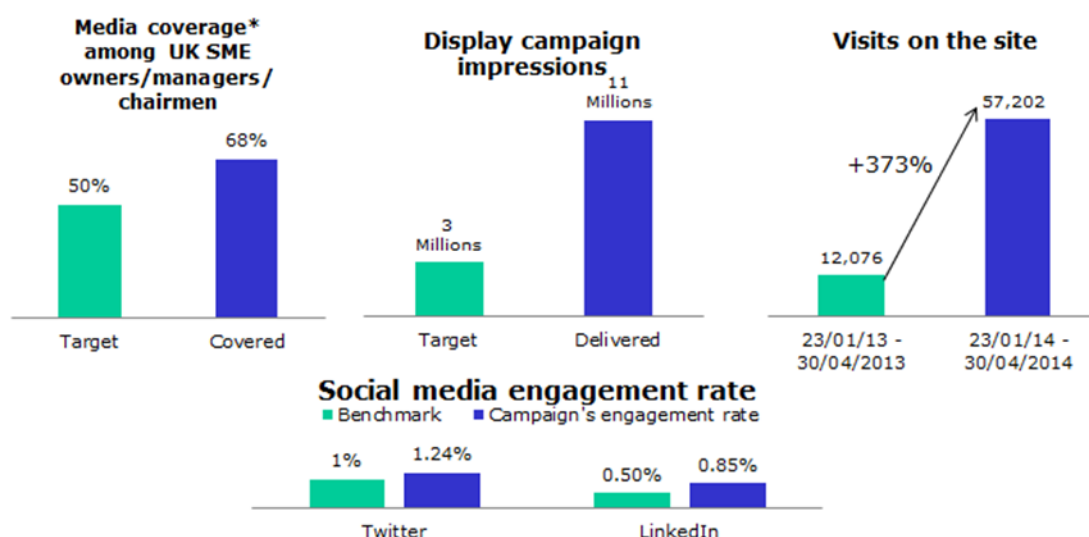
In terms of SMEs at the end of January 2014, the Better Business Finance (BBF) initiative launched a new, multi-media campaign to raise awareness among SME owner/managers of the independent Appeals Process, as well as to increase confidence in the lending process by letting businesses know they are a lot more likely to get bank finance than they think, based on research from the SME Finance Monitor.

The campaign includes:

- An overhauled website www.betterbusinessfinance.co.uk providing information on how to launch an Appeal if you are turned down for finance, alongside a new improved Appeal tool, as well as information and guidance related to finding finance (it has over 500 finance providers offering business finance) and other areas such as business mentoring

- An online advertising campaign aimed particularly at reaching those businesses interested in seeking finance supported by an effective appeals campaign
- Social media engagement through channels including Twitter and LinkedIn, linking to the BBF website
- A public relations campaign to highlight the campaign message and the Appeals Process
- Campaign information provided on bank websites and directly to customers
- Engagement with a range of supportive business groups to provide campaign information to their members and links to the Appeals section of the website
- Details of the campaign are in Annexe A

Early results demonstrate a higher than expected level of engagement with the campaign:



- 6.9million+ people (unique users) have seen the advertising campaign to date – above an initial target of 3 million.
- 667,000 PPC Impressions (Number of times our Pay Per Click advertising has been seen) targeting small business owners to offer help, support and advice messages
- 373% increase in visits to the Better Business Finance website compared to the same period last year
- 400% increase in page views and 32% increase in time spent by the average visitor to the site, performing far better than its previous incarnation, across all metrics.
- Eightfold increase in visits to the Appeals page and a fourfold increase in the number of appeals via the website

- Engagement on social media channels Twitter and LinkedIn is above average for this type of campaign, offering support for those seeking how to appeal and find information about sources of finance
- The new website has been designed to be easily used by small and micro business owners on the move. The share of mobile and tablet traffic has increased significantly, with 40% of users using mobile or tablet devices to access the site

The public relations campaign has also seen strong results since launch:

Media coverage of the campaign has reached 68% of the key audience of SME owner/managers. Frequency of exposure to the target SME audience was 2.3 times each, a result above the minimum recommended to ensure retention of campaign messages. Coverage included 79 pieces of media coverage to date, including:

- 17 pieces of national print and online coverage have appeared about the campaign
- Two high-profile TV interviews on Daybreak and BBC Breakfast have been secured, along with two regional BBC interviews
- 22 pieces of regional print and online coverage have appeared
- 33 pieces of trade coverage have appeared about the campaign

The campaign has also been contributing to relevant conversations on business forums since the start of the year, offering small businesses support where appropriate, including on UK Business Forums (reach: 911,056), UK Business Labs (reach: 69,825) and Startups.co.uk (reach: 486,548). Our engagement with the forums has also extended onto social media – Startups.co.uk recently tweeted our reply to a question on their site out to their 28,000 followers.

It can be seen from the above and the examples and metrics in Annexe C that there has been a considerable impact on SMEs in terms of them viewing the information and that should, over time, increase awareness which is what we are all seeking. However I have to be clear that it will always be difficult to find a direct causal link between new appeals and any campaign unless we interrogate every one that appeals where they found about the Appeals Process which I am not sure would be useful and add little to the conversation we are trying to encourage.

Therefore while I was asked by the Chancellor of the Exchequer in his Budget last year to see what impact the generic programme had had on awareness which I am in the process of doing I think all I can report is that it is clear that many more SMEs are aware of it than there were before which is a good thing. The measure that is available at the moment through the SME Finance Monitor to measure awareness is not in itself a good one and would be one

that I would not use as a reference point on appeals awareness. The SME Finance Monitor figure on awareness of the Appeals Process is for all SMEs whether or not they are looking for lending. All research shows that if you are not involved in something, in this case looking for money for your business, then you tend not to be aware of what is going on in that area since you have no need to know. Since we know that only a third (33%) of SMEs use external finance at any one time, then an 'All SMEs' number is not the best measure to use.

As well as this generic campaign each of the banks has done awareness raising of its own both internally and externally which has also added much to raise visibility of the Appeals Process, Annexe D shows examples of specific ways that each of the major banks has done this. I could have filled many more pages with examples but I think this shows that all are trying both externally and internally to make people aware.

Finally, in terms of awareness and other issues affecting SME's desire to access finance I have been asked to work with each bank to address how they deal with the issues raised in the Discouragement Research carried out by Enterprise Research Centre.²

This research looks at why SMEs are discouraged from borrowing and what form that takes. In my first Annual Report, I indicated that I felt at that time that the media were perhaps discouraging lending through their negative press on that subject. This report confirms that was true at that time but is no longer the case, and highlights other issues that may be doing the same. Given that each bank will have its own way of dealing with these issues depending on what their strategy is for different customer types and sectors, I will work with each of the banks on an individual basis and update in my Quarterly Reports throughout the year on progress.

Also, as I stated in my Annual Report last year it is not only the banks themselves that should assist with making more SMEs aware of the Appeals Process but also the Trade Associations who represent them. I am pleased to say that some, but not all, have used their own websites and internal communications to promote the Appeals Process including direct links for SMEs to Appeal through their websites. Over the coming quarter I will audit each of them to see who has included easy links to the Appeals Process and who has not and where there are gaps, work with the Trade Associations to ensure the gaps are filled, as it could be that some who did have links do not have them anymore. If the Trade Association itself is not helping and guiding

² Back to Borrowing? Perspectives on the 'Arc of Discouragement' by Stuart Fraser ERC White Paper No.8
<http://enterpriseresearch.ac.uk/default/assets/File/ERC%20White%20Paper%208%20Discouragement.pdf>

its members towards the Appeals Process it cannot really complain about the banks not doing the same. For the message to get out to more and more SMEs there has to be a concerted effort by all sides of this, including Government to get the maximum impact we can.

In summary therefore, in terms of awareness and other issues regarding communication of the Appeals Process in all its parts, I do believe significant progress has been made this year. That does not mean that there is not still more work to do; this will remain a critical factor for me as without that good communication, the good conversation which we all want will not take place.

b) Work with Governments in all parts of the UK, with the BBA and banks, to ensure that SMEs have access to the type of support that they need to help them understand what lenders require from them in this new environment.

While we have made some progress in this area as the year has progressed, and while this is still an issue that needs to be addressed, other issues have taken greater priority so this will carry forward into next year.

What is clear though is that this issue will have to be tackled on a devolved basis as each part of the UK operates their support for SMEs in a different way, so solutions will have to be at that level. Also within England the Local Economic Partnerships (LEPs) will start to be the focus of how a lot of this education and interaction will be delivered in the future and it is still not clear what bits of that will still be done across England and what will be done locally.

The situation in Northern Ireland is made even more complex by the fact that the structure of their SME banking is different to anywhere else in the UK in that they have 'local' banks operating who probably have the largest market share in this sector. However the positive from there is that they are working themselves on this issue and are probably more advanced than others in addressing the issues that need to be resolved. It has identified for example that SMEs and their advisors are still not putting forward cases for lending in a way that fits with 'the new norm' in lending, namely that it is affordability first and then the ability of the management to deliver on that. Therefore education of SMEs and their advisors is key to ensure that the case that comes to the bank helps them and not hinders them as can be the case just now. While I do not have as clear evidence from other parts of the UK as I do for Northern Ireland I do not see why this should not be an issue elsewhere as well.

Therefore this is an issue which I will carry forward on to my 'to do' list for next year and report on developments as they occur across the year, all the while continuing to recognise that providing help, support and education to SMEs

will always be a challenge as they tend to be 'time poor' in terms of their ability to devote the time to what is a critical issue for them.

c) Spreading of best practice across the banks (this has been expanded to include issues and practices where there are differences across the banks where there should not be).

This is one area where I am pleased that both at a formal and probably more importantly at an informal level banks have really worked well together recognising that getting a better and more positive lending environment is good for everyone, so competitive issues should not get in the way of that.

Best Practice has covered a host of areas from working on decline letters and what they should say, to the responsibilities of how the Appeals Champions and those managing the Appeals Process day to day work.

It is also about helping me and my team to identify where we see things in one bank which we do not see in another, to ask why. This again is wide ranging from the way decisions are made (and the evidence that is based on) to what they allow to be appealed. It has also helped us greatly with issues around 'Declined at Source' where we have spent a lot of time this year.

'Declined at Source' is where a customer has been turned down at an early stage of the process, has not been deemed to have made an application, and therefore is excluded from the Appeals Process. There are many genuine cases of 'Declined at Source' but we have worked with each bank to make sure that all are using the same way of defining that and think we are just about there. This has meant that this year we have brought new appeals into the process that had been excluded which has allowed more people to appeal.

We have agreed a definition on 'Declined at Source' which all the banks are now agreed to, which is below:

'Where a customer has asked you for lending (of any type, new or additional) and the bank has asked them to supply information (of any type written or verbal) to make that decision then that should be deemed as an application and can be appealed.'

Since how customer data is inputted into the Appeals Process differs across the banks this has allowed them to look across their systems to see where that could occur. Some of those decisions could, for sensible reasons (mainly to do with not wanting to waste the customer's time) fallout with what would normally be deemed to be a formal application but we felt that to give the customer who would feel they had applied, even if the bank's systems had not recorded it as one, the same right of appeal as someone who had formally entered the system is fair.

Across all the banks this has now drawn in more customers to the Appeals Process and also focussed the banks on when customers believe they will have applied rather than when the bank might have deemed them to have applied.

To further confirm this, over the next year I will focus some of my time on sitting down with Relationship Managers in each of the banks to see how they take the application through each of their many systems to ensure that we are not losing any as the application goes through their processes (which has sometimes proved to be the case before). None of the banks have a single system that applications go through from end to end, and all applications will move from one system to another as they progress, and I will ensure that we are catching all as we go through this. I need to be clear that I am not saying that a single end to end system would be the best solution for either the bank or the customer as managing the interaction is sometimes done best across more than one system.

Finally in the sharing of best practice which has expanded for me into looking at how things are done across the banks and recognising gaps 'positive and negative' that can be better addressed, it has allowed us to spot areas where different types of lending product are not offering the same right of appeal as another but should be.

A clear example this year has been the difference between what a customer can appeal on an overdraft compared with a commercial credit card. With an overdraft a customer can appeal on anything both in establishing an overdraft and its amount and, once it is in place, when renewing or increasing the overdraft limit. Commercial credit cards should have the same rules but we have discovered that appeals on raising the limit on a card once you had had it for some time were not being fully captured under the Appeals Process. This has now been corrected and is the reason for the sharp upturn in credit card appeals in the last quarter of the year.

I will continue to press each bank to continue to share best practice with others where they can and also to look across banks to make sure that they are all doing things that they should.

d) Progressing the work on credit scoring across various avenues.

Those avenues were;

- i) I will meet with the Financial Conduct Authority³ (the new regulator for Consumer Credit) to see what can be done to make**

³ www.fca.org.uk

the difference between business and consumers more exact and allow lenders to make decisions on both appropriately.

Given that the Consumer Credit Act (CCA) was part of the Office of Fair Trading (OFT) that was transferring to the Financial Conduct Authority (FCA) meant fulfilling this obligation was delayed until early this year. I met with both OFT and FCA officials, and also with Her Majesty's Treasury (HMT) to discuss what the challenges were and what the options for change might be.

It was clear from the discussions that

- a) Businesses were an add-on to the CCA and as such were not considered as much as consumers when changes or alterations were made.
- b) OFT felt that everything in it was guidance and it was up to individual lenders how to interpret it, which ignores the fact that Compliance Officers within lenders are likely to use the guidance examples to form their rules thus giving them a very exact interpretation of the CCA. That is not criticising the Compliance Officers who are under pressure from their own Regulators to make sure they comply so will always err on the side of safety. Therefore the more OFT have made the guidance more particular then so many lenders will have expanded their rules to comply especially around issues like the affordability calculator.

We agreed that there probably was a policy issue to address in terms of how business is made more of an integrated part of the CCA, if that was felt still to be the best way of addressing the issues it tries currently to address (given that other regulations outside the CCA including the Lending Code have been introduced since the CCA was introduced.)

The FCA did ask that I try and be more specific in terms of the changes that might address the issues I saw which is sensible so I have asked all the lenders and Trade Associations to let me have specifics that they felt needed to be addressed. Once I have gathered that information then I will work with the FCA and HMT to find a solution that satisfies all parties on this.

I will report further on this in my Quarterly Reports throughout the coming year but already have had what I feel is a good place from which to start.

'We need to keep in mind that in general business customers are much more sophisticated than personal customers and face numerous

challenges running their businesses. The aim of CCA regulation should be to provide a proportionate regime to protect business customers together with ensuring that the commercial needs of business customers are not stifled. This is a difficult balance to achieve, but taking account of business customers' knowledge and sophistication is at the heart of striking this balance. At present, there is a danger that there is insufficient flexibility within the rules to proportionately cater for business customers.'

However what is certain is that there are now anomalies being created by having SMEs regulated from various different bits of legislation and regulators and have listed a few below:

- A loan to an English partnership of four or more partners can be Mortgage Conduct of Business (MCOB) regulated but never CCA regulated, whereas a loan to a Scottish partnership can be CCA regulated but never MCOB regulated.
- If the partnership's turnover is over £1m, this can take it outside MCOB but not outside CCA, whereas if the loan is over £25k it takes it outside CCA but not outside MCOB
- A sub-£25k loan to a 3 partner-partnership with millions in annual profits and other much larger unregulated debts could be CCA regulated - why do they need that protection if they didn't for the larger loans they took? And if one of the partners secured the facility on their home, they lose the CCA protection on the loan without gaining MCOB protection - why would putting your home at risk put you in a less protected position in regulatory terms?
- The recent expansion of business structures through which professionals can conduct their business - limited companies and LLPs etc. - has meant that lending to individuals to enable them to make capital injections into the business vehicle through which they carry on their profession can be caught by the CCA, even when the amount borrowed is more than £25k. The Regulated Activities Order (RAO) business exemption applies only to lending intended to be used for the purposes of a business carried on by the borrower. Where the chosen vehicle is a limited company it is the limited company that carries on 'business' and the borrower i.e. usually a professional is an employee of the company.

ii) Get the new educational credit scoring leaflet out to as many start-ups and others seeking small amounts of business lending so that they are better prepared when approaching lenders.

