

Savanta:

BBLs and CBILs – the
aftermath

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Introduction

Government data suggests that UK companies have borrowed over £47 billion via Business Bounce Back Loans (BBL) and over £26 billion via Coronavirus Business Interruption Loans (CBIL) since the start of the pandemic.

However, the National Audit Office recently estimated that at least a third of BBL may be defaulted, whilst The Department for Business estimated fraudulent loans accounted for nearly £5bn, suggesting the impact of the schemes will be felt for many years to come.

To get a better understanding of businesses' views on the BBL and CBIL schemes, Savanta asked nearly 3,000 businesses, from start-ups right up to £1 billion turnover companies:

When do you expect to start paying back your BBL/CBIL and how concerned are you about your business's ability to pay back?



Businesses reported a significant increase in loan applications from Q2 2020 to Q1 2021.

As we are aware, many businesses were forced to close or downsize their operations due to Covid-19. To support the economy, the UK government launched the Bounce Back Loan (BBL) and Coronavirus Business Interruption Loan schemes (CBIL) in early 2020.

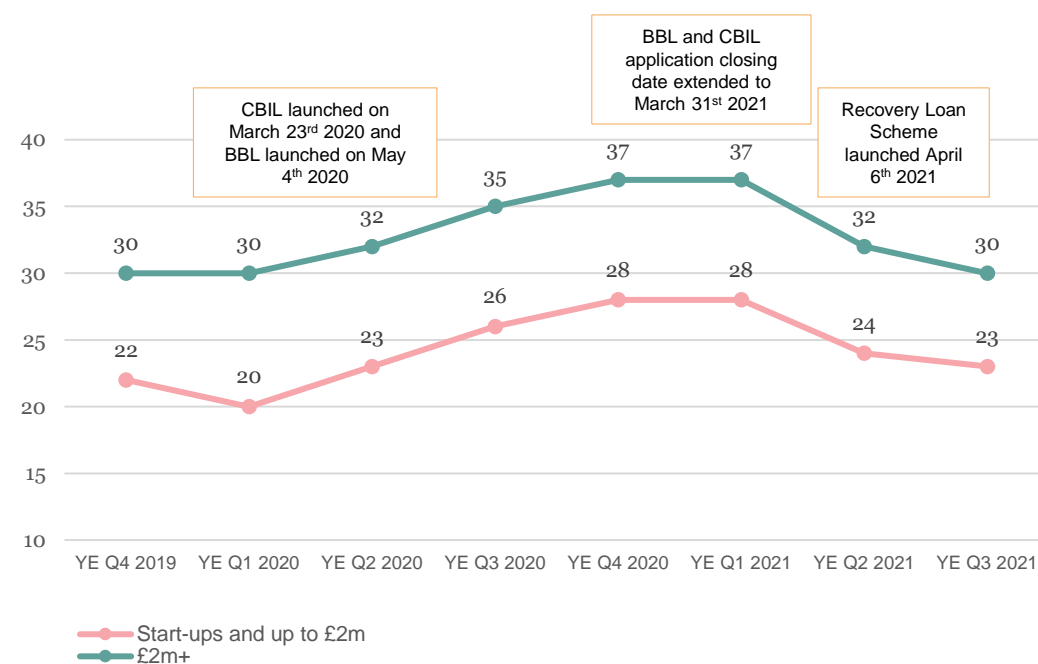
BBLs were a 100% government-backed loan tailored to SME businesses who experienced disruptions to their cashflow during the pandemic. The scheme enabled smaller businesses to access finance more quickly and easily, offering loans of up to £50,000 (or 25% of turnover). The CBIL scheme was 80% backed by the government and offered loans of up to £5 million for business with a turnover under £45 million.

MarketVue Business Banking from Savanta includes data relating to main bank business loan applications. Data shows that the number of loan applications rose steadily throughout 2020, peaking for YE Q4 2020 (28% for start-ups and small businesses and 37% for bigger businesses with over £2 million turnover).