All the banks in their own way have made getting information out on Credit Scoring a priority this year and Annexe E gives some examples

of how that has been achieved. I am happy therefore that in this area progress is being made.

iii) Continue to work with the credit card lenders and others where credit scoring is the major factor in deciding credit to ensure that their processes allow for the collection of sufficient information before a lending decision is made.

The use of credit scoring as referenced in previous Annual Reports still is widespread across the banks especially for lending under £25k.

To be clear I am not against the use of credit scoring or assessment techniques in assessing whether an application is credit worthy, and indeed much good longitudinal work has been done by banks and academics to show that they do give better lending. However they need to be used in a sensible and positive way.

As I have learned more and more about this the more I have come to the conclusion that it is not the Credit Reference Agency (CRA) who leads on much of this but the lenders themselves. That is not to say the CRAs do not have things they can do to make what they supply as correct as it can ever be but it is how that data is used that is still my main concern. To explain that conclusion what I mean is that while the CRA holds all the data and can create a score itself, it is the lender who decides how it will interact with the CRA. Most lenders now buy raw data from the CRA and, even when they then employ the CRA to do the calculation for them, use the lenders own algorithm or formula to decide what the outcome for the customer is. That allows the lender to use that data behind the score to tell the customer what specifically has declined them, which is much more part of a better conversation than just 'you failed the credit score'. However there are still instances where the score only is bought from the CRA which does not allow the lender then to tell the customer the more finite reason for their decline as the lender has not 'purchased' the base data so cannot access it. I have come to the conclusion over the last year that if we want to have a better relationship between lenders and SME customers, then the lender not knowing specifically why the SME failed the credit score is no longer acceptable and all lenders need to put their systems and process in a place where they can be open and honest on reasons for failing a lending application. As is stated in the Executive Summary of this report a lot of these decisions as to what was 'bought' from the CRA were made many years ago before the crisis and were made on cost saving grounds. I think that was short sighted as all the evidence coming from the Appeals Process shows that investment into process that enlarge and strengthen the conversation between the bank and its

SME customer lead to more profitable (in all its meanings) benefits for all.

The European Union is also becoming more interested in these issues around credit scoring and Annexe F details some work that they are commencing of which the CRAs will keep me and others informed.

iv) To work with Companies House and HMRC to see how that can become part of this overall dissemination of information process.

This is an area where others are progressing for other reasons as well as for issues around credit scoring and I will keep a close watch on how these discussions progress, but to date have not seen the need to interfere.

Finally, in this area of credit scoring as we have gathered more information, it has allowed me to look deeper into the data and as you will see in section 6 of the report I have been able to split on the various pie charts to do with Reasons for Decline what was 'Credit Scoring' last year into two parts, namely 'Adverse Data' (which was included in Credit Scoring last year) and 'Credit Scoring'. The reason for the split is important and has raised some issues which I will be pursuing over the coming year.

Adverse Data is data that is likely to have a lending application declined almost anywhere and is difficult – but not impossible – to overturn. It includes things like County Court Judgments against you or your company, being struck off as a Director, debt defaults etc. They are specifics that would make anyone think closely about an application. I have no issues with these and understand why they are bundled into that heading but the issue I have is that there is not a common definition of what falls into this category across the banks. So if one bank says have been declined because of adverse data that does not mean that it would be the same for another. Since these are the areas that all lenders agree cause concern for an application, it does seem to me that having at least an informal understanding and agreement across the banks of what falls into that category which could be shared with customers would be useful, and will be working with them to see if we can do that over the coming year.

e) Continue to meet with as many Relationship Managers and customers as I can sensibly, to allow me to judge the impact all the changes above and below are having on 'the front line'.

This, as I highlight in the Introduction section of this report, continues to be one of the most fulfilling parts of what I do in terms of understanding what is going on both in the economy and at the sharp end of lenders. Also it has highlighted or discovered many of the issues that I highlight elsewhere in this

report which would have gone unresolved or unnoticed if these meetings had not taken place. Issues relating to how Relationship Managers deal with customers, when they think they have applied, what they can tell them about why they have been declined, etc. have all come from those meetings.

I will continue to make these an important part of what I do across the coming year. Also as I highlight elsewhere in this report having now Accountable Executives at every bank to interface with has also added an extra dimension to my interaction with each bank as well as the operational teams I and my team work with.

- f) Work with all the lenders involved in the Appeals Process to make sure that the Appeals Process becomes an embedded part of their day to day process and will continue as an integral and positive part of their business operations into the future.**

To become an embedded part of the process is not possible until a lender sees this as adding value to what they do, and I think all now do to a greater or lesser extent.

By adding value I mean both in terms of allowing them to make more lending to customers but also in terms of the way they conduct their business with SMEs and the conversation and exchanges they have with them.

Key to that in my opinion is being able to tell a customer as clearly and as simply as possible why they have been declined or what they need to do, or give, to the bank to allow it to lend to them.

All the banks have made very positive progress in this since the Appeals Process began and, as I state in the Executive Summary, these changes that lenders have made in their processes (some very significant and not without significant resource as well) are a key benefit that has come and will continue to come from the Appeals Process. It has been my objective from the first day of this process to work positively and constructively with each lender not just to make sure they had a good Appeals Process in place but to use the data and evidence coming from that process to change where necessary the way they do things for the benefit of both the customer and, importantly, themselves. I think the way that my team and I have operated, which is robust, challenging but fair in terms of what we desire, has allowed us to make that happen.

However one thing that we still need to get uniform is what a lender says or can tell a customer about why they were declined. While huge progress has been made I do not believe it is still acceptable to tell a customer they were declined because of 'credit score' or the 'credit committee'.

There are two issues here. One about the Relationship Manager taking responsibility and ownership for the bank's decision, even though it is tough for them to have that discussion with the customer. All the banks have accepted that and are working to make that better but it is still not perfect yet, so I will keep pushing on it.

Second is where the bank or the Relationship Manager does not know why the credit score failed, which still does occur. Earlier in this section I highlight how lenders buy their data and the impact it can make on how much they are able to tell their customers. I am pressing hard where a good decline answer cannot be given currently to ensure that it can and will report on progress in the coming year but until that is resolved in all banks then appeals cannot be embedded properly.

Finally in this area there still exists (although not in many lenders) some distrust between credit and risk functions and Relationship Managers where information between the two is not passed as promptly or in its entirety. Again for a lender to have the good conversation with the customer then all parts of the bank need to be part of that and that may mean that greater collaboration is required.

g) Ensure that we have, as far as is possible, a uniform system in terms of what customers can appeal on across all banks.

As stated sections above I think I am now happy that we are almost there on this, and partially feel that way as lenders are now coming to us when they find inconsistencies, or want to make additions, which means that the lenders now understand the importance of being ahead of the game on this.

Below are examples (some of which are expanded on elsewhere in this report) of some of the issues that we have worked with this year to ensure that SMEs can appeal as easily and as widely as possible.

- Online Appeals – One of the most important additions this year was the launch of “online appeals” through the Better Business Finance website. This now provides all customers with the opportunity to appeal by completing a simple online form or by emailing their bank.
- Lending Conditions – Customers can now appeal if they do not agree with the bank's conditions for lending (excluding standard terms, fees and pricing). During the year we have seen 18 “Conditions” appeals.
- Customer Complaints – Where a customer has chosen to write a letter of complaint to a bank, regarding a declined lending request, instead of submitting an appeal to the bank, these are now reviewed by the respective bank Appeals Team to ensure consistent and fair treatment within the full scope of the Appeals Process.

- Credit Card Limit Increase Requests – We have been working with the major credit card issuing banks to include customer requests for their commercial card increase requests, where these had been declined and the customer requested an appeal, to be fully captured within the scope of the Appeals Process, which they are now.
- Declined at Source – This is where a customer has approached a bank with a lending request and having provided all the information requested by the bank to enable a lending decision to be made and they are then declined regardless of whether the lending request has been captured on bank systems. We found that treatment of Declined at Source applications was inconsistent across the banks and that these customers were not always being told that they had the right to appeal the declined lending decision. Whilst there is still work to be done by the banks in this area regarding tracking applications which are Declined at Source, customers are now being informed of their right to appeal.
- Adverse Data – We have asked the banks to better define the reason(s) customers are declined lending, especially in the sub £25k lending space where, Failed Credit Score was considered to be the main decline reason when in fact it was a catch all for other component parts of the decline decision. Historically, this might have included Adverse Data on the company or the principals of the business. This now gives us more granularity on the decline reasons and helps to get behind the “Failed Credit Score” statement.

h) Ensure that the banks achieve all the actions that I set out for them in their action plans for Year 3.

As an ongoing part of the Appeals Process I have with each bank an Annual Action Plan which highlights the general and specific issues that they have to address in that year, and beyond if the issue demands for example a major system change.

The Action Plan items included this year driving the Appeals Process Best Practices through the appointment of an Appeals Champion by each of the banks to oversee the Appeals Process. Each bank also has Accountable Executives on the Appeals Process who are part of or have a link to the lenders Board who I meet with once or twice a year or can escalate issues as they happen if I think they are serious enough. The existence of both of these plus the others who support them and the Appeals Process has helped me a lot this year in delivering on the Action Plans and has shown benefit to the lender as well.

Other items on Action Plans have been focused on increasing appeals awareness both internally within the bank and externally through website

updates and other materials and review of lending declines which is discussed in section 7 of this report. Other generic Action Plan items were aimed at the inclusion of lending “Conditions” appeals and customer access to lodge an appeal. These are largely completed with the exception of Declines’ Sampling for two of the banks.

In addition to the above, there were other bank specific Action Plan items relating to process improvements which I have discussed with the banks concerned. Whilst there has been some considerable progress over the course of the year, full implementation will require significant systems and infrastructure changes and the banks are working diligently to complete these.

These Action Plans also change throughout the year as some are concluded and as other issues arise. These Action Plans are key in managing the identified change that each bank needs to put in place to optimise the process it has for lending with its SMEs, as well as making sure its own Appeals Process is working as effectively as it can. Given that all banks have to lend effectively to survive, then getting this process correct is as key to them as it is to the customer. Also, as I state in the Executive Summary at the beginning of this report this year, positive process change in the banks is the key real benefit of the Appeals Process as it ensures not only that individual customers have current lending appeals overturned or dealt with better, but also that process changes that would benefit everyone can be implemented. I have been more than pleased with the way that, in general, the banks have approached these process changes, some of which have been major and not without considerable investment, as they understand that putting them in place will produce a better lending environment and conversation for themselves as well as their customer. These changes have ranged from changes in decline letters to make them more beneficial in terms of explanation and simple English, to major changes in IT and decision making systems to ensure that the lending decision is made at the most appropriate time.

i) Begin in late October 2013 to produce short summary reports on the Appeals Process to highlight progress.

I have produced 2 Quarterly Reports⁴ to date and will continue to do so this year.

⁴ <http://www.betterbusinessfinance.co.uk/independent-reports>

5. Auditing Practices in Year 3

As I have referred to in my previous reports, when we first started this work, no one had ever done this before. In the ensuing 3 years, both I and my review team have built a deep knowledge of the banks' different processes and approaches and this helped to ensure that I have delivered a robust and sound process that is beneficial for the SME businesses and for the banks.

My review team, which continues to number 8 staff, has continued with its programme of site visits to each bank during the year. The team, which has a broad range of relevant backgrounds in financial services to undertake its work on a robust and methodical basis, has again reviewed around **970** individual case files relating to appeals, which equates to 27% of the total number of appeals received by the banks (April 2013 to March 2014). As in Year 2, I have allowed the banks to fill in Appeal Forms (Annexe G) themselves on a monthly basis and my review team have generally visited each bank on at least a quarterly basis in line with an agreed protocol (Annexe H). Where the level of appeals has been high, or the level of overturns above what we would expect, additional visits have taken place. Based on 3 years of file reviews, we now have a detailed dataset relating to over **4450** cases (50% of the total number of appeals received by the banks over the same period). In addition, we have gained valuable additional information from the decline sampling work where my audit team have looked at lending files at an earlier stage in the process.

The decline sampling process required the development of new methodologies to undertake the work with each bank. My team and I held detailed discussions with each bank to establish the most effective and efficient way of undertaking the work. Subsequently, I and the team have completed reviews with 4 of the banks and issues that need to be resolved before the work can be completed with others have been identified and agreed with the relevant banks. (Annexe I).

I think it is important to restate that each bank operates differently and within each bank there are a range of processes that cover different product lines and different access routes. We continue to adapt the underlying principles of the Appeals Process to reflect these differences. In particular, this year, discussions that my review team and I have had with each of the banks have identified some areas which may not have previously fully applied the Appeals Process. Written recommendations continue to be made, and positively received by the banks, after each site visit.

Both the work on the decline sampling exercise and the routine visits, have highlighted that a key benefit from the Appeals Process is the recommendations that result in process change, some of which are significant. The experience I and my team brings to its work has enabled them to identify key areas for improvements and change. Strong relationships have been established with each of the banks which

have resulted in positive outcomes towards recommendations made, even where significant investment might be required. However, we continue to challenge effectively and constructively, highlighting the strength of the independence my team and I bring to the Appeals Process.

6. Key Numbers for Year 3

As I explain in each Annual Report, while I report each year on the numbers and statistics (which are the rich source of data I use to tackle the issues they raise) I always emphasise that it is impossible to make straight year on year comparisons. The numbers I report in total are made up of the individual numbers from all the banks that participate in the Appeals Process and each is doing different things. Some may have increased their numbers of appeals, reduced their overturn rate etc., and others may have gone in the opposite direction for reasons many of which are through process change that we have requested to make their lending environment better.

Appeals - April 2011 to March 2014	Apr 2011 - Mar 2012	Apr 2012 - Mar 2013	Apr 2013 - Mar 2014	Total
Total No. of Appeals Received (ALL BANKS)	2177	3311	3518	9006
Total No. of Appeals Overturned (ALL BANKS)	860	1298	1116	3274
Overturn rate (based on Appeals Received - ALL BANKS)	39.5%	39.2%	31.7%	36.4%
Total Value of Appeals Overturned = £ millions	£10.0	£18.5	£13.1	£41.7
Total No. of Appeals Received (Excluding Credit Cards)	1587	2146	2581	6314
Total No. of Appeals Overturned (Excluding Credit Cards)	518	634	730	1882
Overturn rate (based on Appeals Received - Excluding Credit Cards)	32.6%	29.5%	28.3%	29.8%
Total Value of Appeals Overturned (Excl. Credit Cards) - £ millions	£9.7	£17.7	£12.7	£40.1
Total No. of Cases Reviewed	946	1777	1759	4482
Total No. of Cases Reviewed/Total No. of Appeals (as %)	43.5%	53.7%	50.0%	49.8%
Total No. of Overturn Cases Reviewed/Total No. of Overturn Cases (as %)	49.5%	62.9%	65.7%	60.3%

NB: Cases Reviewed and Overturn values based on data captured to end of March 2014

As can be seen from the table above overall appeals numbers this year were 3518 which is up on Year 2 and now means that we have had just over 9000 appeals through the process. The overall overturn rate has decreased from 39.2% to 31.7% which shows the impact of the process and other changes we have been working on with lenders, especially in credit cards, to make sure the lenders make the decisions at the right time. The amount of lending those overturns has produced is £13.1 million this year which means that over the 3 years that the Appeals Process has been in place over £41 million of lending that would not have been there has gone into SMEs and through that will benefit the economy. While the £13.1 million for this year is down on Year 2 that is largely due to the fact that the main increase in appeals numbers has come from small SMEs who borrow in the under £25k lending area where the impact of bringing in more 'Declined at Source' cases has had the most impact.

I was asked earlier this year whether I thought this £41.7 million was significant given that over £40 billion is lent every year to SMEs. My reply was that to every one of those 3274 firms who got lending that would not have, had the Appeals Process not been in place, then that will have added benefit to them and the economy which would not have been there before.

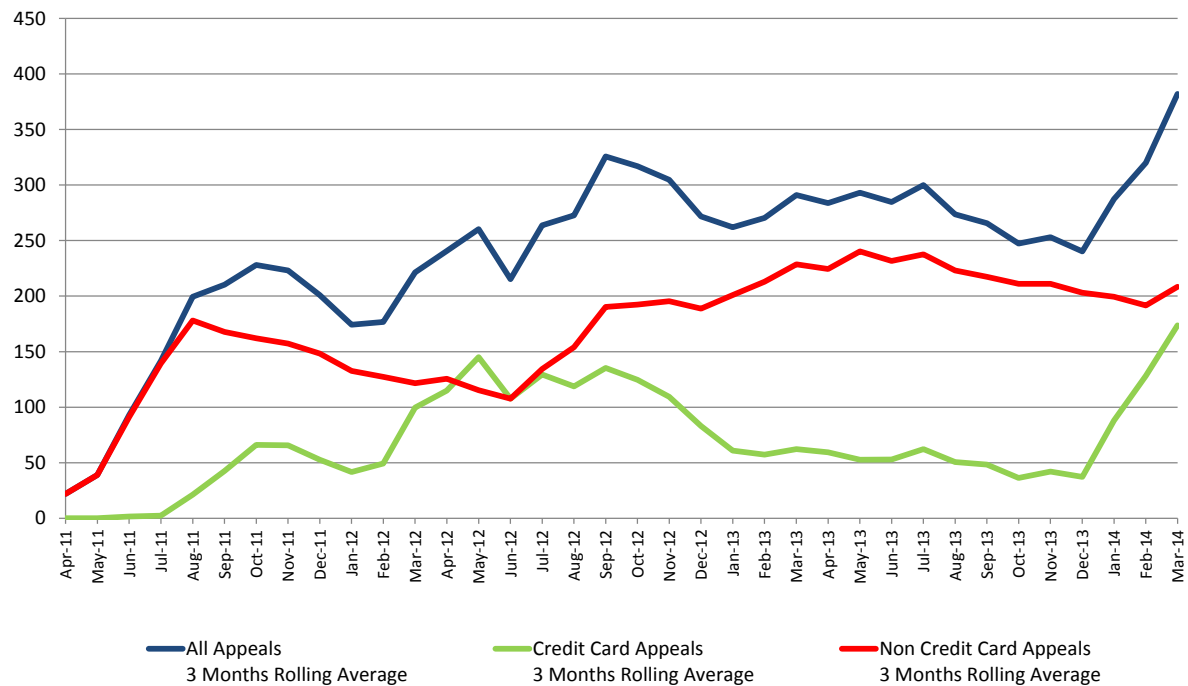
Without credit card appeals, numbers are up more in percentage terms due to the fact that we have been working positively with one the largest lenders in the credit card area to reduce their declines, appeals and overturns, by making the decision later and this has had the positive impact that we would have hoped.

The final section of the chart shows the cases where we have looked in detail at them. While we sampled 100% of all cases in the initial months of the Appeals Process as time has gone on and I have become more comfortable with the processes the banks use to operate the Appeals Process so we have reduced the amount we actually look at in detail. However, we are still looking at half of all cases and almost two thirds of overturns which gives us the knowledge base we need to see what is happening and to spot if lenders are making decisions they should not be.

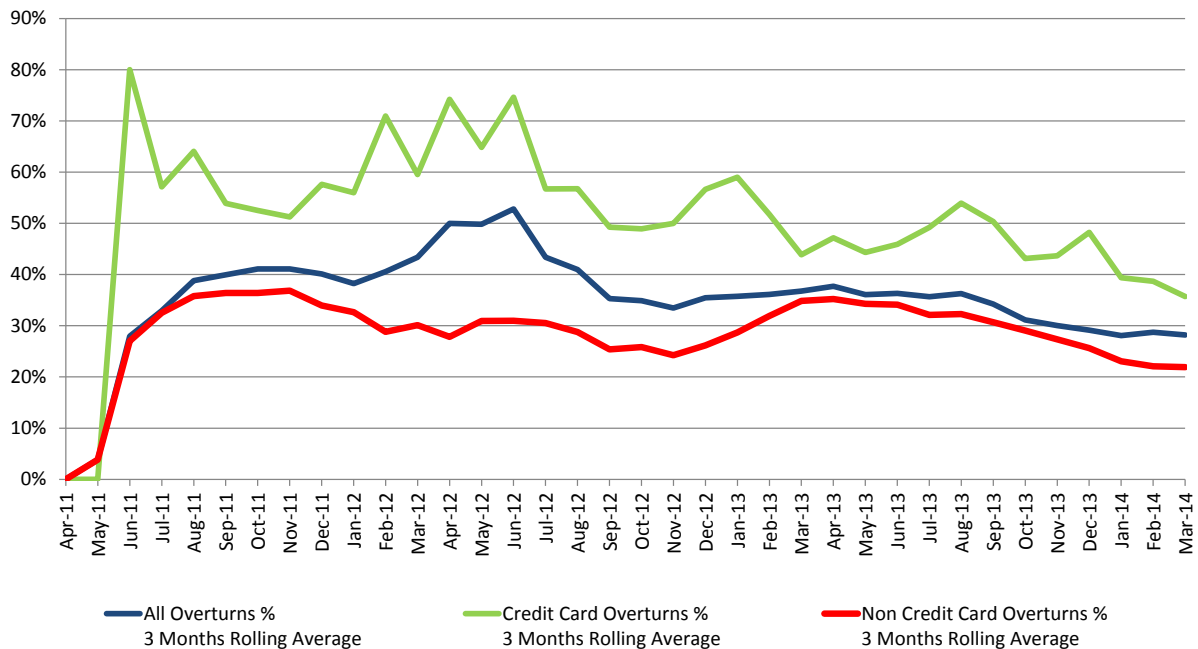
I have also this year in my Quarterly Reports provided a graph of how the total appeal numbers and overturn percentage have moved on a three monthly basis to highlight any trend.

Those two graphs are shown below and do show some of the points I have made above, on some banks going up and some coming down for good reasons. The impact of the addition of the new credit card appeals relating to appeals on credit card limit increases can be clearly seen as well in the last quarter of this year.

Total Appeals – 3 Months Rolling Average



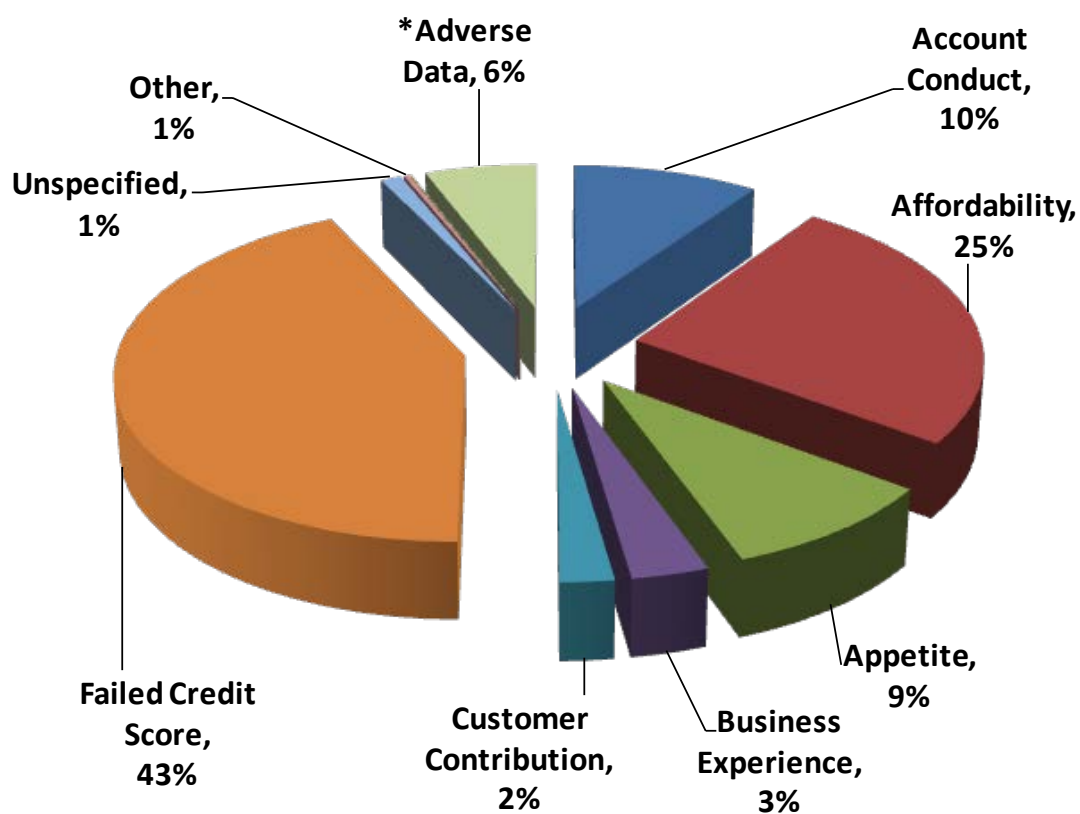
Overturned % - 3 Months Rolling Average



In terms of the other key issue around the decline reasons for turning down lending that is later appealed, as I stated earlier in this report the size and robustness of our evidence base now allows us to split failed 'Credit Score' into 'Adverse Data' and simple 'Credit Scoring'.

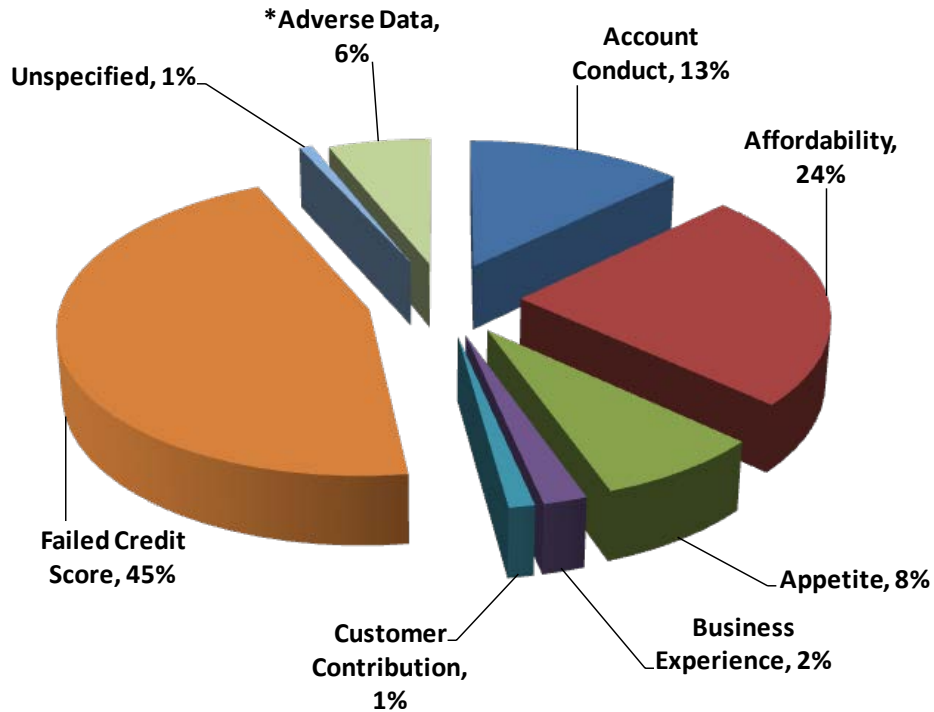
The four pie charts below show decline reasons for all banks and then for lending below (including and excluding Credit Cards) and above £25,000 being the point where unsecured lending tends to stop and also where the Consumer Credit Act (discussed earlier in this report) stops. Whatever the decline reason though we can say that in well over 90% of all the overturn cases that the reason for the overturn was the bank asking for or being provided with another piece of information by the customer. This shows once again how critical that information exchange and conversation is to making good lending decisions for all parties.

Decline Reasons - All Banks



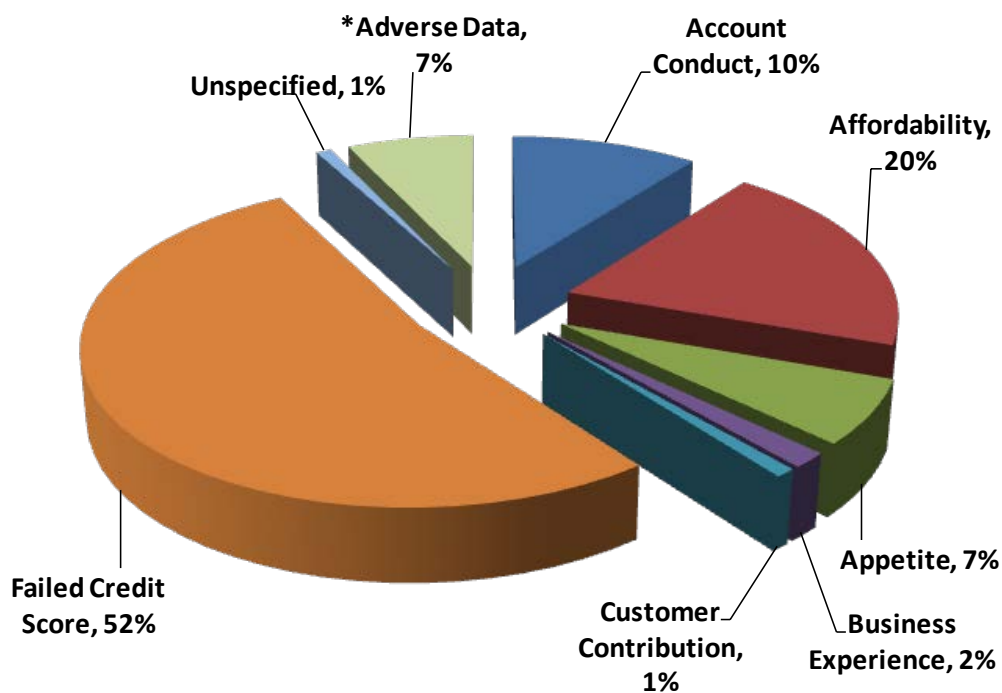
*Adverse Data information only available from start of Year 3. Adverse Data declines for Year 3 were 14% of total.

Decline Reasons - Lending up to £25k (Excluding Credit Cards)



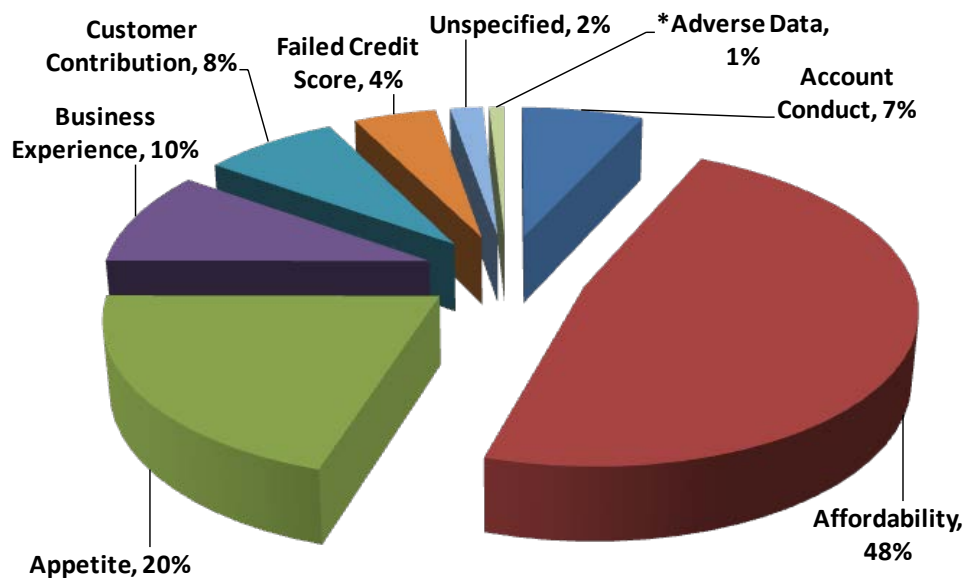
*Adverse Data information only available from start of Year 3. Adverse Data declines for Year 3 were 15% of total.

Decline Reasons - All Banks for Lending up to £25k



*Adverse Data information only available from start of Year 3. Adverse Data declines for Year 3 were 17% of total.

Decline Reasons - All Banks for Lending above £25k



* Adverse Data information only available from start of Year 3. Adverse Data declines for Year 3 were 1% of total.

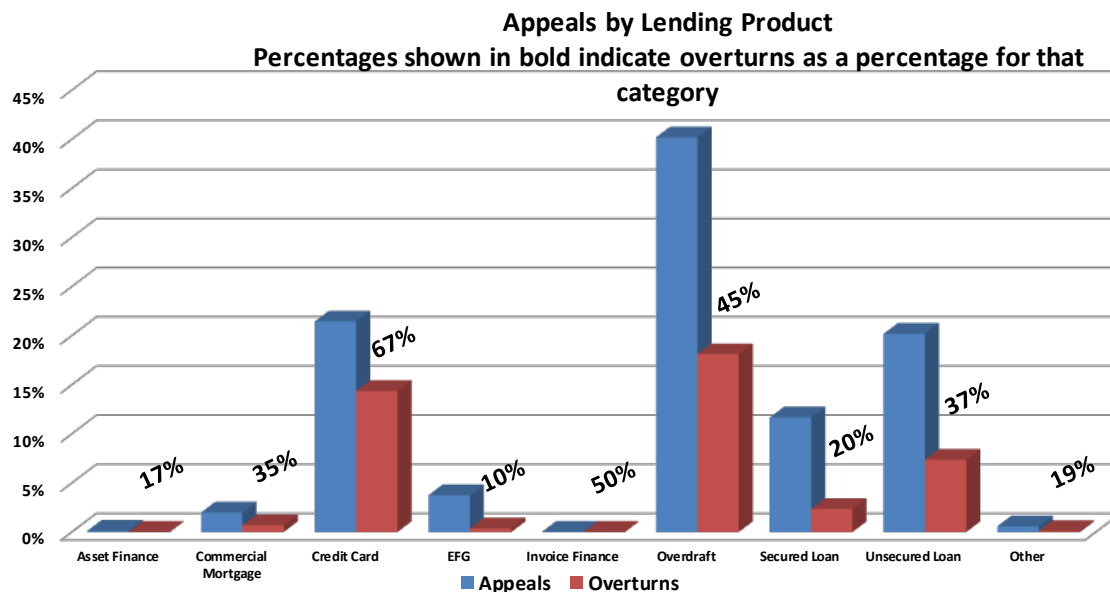
In summary the main reasons for decline overall remain:

- Failed Credit Score 43%
- Affordability 25%
- Account Conduct 10%

However the stark difference between below and above £25k lending is once more highlighted this year as can be seen below.

Decline Reason	<u>Up to £25k Lending</u>	<u>Above 25K lending</u>
	Failed Credit Score 52%	Affordability 48%
	Affordability 20%	Appetite 20%
	Account Conduct 10%	Business Experience 10%

Appetite in this context is the desire of the lender to lend to this sector, type of business or policy constraint.

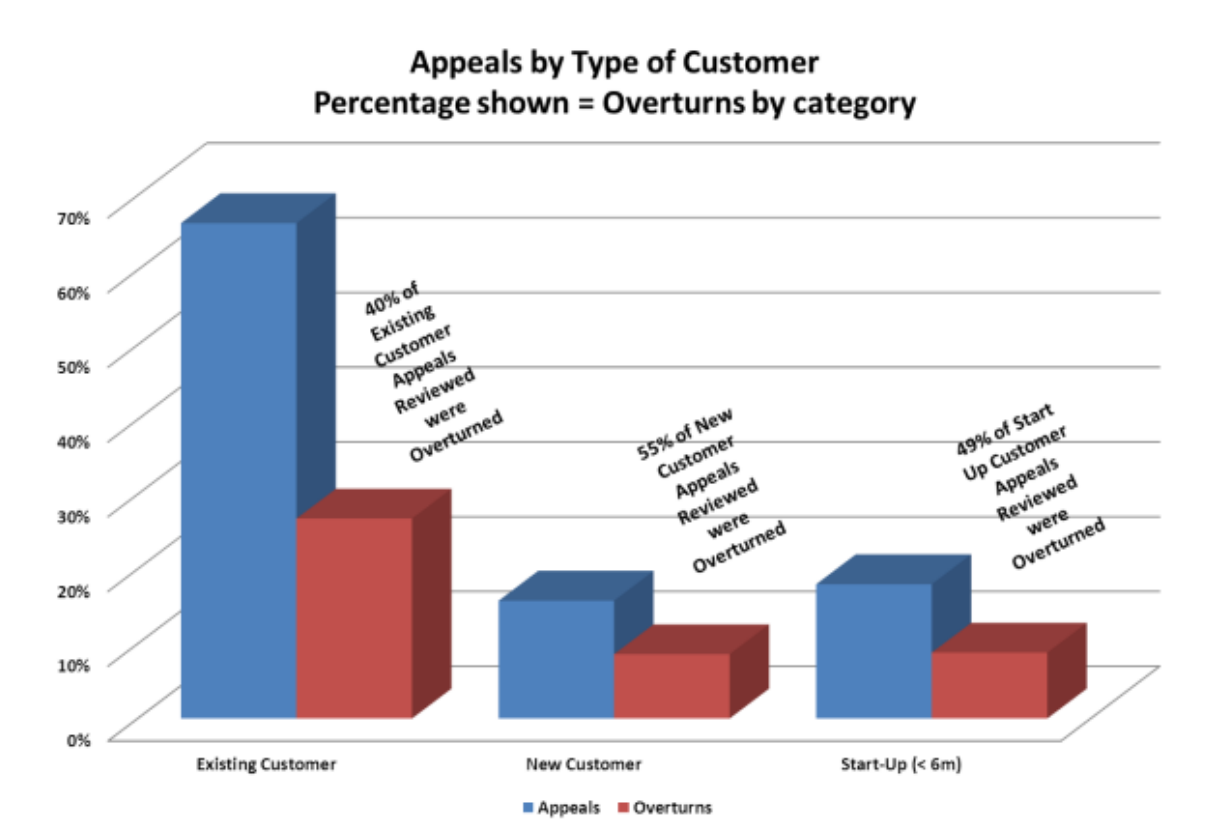


Note: Above includes cases where customers have applied for up to two products and therefore actual number will be greater than the number of cases captured.

The table above shows Appeals by Lending Product, and it can be seen that those with the highest appeal numbers and overturns are in the areas where credit scoring applies. Also it highlights once again the small number of businesses using invoice discounting which I still believe to be a good form of finance for many businesses and is misunderstood. Also I would continue to make the point that I think one of the reasons for its lack of use is that many main contractors in large projects still do not allow their sub-contractors to use it and have a 'non novate invoice' clause in their contracts to them. Given that this area is one where small businesses have highlighted issues around payment by main contractors, I think allowing them to use invoice discounting by taking away these clauses would benefit small sub-contractors greatly. The Government did it with MOD contracts some years ago so I see no reason why it should not be the same for all.

Also this table highlights the high usage of credit cards by small and micro businesses. There has been some criticism in the past about small businesses using credit cards to finance their business and I would have been one of those until recent years. As the way we all do business has changed more and more radically with the use for example of much more online purchasing for business as well as consumers, so a well-managed commercial credit card can be the simplest and cheapest way for a small or micro business to provide working capital for its business. If the card is settled each month then the costs are minimal and even compared to an overdraft are better. I can see therefore the use of commercial and business credit cards increasing in the coming years which is why it is key for me to get the way decisions are made on them into a sensible place. I think I can say that this is now much better

than it was primarily due to the main credit card providers making their systems better and where and when they make a decision more effective for them and their customers. I would commend the way the main credit cards providers have approached these challenges positively and we have all made real progress.



The table above shows Appeals by type of customer and continues to show that start-ups and those switching their account still have the highest overturn rate. This again highlights the use of personal credit data as the main initial screen in both those areas and how it does not in many cases provide a robust set of information on its own to make a decision on. In appeal cases the bank will generally ask for more information and as can be seen it then triggers a high overturn rate. That credit analysis is not the best way to evaluate a business is not open to question, but it is how it is done in many areas that causes concern and why both myself and the banks are focussing on how we can make it better the first time rather than after an appeal.

The rest of the data split in various ways is shown in Annexe J and has shown little statistical change since last year.

7. Declines' Sampling

When the Appeals Process started in 2011 there was a discussion between myself and the lenders about whether we should be looking at those who did not appeal as well as those who did appeal? At that time it was sensible to focus only on those that did appeal to ensure that we put all our efforts into making sure that that part of the process worked well.

Earlier this year Her Majesty's Treasury (HMT) raised the issue again with me on the basis of now we know what those that appeal look like it would be good to see if those who did not appeal were what we would think they were too. What that question means is that we would hope that those that were not appealing were doing so on the grounds that they knew it would not be worthwhile doing so and not just that they had been deterred for other reasons, or just did not know that they could appeal in the first place.

Therefore over the last 6 months we have worked with all the banks in the Appeals Process to audit their declines which have not appealed, to see how many might have been able to do so. We have done this only for non-credit card lending as there are specifics around credit card lending and those who apply for credit cards that make it difficult to carry out this type of exercise.

In doing this though it had to be on the assumption that we could not go back and speak to individual customers but rely on using the data the bank had itself. That is not because it might not have been useful to do so, but it would have opened up a Pandora's box of potential legal and other issues which would have made the exercise much more long term and in the end would not have added great extra value.

Therefore for each lender we asked them to identify for us those SMEs that had been declined funding over a defined period and then from that pick a significant sample that covered all types and sizes of lending and sizes and types of customer. They were then asked to have someone not involved in the original decision to look at the file for each and the reason for decline to see if there was anything that they had missed or with the adding of a few bits of further information they might have looked at it again. Therefore the question was not would the bank have overturned the decision, but could the bank see a reason why it might have looked at it again. To do that the lender needs to know the full reason that the customer has been declined, which we have found is not always the case; therefore a proper declines analysis cannot take place.

We have focussed initially on the large UK banks although we have also now completed a similar review with one of the smaller banks in Northern Ireland.

We have also focussed on banks where we know that there are not process changes being initiated from the Appeals Process which will change the answer that would be

forthcoming. This would not be sensible given that we know that the process change will mean fewer declines and/or better understanding of why customers are declined.

Therefore, to date 6 banks have reported back to us. Of those 6, we have decided to defer the analysis of two until certain process changes are in place. With one, that should mean that we can carry out the Declines' Sampling later this year but in a more sensible process environment and with the other, the process change is so far reaching that it could take into next year for us to be in a position to do that, although we will try to do something sooner.

However the good news is that of the 4 banks who have reported on their analysis, and where we have cross checked a representative sample of their own checking, I am pleased to report that the number of SMEs who were declined but on analysis may have had the possibility of having their cases looked at again is between 2% and 5% for those banks. To me that is in the realms of what you would expect, as no system anywhere is perfect and of those that might have been looked at again it is not saying that they would have been overturned.

Therefore in terms of those SMEs who were declined but did not appeal, I do not think that, from those banks we have looked at, there is a significant number that have missed an opportunity and this also shows that the banks are making, in general, good decisions in those cases. This does not however mean that had more SMEs known about the Appeals Process more might have applied for credit than did, but that issue of awareness is addressed elsewhere in this report.

Finally in this section while we have done those 4 banks it is our intention to repeat the exercise with each later this year to check that this sampling is sound and that there is no, or little, deviation from what was found originally.

8. Key Priorities for Year 4

In terms of where I see my priorities for Year 4 of the Appeals Process, all centre around making sure that the conversation between lenders and SME customers gets better and better so both parties benefit.

Under that overarching umbrella I will focus on some key issues.

1. Ensuring that all banks can tell their customers clearly and precisely why they were declined for lending and what they might be able to do to change that decision over time.
2. Working with all sides of the 'awareness debate' to make sure that where resource is being spent to raise awareness that it is being channelled and focussed in the areas where it makes most impact. Also work with all parties to try and put in place metrics which we all agree can measure progress which I am not sure we have just now.
3. Bring in at least two, but hopefully three, new banks into the Appeals Process and work with each, using the experience we have built up to date, to get a process in place that benefits both them and their SME customer.
4. With each bank identify all the systems that are involved in an SME customer making an application and understand how the Relationship Managers use them.
5. Continue to ensure that all customers who should be getting the right to appeal and not being filtered out at source.
6. Continue to use the Action Plans I have with each bank as dynamic documents which are added to and change as we work with them on issues we both agree need addressing within that bank.
7. Continue to enhance our own data set and look further into it to establish any further issues that need addressing.
8. Work with the FCA, HMT and others to examine whether the Consumer Credit Act in its current form is 'fit for purpose' in terms of ensuring that SME businesses are treated correctly given that they are different in some respects to consumers.
9. Work with each bank to see how they are addressing the issues that discourage SMEs applying for lending for them.
10. Continue my work with all stakeholders to see what can be done to make the credit scoring environment more useful and certain for all.
11. Continue to meet with Relationship Managers and customers to see what their issues are and are we aware of them.

Also, as we gather even more knowledge, of how all this works ensuring that the Appeals Process itself is as good as it can be and if not making sure that it adapts to ensure it does.

9. Appendices

Annexe A – Bank commitments

The Taskforce banks committed to 17 actions across three broad areas. [To improve customer relationships we will:](#)

1. **Support a network of business mentors** by working with the business groups to deliver this free service to small businesses across the UK
2. **Improve service levels to micro enterprises** (businesses with fewer than 10 employees and turnover or a balance sheet under €2m) by setting out in a new Lending Code the levels of service banks will provide and outlining additional sources of help and advice
3. **Publish lending principles** which clearly set out the minimum standards medium-sized and larger businesses can expect when asking banks for loans and other services
4. **Establish transparent Appeals Processes** for when loan applications are declined, with processes independently monitored by a senior Independent Reviewer, who will publish the results of their review, to ensure each bank has a fair and equitable Appeals Process
5. **Initiate a pre re-financing dialogue 12 months' ahead of any term loan coming to an end**, which will include a timely review of business and re-financing needs and an assessment of what needs to be in place ahead of loan expiry to maximize the prospect of successful re-financing.

[To ensure better access to finance we will:](#)

6. **Establish and invest in a new £1.5 billion Business Growth Fund** (built over a number of years) to fill a crucial gap in the market and provide capital for viable businesses which want to invest and grow
7. **Support the Enterprise Finance Guarantee Scheme**, seeking continued Government backing through to 2012, and accommodating any changes made by Government
8. **Help mid-sized businesses access syndicated debt markets** by raising customer awareness, training customer-facing staff and engaging more actively with business groups and customers
9. **Improve access to trade finance** through targeted SME awareness-raising campaigns and exploring possible regulatory adjustments with the FSA. Seek to open with Government access to trade finance products for businesses that qualify for the Enterprise Finance Guarantee Scheme
10. **Signpost alternative sources of finance**, giving customers helpful information and advice if a loan is declined and raising awareness about the financial solutions they should consider

11. **Help improve the supply of credit to the wider economy**, working with the authorities to ensure that wholesale markets can support the necessary lending capacity as the economy recovers.

To provide better information and promote understanding we will:

12. **Fund and publish a regular independent survey**, commencing in early 2011, to a methodology agreed with Government and business groups, so there is an agreed and authoritative set of data on business finance demand and lending supply
13. **Enhance the cross-industry lending dataset** by broadening the statistics on lending available for wider bands of business activity; on lending to deprived areas; and on national and regional data on the provision of bank support to business start-ups
14. **Hold regional outreach events** throughout 2011 with business groups to enable business customers and business groups to meet with key staff from the banks to answer questions and explain what services are available
15. **Improve customer information** including a review of literature and other materials, so customers can more easily understand what products will best meet their needs
16. **Host a dedicated website** through the BBA to draw together and link useful sources of information to help customers access the most appropriate information. This will also connect mentoring networks
17. **Establish a Business Finance Round Table** where senior representatives from the banks and business groups meet regularly to discuss and review trends, identify emerging areas of concern, ensure problems are addressed and facilitate the implementation of the Taskforce initiatives.

List of Banks:

Barclays Bank
HSBC
Lloyds Banking Group
Royal Bank of Scotland
Santander
Bank of Ireland
Danske Bank
First Trust Bank
Ulster Bank

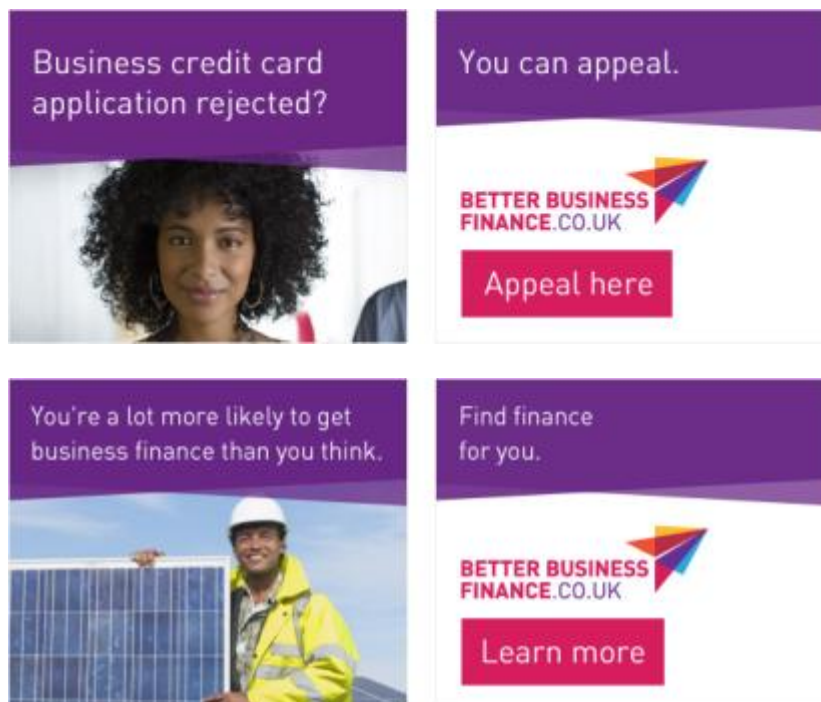
Annexe B – Minimum Standards and Scope of the Appeals Process

1.	The Appeals Process is available to all SME customers with a Group Turnover up to £25million
2.	<p>“In Scope”</p> <ul style="list-style-type: none"> • All types of lending products, funded and non-funded, required by bank customers to support them in the performance of their business activities • Applies to all “lending applications” including lending requests to the Bank where the customer has provided “New” information which then results in a negative view e.g. “Declined at Source” • Applies to applications which are declined where no offer has been made or where the customer does not agree with the Bank’s Conditions for lending (excluding standard terms, fees and pricing)
3.	<p>“Out of Scope” (ineligible)</p> <ul style="list-style-type: none"> • Customers within Bank’s support or recovery units where lending is usually more structured • Where bank is precluded from lending to a customer because of market regulations, including AML or sanctions
4.	Bank to communicate the reason(s) for the lending decline in writing and preferably verbally also. It is important that the bank keeps a written record of the decline conversation with the customer
5.	The verbal conversation with the customer and the lending decline letter must include information on how to appeal e.g. signposting to the Appeals Process. As discussed above, a written record should also be kept of the decline conversation with the customer
6.	Decline letters should be written in plain English and include signposting to Alternative Sources of Finance, CDFI and business mentoring
7.	Appeal Reviewers will be “Experienced Lenders” who have not previously been involved in the decline of the original lending application
8.	Appeal Reviews to be undertaken on the basis of ensuring completeness of the original lending application. This will take into consideration any new or additional information which has been provided by the customer with their appeal or requested by the Appeal Reviewer subsequent to the receipt of an appeal
9.	Customers are required to submit appeals within 30 calendar days of their receipt of the written decline communication. To provide for normal posting time we would regard this as 35 days from the date of the decline letter
10.	<p>The Bank is required to inform the customer of the outcome of the appeal within 30 calendar days of their receipt of the appeal. Appeal decisions to be communicated to the customer in writing:-</p> <ul style="list-style-type: none"> • Where the original decline decision is upheld confirming the original decline decision stands an explanation of the decline reason(s) must be given • Where the original decline decision is overturned, in favour of the customer, it is considered prudent to confirm the amount that has been agreed, especially in the instance where the amount is less than originally requested by the custom

Annexe C – Examples and Metrics from the Generic Awareness Campaign



Campaign examples



Annexe C contd.

Website examples

Home Page

The screenshot shows the homepage of the Better Business Finance website. At the top, the logo 'BETTER BUSINESS FINANCE.CO.UK' is on the left, and a navigation menu with links 'Home', 'Find finance', 'Appeals', 'Local events', 'Help and support', and 'About us' is on the right. The main banner features a smiling man in a floral shop with the text 'You're a lot more likely to get business finance than you think' and a 'Find out more' button. To the right of the banner is a 'Find a finance provider' form with dropdown menus for 'Business life stage', 'Region', 'Amount of finance', and 'Type of finance', and a 'Find' button. Below the banner, there are three featured articles: 'Independent appeals' with a 'Start an appeal here' button, 'A special day for Save the Date' with a 'Read the case study' link, and 'Tips from our blog' with links to 'Find a business mentor with mentorsme.co.uk' and 'Tips for a successful finance application'. The footer contains a row of partner logos (ABFA, etc.), social media links for Twitter and LinkedIn, and a 'Contact us' link.

BETTER BUSINESS FINANCE.CO.UK

Home • Find finance • Appeals • Local events • Help and support • About us

You're a lot more likely to get business finance than you think

Find out more

Find a finance provider

Help choosing finance type?

Which stage are you at?
Business life stage

Where are you based?
Region

Amount of finance
Amount of finance

Type of finance
Type of finance

Find

Independent appeals

If your application for business finance is turned down, you can launch an appeal to have the decision reviewed. You can also appeal if you are unhappy with the conditions attached to a lending facility agreed with your bank.

Start an appeal here

A special day for Save the Date

The company started when the pair realised that they could pool their talents and offer the full range of events services without drawing on outside resources. While Sophie draws on her nine years of floristry experience, Julie is a designer and specialises in cake making and sugar craft.

Read the case study»

Tips from our blog

Find a business mentor with mentorsme.co.uk

mentorsme.co.uk helps small and medium-sized businesses quickly and easily find a mentoring organisation that matches their requirements. [Read more»](#)

Tips for a successful finance application

The UK's five largest high street banks offer their insight to help you ensure your application for credit stands the greatest chance for success. [Read more»](#)

ABFA


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Annexe C contd.

Website Appeals Page

Home - Find finance - Appeals - Local events - Help and support - About us

Appeal a bank decline here

Mandatory fields*

If you've applied to your bank for any finance for your business and you have been turned down, you can appeal here. You need to be within 30 days of your original application, and you will need to meet certain eligibility conditions**

The following banks are part of the appeals process: Barclays, HSBC, Lloyds Bank, Bank of Scotland, RBS, NatWest, Santander, Ulster Bank, Bank of Ireland, Danske Bank and First Trust Bank.

Bank Name*

Date your request was declined*

Business Name*

Company registration number*

Business trading address*

Address line 1

Address line 2

Contact email address*

Confirm email address*

Name of relationship manager*

What lending product did your request relate to*

Reason for appeal*

Account number*

Sort code*

Other information

Main contact / business owner


Contact telephone number

Alternate telephone number

Details of any significant changes since the original request

[Begin an appeal](#)


The appeals process



- 1 You launch an appeal
- 2 Your application is reviewed by another individual in the bank
- 3 Result communicated to you within 30 days

Even if you are unsuccessful in your appeal the bank may offer other sources of finance.

Eligibility Conditions



I have had a lending application declined, can I appeal?


You can appeal if your lending application was declined and your company Group Turnover level is £25m or less.

Are there circumstances where my declined application cannot be appealed?

There are some circumstances where this appeal process will not apply, for example:

- Where you have already had an appeal heard that was not successful
- The appeal must also be received within 30 days of decline

Independent Appeals Reviewer



An external Independent Reviewer, Professor Russel Griggs monitors and scrutinises the appeals process. [Read more**](#)

Annexe C contd.

Forum engagement



Startups.co.uk
@startuptowers

Getting a mentor - good or bad idea? Read the discussion on our forum about mentors for business here: bit.ly/1i89sKy

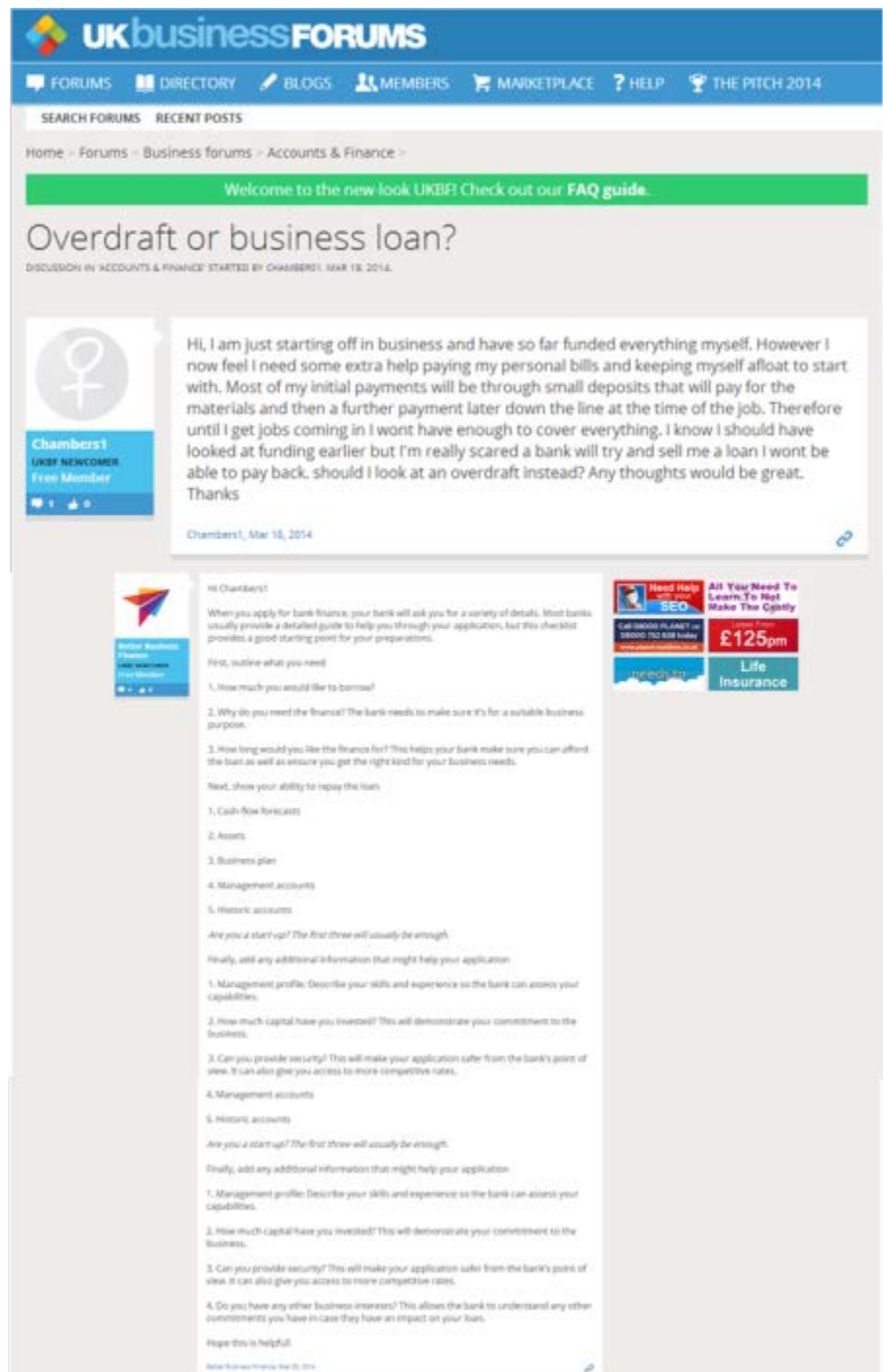
4:40pm · 13 Mar 14 · TweetDeck

2 RETWEETS 1 FAVORITE

Reply to @startuptowers @bbftweets

Ryan Warrender @RyanWarrend-31d
@startuptowers Mentors are a guiding force to challenge your personal growth and critical in developing your technical expertise.

View



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Home > Forums > Business forums > Accounts & Finance >

Welcome to the new look UKBF! Check out our [FAQ guide](#).

Overdraft or business loan?

DISCUSSION IN ACCOUNTS & FINANCE STARTED BY CHAMBERS1, MAR 18, 2014.

Chambers1
UKBF NEWCOMER
Free Member

Hi, I am just starting off in business and have so far funded everything myself. However I now feel I need some extra help paying my personal bills and keeping myself afloat to start with. Most of my initial payments will be through small deposits that will pay for the materials and then a further payment later down the line at the time of the job. Therefore until I get jobs coming in I wont have enough to cover everything. I know I should have looked at funding earlier but I'm really scared a bank will try and sell me a loan I wont be able to pay back. should I look at an overdraft instead? Any thoughts would be great. Thanks

Chambers1, Mar 18, 2014

Hi Chambers1

When you apply for bank finance, your bank will ask you for a variety of details. Most banks usually provide a detailed guide to help you through your application, but this checklist provides a good starting point for your preparations.

First, outline what you need

1. How much you would like to borrow?
2. Why do you need the finance? The bank needs to make sure it's for a suitable business purpose.
3. How long would you like the finance for? This helps your bank make sure you can afford the loan as well as ensure you get the right kind for your business needs.

Next, show your ability to repay the loan

1. Cash flow forecasts
2. Assets
3. Business plan
4. Management accounts
5. Historic accounts

Are you a start-up? The first three will usually be enough.

Finally, add any additional information that might help your application

1. Management profile: Describe your skills and experience so the bank can assess your capabilities.
2. How much capital have you invested? This will demonstrate your commitment to the business.
3. Can you provide security? This will make your application safer from the bank's point of view. It can also give you access to more competitive rates.
4. Management accounts
5. Historic accounts

Are you a start-up? The first three will usually be enough.

Finally, add any additional information that might help your application

1. Management profile: Describe your skills and experience so the bank can assess your capabilities.
2. How much capital have you invested? This will demonstrate your commitment to the business.
3. Can you provide security? This will make your application safer from the bank's point of view. It can also give you access to more competitive rates.
4. Do you have any other business interests? This allows the bank to understand any other commitments you have in case they have an impact on your loan.

Hope this is helpful.

UKbusinessforums, Mar 18, 2014

Head help
SEO
Call 08000 11 JANET or 08000 752 838 today
www.yourbusiness.co.uk

All You Need To Learn To Not Make The Cptily
Learn From
£125pm
Life Insurance

Annexe C contd.

Campaign metrics

Metric	Audience	Campaign channels
1. Overall PR Metric		
50% campaign reach among SME owners/managers/chairmen	Owner/managers/chairmen of SMEs	PR campaign among key national media. 68% campaign reach among the key SME owner/manager audience achieved to date, with a frequency of 2.3 times each.
2. Measured by SME Finance Monitor		
10 per cent increase in SMEs actively seeking different forms of finance confident of being successful in their application (source: based on SME Finance Monitor)	SMEs actively seeking finance	Paid online media Social media/forum engagement PR campaign Owned channels, eg website, Twitter Bank communications
23-25 per cent of all SMEs aware of Appeals Process (measure: SME Finance Monitor). This is equal to a 10-12 point uplift in awareness of the Appeals Process among our core target audience	All SMEs	Paid online media PR campaign Social media engagement Bank communications
3. 50 per cent of those SMEs actively seeking finance to acknowledge their awareness of the Appeals Process through the banks point of entry references to appeals for example on loan check lists, application forms, and a 'tick box' for businesses to acknowledge their right of appeal. This will be measured by each bank with the independent appeals reviewer who will over-see this. (source: bank and independent reviewer)	Active seekers made aware at the various 'points of entry' of the banks	Owned channels, eg website, Twitter Bank communications; Independent reviewer
4. 5 point increase in awareness of the BBF campaign and its wider support measures (measure: SME Finance Monitor).	SMEs actively seeking finance	Paid online media Social media/forum engagement PR campaign Owned channels, eg website, Twitter
5. Appeals Rejection Metric		
Measure of awareness of the right to appeal among those rejected, by sampling rejected customers (source: bank and independent appeals reviewer)	SMEs rejected for finance	Russel Griggs, Independent Appeals Reviewer

Annexe D – Individual Bank Awareness Raising

Santander

1. Promoting the Appeals Process | Introduced a dedicated Appeals Website



New dedicated Appeals micro-site with information on how to appeal and customers can start an appeal online

Page headings include:

Submitting your finance application

Getting to know your business

If your application is declined

How do I appeal?

The appeals process

How do we know the appeals process works?

Alternative sources of finance

Related information and solutions also available

RELATIONSHIP MANAGERS

Our Relationship Management teams have made aware of the 'Lending Guide and Appeals Process' site and its content so that they can direct their customers to the site for further information and support

1. Promoting the Appeals Process | RM training & Customer Commitments

How Santander are selling the Appeals Process to our people

- Introduction of ELesson training for each RM.
- Supports & embeds the training covered in our Customer Centric Lending Workbook.
- Tailored for our people who deal with customers.
- Lending Review Quiz which requires participant completion and sign off.
- Covers the 5 key commitments which relate specifically to lending decisions.
- 3 of those key commitments relates to the Appeals Process.



"What are our 5 key commitments to our customers?"

We (Santander) will tell you (your customer) how long it will take us to make a Lending decision, starting from the point when you (your customer) give them the information needed to complete the application.

We lend money responsibly.

We will give you clear feedback when they have decided to decline (refuse) a request for credit, including what steps you might take next.

We have a fair and effective appeals process in place to review decisions to decline a credit request.

We tell you about your right to appeal if your application is declined.



Annexe D contd.

HSBC

Guide to Appealing a Business Lending Decision

Assessing Requests for Business Borrowing

It is important and in your best interests, as well as ours, to make carefully considered decisions about lending to your business.

However you apply to HSBC for finance, the bank representative will look at a range of factors to determine the risk to HSBC of agreeing to the request. Important considerations are the affordability of the finance taking existing commitments into consideration, profitability, your personal stake in the business and your financial track record.

If the value of the request is over a certain amount, your local Manager will use their judgement in conjunction with that of central Credit Teams to make a decision about your application.

If the value of the request is below a certain amount, the details are entered into our system and checks are made to help with the assessment of the application.

Banks and other lenders use credit scoring and credit references to help with this. At HSBC we regularly review and update how we assess borrowing requests.

Actions that may affect your Credit Score

Credit scoring is widely regarded as a fair way of assessing customers and borrowing requests. At HSBC we regularly review and update how we use credit scoring to make sure we can offer borrowing to all customers we believe will repay.

While we look at each credit application on its merits, there are things you can do to improve your credit score such as:

- Ensuring that the turnover through your account is as regular as your business will allow.
- If you have an overdraft, ensuring that the balance of your account is periodically in credit and that you are not permanently near your overdraft limit.
- Developing a history of successfully repaying borrowing.

Actions that could harm your ability to obtain credit include:

- Paying credits into your account irregularly or having periods with no credits at all. The score is based on what is seen going through your account.
- Going overdrawn without a limit, or going over your agreed limit.
- Frequent requests to increase facilities over a short period of time.
- Issuing cheques or other payment instructions while there are insufficient funds in your account.

If you have a personal account with us, that account is also included in our overall assessment of any borrowing request you make. This is particularly relevant in situations where we have limited business history on which to base a decision, such as new start-ups.

Credit reference agencies

The information that credit reference agencies hold falls into three broad categories:

- 'Positive' data such as how long a customer has maintained an account, past borrowing successfully repaid, current status on existing credit facilities.
- 'Negative' data such as late or missed payments, banks returning payment instructions, defaulted debts, multiple applications for credit in a short period (say the last six months).
- Warnings such as court orders on County Court Judgements for defaulted debts (CCJs), bankruptcy notices. Banks might not lend if such entries are on the credit reference, even if the debts have now been paid off.

Allowing credit facilities with other providers to fall into arrears or defaulting on credit facilities will harm your credit rating. If you make multiple applications for credit facilities over a short period of time, this will also be recorded and may have a negative impact.

When assessing a request for credit facilities from a business, information is obtained from the credit reference agencies on both the business itself and the individual owners of the business.

If the bank is unable to lend to you as a result of information from a credit reference agency, we are not able to share the information directly with you as the information is not ours. However, you can obtain a copy of your credit record for a fee by contacting the credit reference agency (or agencies) that we consulted. If you ask us, we will confirm which agency (or agencies) we used when assessing your request for lending. If your credit record contains items that are incorrect, you can apply to have them removed.

If your application has been declined, what are your next steps?

In your conversation with the HSBC representative or in the letter you received advising you of the decline of your application, you should be advised of the factors that led to the decline and that you may have the option to appeal the lending decision if you wish to do so.

Appeal the decision

You can ask for the decision to be reviewed using our independently audited, declined lending appeals process.

You may feel that your proposal was not fairly assessed or that some relevant information was incorrect, misleading, or not properly considered.

The reviews are undertaken by a separate, dedicated team, who have the authority to overturn a decline decision and do so when they feel the circumstances are right.

Lending appeal guidelines

You are able to use our appeals process in the following circumstances:

- We are not prevented from lending to you, for example for legal or regulatory reasons or due to economic or trade sanctions.
- Your existing lending is not already subject to formal demand or enforcement or legal proceedings.
- You have submitted a formal lending application.
- Your appeal relates to a lending application declined within the previous 30 days.
- Your annual group turnover is less than £25m.
- You requested lending facilities for a period of more than 45 days.

If eligible, you will need to submit a Lending Appeal Form online within 30 days from the date of being informed of the decline decision. This will enable our specialist declined lending appeals team to have access to the necessary information to review your application.

For further information about the appeals process and to submit a Lending Appeal Form please visit www.hsbc.co.uk/businesslendingappeal or call our enquiry line on 0800 141 2871*.

*Lines are open 9am to 5pm, Monday to Friday excluding Bank Holidays. Communications may be monitored and/or recorded for security and service improvement purposes.

Small Business Loan: Business Banking: HSBC UK - Windows Internet Explorer

http://www.business.hsbc.co.uk/1/2//business-banking/business-loans-and-finance/small-business-loan?LinkCategory=HP_new_hero_Links_Box&LinkID=SBL_link

hsbc business banking

File Edit View Favorites Tools Help

Favorites e-Documents - HBEU Mar... Free Hotmail My Solution Centre

Small Business Loan: Business Banking: HSBC UK

Personal Business

Business Banking Turnover up to £2m Commercial Banking Turnover £2m to £30m Corporate Banking Turnover in excess of £30m International Business Online Services

Business Home > Business Banking > Finance and borrowing > Small Business Loan About Business Internet Banking LOG ON

Product and services

Business bank accounts

Credit and debit cards

Payment services

Business insurance policies

Business savings and investments

Business internet and telephone banking

International Business

Pensions

Business Banking

Small Business Loan

Looking for finance? Then our Small Business Loan could be ideal to fund your longer term projects.

Overview

- Business loans available between £1,000 and £25,000
- Repayment terms between 12 months and 10 years
- The **interest rate** and repayments are fixed for the life of the loan
- Once agreed, funds can be credited same day
- You can opt to defer your first repayment for three months after the funds have been credited to your account²

Benefits

Rates and Charges

Important information

Interest rates

Business Banking Terms and Conditions (PDF)

Business Banking Price List (PDF)

Guide to business borrowing - Use our guide to help you choose the right type of borrowing or finance and prepare a stronger application

Don't have Adobe PDF Reader? Download Adobe Reader

Apply for Small Business Loan

Apply now

Ways to apply

Apply for a Small Business Loan

Apply now

Call us on: **0800 587 0644**¹

Find a branch

Textphone 18001 0800 028 3516

Appeals for borrowing

You can ask for a declined business borrowing decision to be reviewed.

Internet | Protected Mode: Off

100%

13:45 04/06/2014

Annexe D contd.

Lloyds Banking Group

5 Externally to Customers – Refreshed Lending Brochures



Following the re-brand to Lloyds Banking Group, all brochures are being changed during 2014 where all lending related collateral will include details of Lending Appeals inside the final page -

You can ask for the decision to be reviewed

Appeals
Business finance declined?
You can ask for the decision to be reviewed.

Did you know... ?

- SME customers have the right of appeal when a full borrowing application is declined. Check our website or speak to your Relationship Manager for details or call us on 0845 072 5555.
- When we agree your request, if there are any conditions of sanction you are unhappy with, you can appeal them before you return the signed facility agreement, so we can independently review your case.
- Our appeals process is overseen and audited by the Independent External Reviewer of Appeals.

6 Internally – selling the Appeals Process



Within Commercial Banking, RM's have an intranet site used for communications, advising important changes in processes and strategic updates from Senior Management.

For Lending Appeals, this site has been used to advise Colleagues of recent events (e.g. Prof Griggs verification of Lloyds lending approval rates) and his visits to different Team's within Commercial Banking.

In addition, changes in the Declined Lending and Appeals process are cascaded via this Site.

Home | Commercial

NEWS & UPDATES

Lloyds Banking Group leads the way in lending approvals

Lloyds Banking Group is the first UK bank to have our lending approval rates **'independently verified'**, with 9 out of 10 full applications for loans and overdrafts being approved.

Over the last few months SME Banking has been working with Professor Russell Griggs, External Reviewer of Lending Appeals and Government adviser, reviewing our systems, establishing how clear requests are dealt with and how the members are collated and reported. As a result of this in-depth work we are the first UK bank to claim that our approval rates are 'independently verified'.

By obtaining independent verification to our lending approval figures, we are clearly demonstrating to businesses that they should be confident in applying to us as one of the best and most reliable sources of credit for SMEs.

Appeals Process

When a full application has been turned down, it is important that this is communicated effectively to the client and that they are offered the right to appeal. These sometimes difficult conversations can be the moment of truth for our clients and candidates how they view and rate us.

At the end of February we passed a new milestone with 1,000 client appeals received since April 2011. Of those declined decisions 150 have been overturned on appeal and almost 47.5% of new lending sanctioned. Furthermore, where decisions are overturned on appeal, the subsequent making of new orders by SMEs consistently shows that around 97.5% of decisions are either a 'Loan' or 'Overdraft' **80%CS rating** (Business Dynamic Credit scoring is the decision support tool which uses historical information to predict the probability of a customer being 'good' or 'bad' during the next 12 months).

Adrian White, Managing Director SME Banking said: "The increase in our net lending growth to SMEs over the past three years is a clear demonstration of our commitment to helping Britain Prosper through sustainable and responsible lending. The independent verification recognises the great work being done across business and sets LBG apart as a market leader within the **appeals process** performance charts. Now we are 'getting it right' for both our clients and the Bank."

Annexe D contd.

RBS

 Ahead for Business >>

business sense

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07 MAY 2014

[FEEDBACK](#)

VIDEO BELOW

The lending appeals process: improving dialogue between banks and customers

A loan refusal can be a setback for SMEs trying to source finance from their bank. But thanks to the lending appeals process, it's no longer a dead end. *Business Sense's* John Silcox meets Professor Russel Griggs, OBE, the Independent External Reviewer, to hear his verdict.

For most small businesses, the first port of call for a loan to cover day-to-day expenses or finance business development is often the bank. Despite what historians are now calling "the Great Recession", access to this funding stream is opening up again. Yet even today nearly 40 per cent of all loan applications made by SMEs to their banks are initially declined, according to the SME Finance Monitor.

Traditionally this rebuttal would mean that company directors would have to source funding elsewhere, but now this isn't always the case. Since April 2011, any UK business turning over £25 million or less that is declined a loan, at one of the main high street banks, can appeal the decision using the lending appeals process. This is a set of principles agreed on by Britain's largest banks, including NatWest, that gives business customers recourse if their loan application is rejected, on which they will receive a formal decision within 30 days. Up until the end of April 2013, across the industry, there were more than 5,500 appeals of which 40 per cent were overturned, putting more than £30 million back into the economy.

Each bank has its own appeals process which is monitored and scrutinised by an independent and external team of reviewers, ensuring that the banks have implemented a fair, prompt and transparent appeals process. Professor Russel Griggs OBE heads this monitoring and is supported by a team from the financial consultancy group Promontory. He champions this incentive but bemoans the lack of awareness of the process among SMEs, which the SME Finance Monitor suggests is as low as 13 per cent.

He says: "Awareness of the appeals process is not as it should be and therefore we are trying to change that. More than simply making the customer aware we are also making sure that main contacts at the banks are aware of it too."

For Griggs, the secret to success lies in understanding that this process benefits both the customer and the bank. He adds: "It opens up a new dynamic between the bank and the customer. I think we forgot that dialogue was important thanks to all new communications technology. But for your bank contact to understand you in business and for you to understand

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Our Employment Law & HR experts answer some of the questions employers are likely to have about strikes.

5 ways to avoid business disruption during the tube strikes



The tube strikes in February of this year cost London's SMEs £600 million in lost working hours, business and productivity, according to research by the Federation of Small Businesses.

7 lessons every business can learn from Amazon - Part 2



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NatWest

The lending appeals process

At NatWest, we are committed to supporting our business customers. As part of this commitment, we provide a transparent and open appeals process for customers who feel that a request for finance has been unfairly considered.

If you meet all of the criteria detailed below you are able to appeal all requests for finance that are declined:

- You have applied to NatWest for lending and your request has been declined.
- You have submitted a lending application and your appeal relates to an application declined within the previous 30 days.
- Your annual business turnover is up to £25m.

Our appeals process will also consider some conditions of lending such as security requirements, covenants, loan duration, product type, pre-conditions and repayment schedules. Again, your appeal must relate to a lending decision that has been communicated to you within the previous 30 days and your annual business turnover must be up to £25m. Not in scope of appeal are any costs of borrowing, fees, or the standard terms NatWest attaches to such lending.

All appeals will be reviewed by our independently audited appeals team who will make sure that the appropriate information was correctly factored into the original decision.

What happens next?

- The appeals team, who are independent of the original team that considered your application, will review your appeal and you will receive a notification acknowledging your request within 24 hours of receipt. If your application is not eligible for appeal you will be advised in writing within three working days of receipt stating the reasons why your application has been rejected.
- A representative from the appeals team may contact you on the phone number you provided to discuss your appeal before reaching an outcome.
- If your appeal is unsuccessful a representative from the appeals team will contact you to explain the reasons why.

How long will it take to process my appeal?

We are committed to providing you with a response within 30 days of receiving your appeal. We may telephone you to discuss the outcome and we will confirm our decision in writing or email to you.

You can make a business lending appeal through a number of channels

Visiting www.natwest.com/lendingappeals
Emailing Business Hotline at lendingappeals@natwest.com
Telephoning Business Hotline on 0800 158 5977
(Typetalk 18001 0800 158 5977)

Lines are open: Mon to Fri 8.30am-5pm (excl. public holidays) Calls may be recorded.

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NBU12855

90452743

RBS

The lending appeals process

At RBS, we are committed to supporting our business customers. As part of this commitment, we provide a transparent and open appeals process for customers who feel that a request for finance has been unfairly considered.

If you meet all of the criteria detailed below you are able to appeal all requests for finance that are declined:

- You have applied to RBS for lending and your request has been declined.
- You have submitted a lending application and your appeal relates to an application declined within the previous 30 days.
- Your annual business turnover is up to £25m.

Our appeals process will also consider some conditions of lending such as security requirements, covenants, loan duration, product type, pre-conditions and repayment schedules. Again, your appeal must relate to a lending decision that has been communicated to you within the previous 30 days and your annual business turnover must be up to £25m. Not in scope of appeal are any costs of borrowing, fees, or the standard terms RBS attaches to such lending.

All appeals will be reviewed by our independently audited appeals team who will make sure that the appropriate information was correctly factored into the original decision.

What happens next?

- The appeals team, who are independent of the original team that considered your application, will review your appeal and you will receive a notification acknowledging your request within 24 hours of receipt. If your application is not eligible for appeal you will be advised in writing within three working days of receipt stating the reasons why your application has been rejected.
- A representative from the appeals team may contact you on the phone number you provided to discuss your appeal before reaching an outcome.
- If your appeal is unsuccessful a representative from the appeals team will contact you to explain the reasons why.

How long will it take to process my appeal?

We are committed to providing you with a response within 30 days of receiving your appeal. We may telephone you to discuss the outcome and we will confirm our decision in writing or email to you.

You can make a business lending appeal through a number of channels

**Visiting www.rbs.co.uk/lendingappeals
Emailing Business Hotline at lendingappeals@rbs.co.uk
Telephoning Business Hotline on 0800 092 3087
(Text Relay 18001 0800 092 3087)**

Lines are open: Mon to Fri 8.30am-5pm (excl. public holidays) Calls may be recorded.

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Annexe D contd.

Barclays/ Barclaycard

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Online Banking **Log in** **Register**

Personal Premier **Business** Corporate

Business Banking > Business loans, overdrafts and mortgages > Step 1: Deciding on business finance

Step 1: Deciding on business finance

When looking into financing your business, there are a number of factors to take into account. These include what you need it for, as well as the size and type of your company. We've created this 6-step lending guide to help you build a strong application and understand our assessment process.

Step 2

Which form of finance is best for you?

Consider the various options below to see which best fits your business's needs.

- Business loan
- Overdraft
- Commercial mortgage
- Credit cards
- Cashflow finance

If you're still unsure of which form of finance to choose, book an appointment with a Barclays Business Manager to discuss your requirements in more depth.

Book an appointment

6-step guide to a successful application

- Step 1: Deciding on business finance
- Step 2: Building your finance application
- Step 3: Your application's assessment
- Step 4: Our initial decision
- Step 5: Credit Team review
- Step 6: After the decision

Existing Barclays customer?

View our range of loans online

Business loans

Apply for a loan through one of our Business Managers

Request a callback

New to Barclays?

See our Business current accounts

Business current accounts

Apply online for a Business current account

Open an account

Business lending

Existing customers: **0845 300 9641**

To find out more, or if you want to apply for a loan, call us now to speak directly to our lending specialists

New customers: **0845 601 0106**

Alternatively **Request a call back**

Turnover over £5m? Corporate Banking

Live web chat

Start a live web chat

I'm interested in

- Business overdrafts
- Business loans under £25,000
- Business loans over £25,000
- Commercial mortgages

Show more links

I need to

Build my finance application

Tools

- Business loan calculator
Find out how much it could cost to take out a small business loan
- Helpful forms for business lending
Tools to help you prepare for your lending application

Helpful Information

- Our business lending charter
- Better Business Finance
- Appeal a lending decision

Annexe D contd.

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Online Banking [Log in](#) [Register](#)

Personal Premier Business Corporate

Business

Business Banking > Business loans, overdrafts and mortgages > Lending appeals process

[Go](#)

How to appeal against your lending decision



The appeals process

Our SME business lending appeals process enables you to appeal against a lending decision if you've been declined or aren't completely satisfied with the terms of a lending offer.

Informing you about this process is part of our commitment to supporting you and your business. The process is monitored by an independent, external auditor to ensure that it's fair and effective.

[When can I appeal?](#)

[How do I appeal?](#)

[Who reviews my appeal?](#)

[How long does it take to get a decision?](#)

[What can I do if I've already appealed unsuccessfully?](#)

[Alternative sources of finance](#)

Important information

1. Lines open Monday to Friday, 8am-7pm. To maintain a quality service, we may monitor and record phone calls. [Call charges](#)

2. Lines are open Monday to Friday 8am-8pm and Saturday 9am-1pm. To maintain a quality service, we may monitor and record phone calls. [Call charges](#)

Business lending

Find an International Trade Business Manager

Our team of experienced International Trade Business Managers covers the UK, providing businesses with expert support and guidance on trading overseas.

[Get in touch](#)

I'm interested in

[Business overdrafts](#)

[Business loans under £25,000](#)

[Business loans over £25,000](#)

[Commercial mortgages](#)

[Show more links](#)

I need to

[Finance my business](#)

[Business health check](#)

[Keep on top of my cashflow](#)

[Release cash tied up in invoices](#)

Tools

[Business loan calculator](#)
Find out how much it could cost to take out a small business loan

[Helpful forms for business lending](#)
Tools to help you prepare for your lending application

Helpful Information

[Our business lending charter](#)



The Bulletin

Business insight for Barclays
broker network

Spotlight on Business Lending

Deal appeal

Even after a loan application is declined it's possible that 'No' can be turned into 'Yes' on appeal.

Did you know that a business can appeal if it's turned down for a business loan, or if it's unhappy with the terms that have been offered?

"When assessing a credit application we typically work to the principle that it takes one person to say 'yes' and two to say 'no'.

"Even so, we urge anyone who has had a loan application declined to speak to their Barclays Business Manager to thoroughly understand the reasons why," says Paul Bastow, Senior Product Manager at Barclays.

"If they then feel they have extra information which could alter the decision at appeal I would urge them to consider it. It's not necessarily going to involve a great deal of extra work, and success could be just a mouse click away. We might only need a simple extra set of figures to be emailed, for example, and these could already be sitting on a desktop," he says.

Most applications for finance made to Barclays are approved, in part because Barclays Business Managers work hard with potential borrowers to ensure their applications are as strong as possible before they're submitted to the Credit Team. That said, Barclays is obliged to lend responsibly and not every application can be approved first time.

So what is commonly missing from the initial applications? "It's hard to generalise about precisely what that

information could be as every customer and every business is different," says Paul. "Do they run a second business perhaps that they didn't tell us about? That could be a strong and relevant factor. Anything that could positively impact on their application should be included.

"It's in everyone's interest that we make the right decisions about business finance. We'll always consider an appeal for any unsuccessful lending application, and it can be made through a number of different channels.

"When an appeal reaches us it's reviewed by a senior manager who was unconnected with the original decline, so customers can be sure it will be re-assessed fairly and objectively.

Since last summer Barclays has updated its lending letters to make customers aware of their right to appeal. Anyone who is declined lending automatically receives a follow-up letter about the appeals process, with information both on how it works and alternative sources of finances. Not only that, there is a dedicated section about the appeals process on its website.

It's also worth knowing that if customers have been accepted for a loan but aren't completely happy with the commercial terms of that loan, excluding price and fees, they can appeal in exactly the same way.

Find out more by reading our appeals process
FAQ on the Barclays website



2. Credit Scoring Leaflet | Available online, RM comms & as a Stationery item



Annexe E contd.

Help and support

How to improve your credit score

When you apply for credit or finance, the bank will want to build a picture of your past and current circumstances to help them make their decision. Credit Scoring plays a big part in the process.

Credit Reference Agencies and the information they use

Credit Reference Agencies (CRA) collect and maintain information on both consumer and business credit history in the UK. They look at the five different areas listed below to build your credit profile, allocating points for each piece of relevant information. Points are then added together to produce a total score. When your score reaches a certain level, the bank will generally agree to your application.

1. Payment History
2. Total amount of debt
3. Time and Length of credit
4. Type of finance you have
5. Recent applications

The first two will generally contribute the most towards your credit rating. The higher your score, the more easily your application will be accepted.

How to improve your credit score

1. Make repayments on time and for the required amount.
2. Ensure you are on the electoral register.
3. File full rather than abbreviated accounts at Companies House if you are a limited company.
4. Stay within your account balance or approved overdraft limit.
5. Use your business bank account as much as possible to highlight your turnover. For example, don't pay business receipts into your personal bank account.
6. If you're looking for a loan, ask lenders for quotations until you find the right deal. Only then should you apply. This minimises the impact on your credit score.
7. Avoid making several applications over a short period of time. This results in 'multiple searches' showing on your credit record, which could adversely affect your credit rating.
8. Confirm how much capital you need and when you need it by. Then outline any security you can offer, how you will repay loans, and the prospects for investors or lenders. You should also estimate cashflow, profit and loss, and sales forecasts - ideally with the assumptions they're based on.

[Click here to download the factsheet as a PDF >>](#)

Growth into focus

Starting out from one practice back in September 2007, Managing Partners, Vishal Marwaha and Geoff McCullough, have expanded to incorporate five practices located across the Central Belt. In addition, they offer specialism in the niche but competitive market of homecare visits, through their Visioncare at Home brand. Also launched in 2007, this business focuses largely on the nursing home market, but also offers residential and corporate services.

[Read Case Study](#)

Related articles

More businesses make use of the Independent Appeals Process
If you have been turned down for a bank loan, you can appeal that decision through the independent Appeals Process. Professor Russel Griggs is the Independent External Reviewer tasked with overseeing ways in which the process can be improved and ensure greater transparency between the bank and you, the business. [Read more»](#)


How a mentor can help
Britain's largest banks have joined forces to support a network of business mentors across Britain. Mentorsme.co.uk is the UK's first specialist online portal for businesses looking for mentoring services. [Read more»](#)

How to improve your credit score
When you apply for credit or finance, the bank will want to build a picture of your past and current circumstances to help them make their decision. Credit Scoring plays a big part in the process. [Read more»](#)

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⁶ <http://www.betterbusinessfinance.co.uk/support/post/how-to-improve-your-credit-score>

Annexe E contd.



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[Home](#) > [Loans and Finance](#) > [Lending Application Process](#)

Our lending application process

When you want it to be straightforward.

We're committed to providing a lending application process that gives you access to a broad selection of lending options – and helps make it simpler to apply for the funding you need.

You'll find details of our lending process below. You'll also find guidance on how to build your application. By following the five steps outlined you should have the tools necessary to create a strong lending application.

Step One: Explore the finance options available for your business

We offer a complete range of business finance options that can be tailored to meet your business needs. Before speaking to us it's a good idea to look at which of the different finance options are appropriate.

- Our intuitive [Finance Selector](#) tool provides a complete list of the products that might meet your needs, based on your requirements.
- Browsing the pages in the [Loans and Finance](#) section of our website will give you a comprehensive list of our products and features.

Step Two: Complete our finance application checklist

To help you prepare your application, our [finance application checklist](#) gives details of the questions you may be asked. These will include your borrowing requirements, information about your business, business plans and cashflow forecasts.

Making sure you have all this information will strengthen your application and reduce the likelihood of any delays. Our [Business Guidance section](#) can also offer valuable help and support.

Your business will be in a stronger position when applying for finance if you can demonstrate:

- A good financial track record (if it's an existing business).
- Sound management.
- A business idea expressed in a well-researched, well-presented business plan.
- Financial controls.
- Personal commitment from your principal shareholders/partners.
- Financial security.

Step Three: Making an application.

There are two ways that you can start the application process:

- If you already bank with us, contact your Relationship Manager.
- If you're new to Bank of Scotland call 0845 606 0286 to speak to an adviser. Alternatively, call the specific number provided for the finance option you require on the relevant section of our website.

Step Four: Reviewing your application

Once your application has been submitted one of our Relationship Managers will check to ensure that we have all the information that we need from you. They will assess the suitability and affordability of the finance option you've chosen and, if necessary, arrange a meeting to discuss your borrowing request. They'll also explain the next steps in your specific borrowing journey.

We'll try to give you a decision as quickly as possible, however, it may take a little longer if we need more information from you.

During the review process we'll:

- Ensure we have all the information we need. In some instances we may need to request further documentation from you, so it's worthwhile providing as much information as possible up front to help us process your application efficiently.
- Complete background checks on you and your business as appropriate, such as Companies House searches.
- Assess the suitability and affordability of the finance option you have chosen, including explaining the cost of borrowing.
- Explain other types of finance which may be suitable, so that you can consider which is most appropriate for your business.
- Ask your permission to carry out a credit check on you and your business.

Making a decision


We aim to meet every reasonable request for commercial finance (whether short-term or long-term) if your business is eligible. For more information on our commitment to supporting UK businesses, please see our [2013 Business Charter](#).

Step Five: Letting you know our decision

As soon as we've made a decision on your application we'll let you know in writing. If your application has been successful we'll send you the appropriate paperwork and let you know when and how you will receive your finance.

If you disagree with a declined application:

If you feel that we have incorrectly declined your application for finance we have a clearly defined [appeals process](#) that provides details of how and when you're able to appeal.

 **Get In touch**

Existing customers
0845 300 0268

New customers
0845 606 0286

[More information](#)

Our commitment to British business

We're committed to helping British businesses grow and develop by giving them the support they need – our Business Charter will tell you more.

[Find out more](#)

Finance selector

A useful tool to help you find out which of our finance options may be right for your business.

[Launch selector](#)

Loan calculator

Calculate monthly repayments with our easy to use tool.

[Launch calculator](#)

Business credit scoring explained


By understanding Business credit scoring, small business owners can increase the likelihood of future applications being successful.

[Find out more](#)

Funding for Lending Scheme

We've reduced the cost of borrowing for small and medium-sized businesses.

[Find out more](#)



Appeals
for borrowing

Business finance declined?
You can ask for the decision to be reviewed.

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Calls may be monitored or recorded in case we need to check we have carried out your instructions correctly and to help improve our quality of service.
Bank of Scotland plc. Registered Office: The Mound, Edinburgh EH1 1YZ. Registered in Scotland no. SC327000.
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under registration number 165928.
Bank of Scotland plc is covered by the Financial Services Compensation Scheme and the Financial Ombudsman Service. (Please note that due to the schemes' eligibility criteria not all Bank of Scotland business customers will be covered by these schemes.)
This site is intended for UK residents unless otherwise stated.
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Licensed under the Consumer Credit Act 1974 under registration number 0593292.
We subscribe to The Lending Code; copies of the Code can be obtained from www.lendingstandardsboard.org.uk

Annexe F – Improving SMEs Access to Financing – European Developments

(Drafted by Equifax)

Background context

The importance of SMEs to Europe's economic success prompted the Commission to adopt in December 2011 a wide-ranging Action Plan to improve access to finance for SMEs. The Action Plan set out priorities in three main areas:

1. Improving the regulatory framework for SMEs;
2. Facilitating access to finance for SMEs from the EU budget; and
3. Using the Commission's coordinating role to exchange best practices and develop a number of other measures to improve the environment for SMEs.

Many of the actions contained within the Plan have been implemented, including regulatory measures, financial programs and facilitation initiatives.

Information on SMEs and credit scoring

A problem often cited as a hurdle that has traditionally made it difficult for SMEs to access the finance they need is the lack of adequate, comparable, reliable and readily available credit information on SMEs.

With this in mind the European Commission organised a workshop in November 2013 with a wide range of stakeholders to discuss private and public national practices and new Initiatives, with the aim of finding ways to improve SME information.

The workshop confirmed that there are clear barriers to investors' and finance providers' access to reliable, available and comparable SME information across the EU. Such barriers are partly due to the vast differences between Member States on the degree of public information and its disclosure, mainly due to the design of the national legal frameworks.

As a result of the workshop the Commission will be undertaking in 2014 a mapping of the EU and national legislation and practices affecting the availability of SME credit information, with a view to considering possible EU approaches to the credit scoring industry and assessing the feasibility of harmonising/increasing the comparability of SME data across the EU. The Commission will also be looking to revive the dialogue between banks and SMEs with the aim of improving financial literacy of SMEs, particularly with regards to feedback provided by banks on loan applications.

The Association of Consumer Credit Information Suppliers (ACCIS) which represents 39 credit reference agencies in 27 member states supports the proposal by the European Commission to develop measures enhancing the availability of reliable information and to promote common minimum quality standards on the external evaluation of SMEs.

Currently there is a wide divergence between credit reference agencies in various EU Member States as regards the breadth of information, sources of information about SMEs and individuals, types of data collected, retention of data etc. Whereas in some Member States credit information providers have access to a wide range of sources (banks, debt collectors, telecommunication companies, utilities suppliers etc.), in other countries these sources are largely limited to banks. Other aspects of depth and breadth of available information also vary significantly.

An EU-wide policy discussion on developing common standards would contribute to improving the availability and reliability of information about SMEs and would be beneficial to SME access to finance.


However, given the significant divergences in the credit referencing industry practices across the EU, the development of such standards should be gradual, as currently there would be no possibility to impose uniform and binding EU-wide standards. Therefore, such standards should be developed through best practices and self-regulatory measures from the industry, validated at the EU level, or through recommendations by the European Commission.

The work on such standards should involve a broad range of stakeholders, including credit reference agencies and other providers of information about SMEs, financial services companies and SME associations. Such industry-endorsed best practices would help improve the availability of information and could be later transformed into binding minimum standards (once a certain level of convergence is achieved across the EU).

ACCIS is looking to be actively involved in the creation of these best practice standards.

Annexe G – Appeals Case Review Form

Appeal Review Sheet

Promontory Ref			
PRIVATE AND CONFIDENTIAL FOR PROMONTORY, RUSSEL GRIGGS AND BANK ONLY			
Bank Name		Office Location	
Bank Appeal Reference Number		Month of Review	
SECTION ONE		CASE SNAPSHOT	
Company Name			
Company Structure		Company/Group Turnover	£0
Nature of Business			
Business Category			
Business Location (City or County)		Business Location (gov't Region)	Auto Complete
Business Start Date (MMM-YYYY)		Date Bank Account Opened (MMM-YYYY)	
Customer Type		Type of Facility Requested	
Amount of Facility Requested "New Monies"	£0	Lending Product	
If more than one product requested please give details of amount/s and type/s			
Purpose of Facility / Facilities			
Details of any Existing Facilities with Bank			
SECTION TWO		APPEAL SNAPSHOT	
Access Channel			
Type of Application			
Date the Application was Submitted (DD-MMM-YYYY)		Is there a copy of the Application on file?	
Date of the Decline Letter (DD-MMM-YYYY)		Is there a copy of the Decline Letter on file or other evidence that the Decline Letter was sent?	
Date the Customer Appeal was Received by the Bank (DD-MMM-YYYY)		Is there a copy of the Appeal on file?	
Date of the Appeal Receipt Letter or Email (if applicable) (DD-MMM-YYYY)		Is there a copy of the Appeal Receipt on file or other evidence that the Appeal Receipt was sent?	
Date of the Appeal Outcome Letter (incl. Email or other evidence) (DD-MMM-YYYY)		Is there a copy of the Appeal Outcome (Letter, Email or other document) on file or evidence that this was sent?	
SECTION THREE		ORIGINAL DECLINE DETAIL	
Was the Customer declined all lending in this application?		How was Customer informed of original decline?	
Bank's reason(s) for declining the lending application Please select reason/reasons		Other reason (if applicable)	
Was the Customer given reasons for the decline decision in the written communication and is this fully in line with the decline reasons on file?			
Additional information/comments regarding the decline decision (if applicable)			
Was the Customer referred to the Appeals Process in the Decline Letter?		Was the Customer signposted to Alternative Sources of Financing in the Decline Letter?	

Appeal Review Sheet

SECTION FOUR		CUSTOMER APPEAL	
Method of Customer appeal		Appeal Type	
Reason(s) for appeal			
SECTION FIVE		BANK REVIEW OF APPEAL	
Who conducted the review?			
Is this person an Experienced Lender?		Was this person involved in the original lending decision?	
If additional information or documentation was requested by the Reviewer please list			
Review Methodology and Rationale for Appeal decision			
Appeal Outcome		If Overturn, actual amount of "New Monies" Lending approved	£0
How was the Customer informed of the appeal outcome?		By whom?	
Does the Customer communication fully explain the appeal outcome? (If Decline Upheld), do the reasons given align with those documented in the case file notes?			
Any other comments on this Appeal (include comments where the Appeals Process has not been followed correctly)			
Version date 29Aug2013			

Annexe H – Promontory Site Visit Requirements for Appeals Files

Requirements

- Prior to the visit, we need to have a reasonable idea of the numbers of completed and in-scope appeals to be reviewed, and the number overturned by the Appeals Process. This is important for resource management purposes at Promontory, and reduces the need for repeat visits to the same site. Your help in communicating likely volumes for a visit is appreciated.
- For each visit, we need the files to be complete and in date order. Clearly labelled and organised files help us review files quickly and enable us to confirm compliance without undue additional work. Banks should also make sure, apart from the specifics listed below, that they include all other relevant documentation relating to the transaction.
- For individual files, the following information should be included where available:
 - Original application, including documentation that enabled the case to be decided, such as financial statements, account history, business plan, cash flow forecast, credit score outcome, accounts, etc. A summary containing the key data from these may be sufficient
 - Details (inc dates/amounts where relevant) of the customer, location, new business, new to bank, length of relationship, existence of other facilities, turnover/size of business
 - Clear details of what product(s) is being asked for and for how much. Details of existing facilities and terms where topping-up, and a clear purpose of what the credit is being asked for.
 - Details of any internal “4 eyes” process prior to the original decision being given to the customer including notes and dates
 - Names of original decision-maker, including those involved in any “4 eyes” process
 - Details of any referral to “Credit” and any views given by them, also to include dates
 - Copy of the decline letter and any notes of conversations with the customer as part of that process (it is known that more clarity around reasons is often provided in this way)
 - Appeal letter/email/note of call from customer including details of any reason for appeal including “don’t agree/not fair”
 - Acknowledgement letter when sent and where part of the process
 - Details of any information submitted with the appeal
 - Name of person who dealt with the appeal
 - Details of the appeal reviewer’s assessment/conclusions of the case, including whether any further information was sought from the customer and, if not, reasons why.
 - Details of information given to branch/local RM by the appeal reviewer where appeal outcomes are conveyed locally
 - Appeal outcome letter sent to customer
 - Details of any other conversations with the customer relating to the appeal outcome
 - Where Minimum Standards documentation is missing or the process was not adhered to, there should be an explanation of why it is not available and what is being done to ensure that it will be in future

Annexe I – Promontory Site Visit Feedback

Site:

Date:

Attending

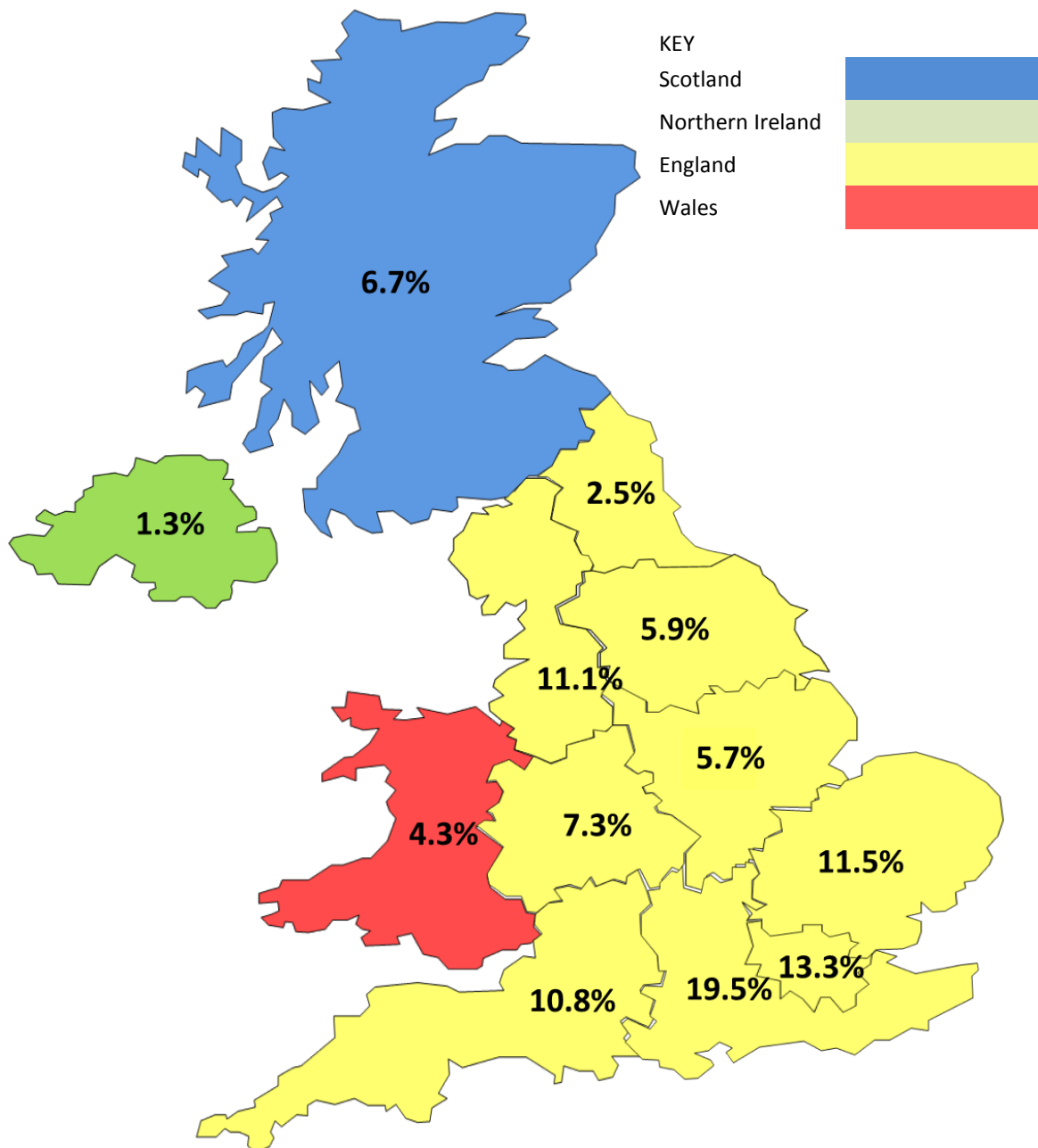
Independent External Reviewer: Professor Russel Griggs, OBE

Promontory:

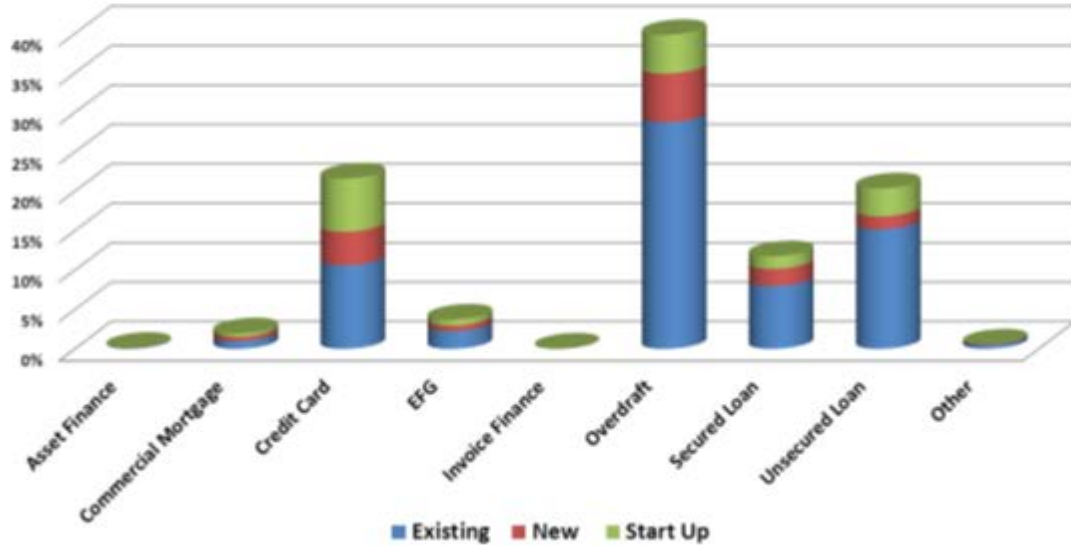
Appeals Reported to Date				Reviewed by Promontory	
Year	Appeals Received	Appeals Overturned	% Overturns	Total Reviewed	Reviewed This visit
Year 1					
Year 2					
Year 3					
Appeals Processed Showing Overturn rates by Quarter				Appeals Completed	
By Quarter	Appeals Received	Appeals Overturned	% Overturns	Appeals Completed	Review Sheets Received
Year 2. Q1					
Year 2. Q2					
Year 2. Q3					
Year 2. Q4					
Year 3. Q1					
Year 3. Q2					
Year 3. Q3					
Year 3. Q4					
Appeals Process Updates / Discussions					
<ul style="list-style-type: none"> 					
Positive Themes					
<ul style="list-style-type: none"> 					
Observations / Next Steps / Matters for Consideration					
<ul style="list-style-type: none"> 					

Annexe J – General Tables

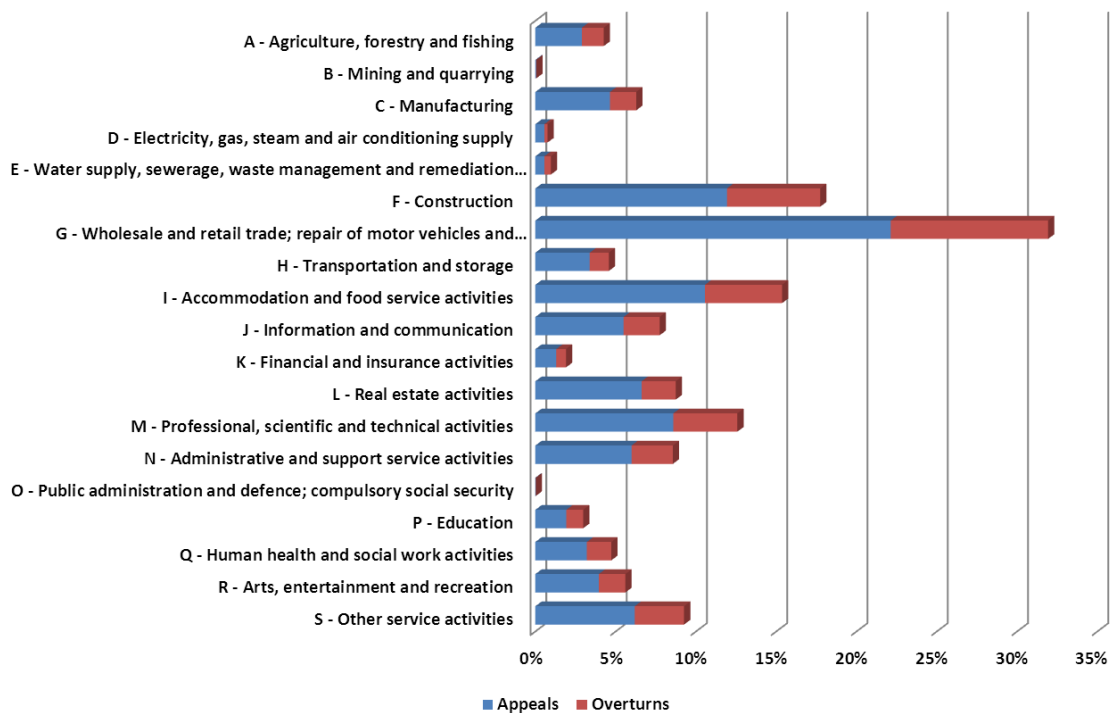
Appeals by Government Office Region – (Apr 2011 – Mar 2014) - Combined



Appeals shown by Lending Product and Type of Customer as a percentage of total number of Appeals Reviewed



Appeals by Industry Sector



Appeals by Size of Lending Request - (Apr 2011 – Mar 2014)

Size of Lending Requested (New Monies)	Total Appeals	Overturns
≤ £10k*	64%	34%
£10k < x ≤ £25k	17%	6%
£25k < x ≤ £50k	4%	1%
£50k < x ≤ £100k	4%	1%
£100k < x ≤ £250k	5%	1%
£250k < x ≤ £1m	4%	1%
x > £1m	1%	0%
All Lending	100%	44%

*Segment includes request to review/renew facilities where no New Monies (additional funding) was requested

Appeals by Size of Customer Turnover - (Apr 2011 - Mar 2014)

Customer Turnover	Total Appeals	Overturns
£0 < x ≤ £100k*	53%	24%
£100k < x ≤ £250k	23%	10%
£250k < x ≤ £1m	19%	8%
£1m < x ≤ £5m	5%	2%
x > £5m	1%	0%
All Lending	100%	44%

*Includes appeal cases where customer turnover is unknown