Since the BBL and CBIL schemes ended on March 31st 2021, loan applications via a business's main bank have been trending downwards. Only 23% of start-ups and small businesses applied for a loan with their main bank for YE Q3 2021 and 30% of larger businesses. Although the schemes were replaced by the Recovery Loan Scheme in April 2021, the terms of the new scheme are not as appealing, which may have suppressed demand.

Have you applied to main bank for finance?

Have you applied to your main bank for a loan, overdraft, or any other borrowing facility for your business in the past year, irrespective of whether you actually went on to complete the borrowing process?



MVBB YE Q3 2021 SU EST £0-1bn GB

Base: All exc. DK

Start-ups and established small businesses up to £2m (excl personals) (n=6403); Commercial and corporate £2m+ (n=2562)



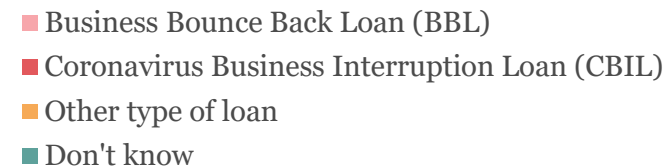
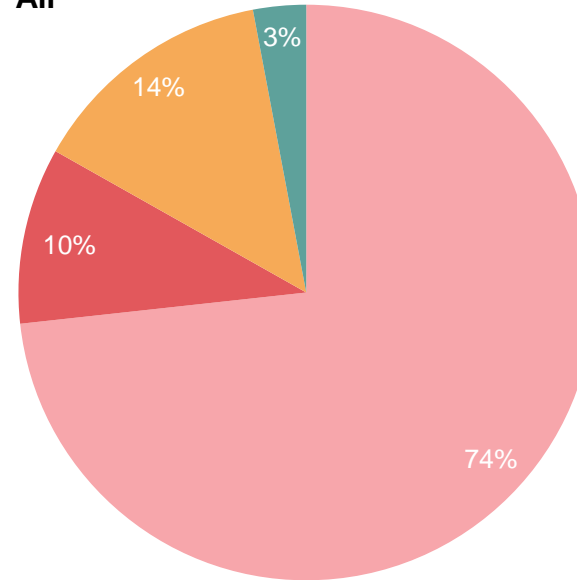
Perhaps unsurprisingly, smaller businesses were more likely to take up BBLs and larger businesses were more likely to take up CBILs.

In Q3 2021 we asked businesses who had taken a loan out in the past 12 months what type of loan that was. 77% of start-ups and businesses with up to £2 million turnover claimed the loan they took out was a BBL whilst only 9% a CBIL. In contrast, only 29% of businesses with more than £2 million turnover claimed the loan they took out was a BBL, whilst 37% claimed they had taken out a CBIL. This was probably linked to the maximum loan size that was available for the two schemes and the fact that the application process for BBL was deliberately made simpler than CBIL to allow for easier access.

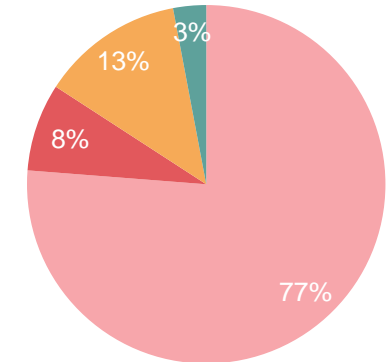
Loan Type

You said that you have taken a loan out in the past twelve months. Was this...

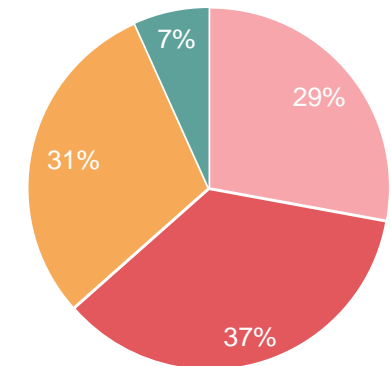
All



Start-ups and up to £2m



£2m+



MVBC Q3 2021 SU EST £0-1bn GB

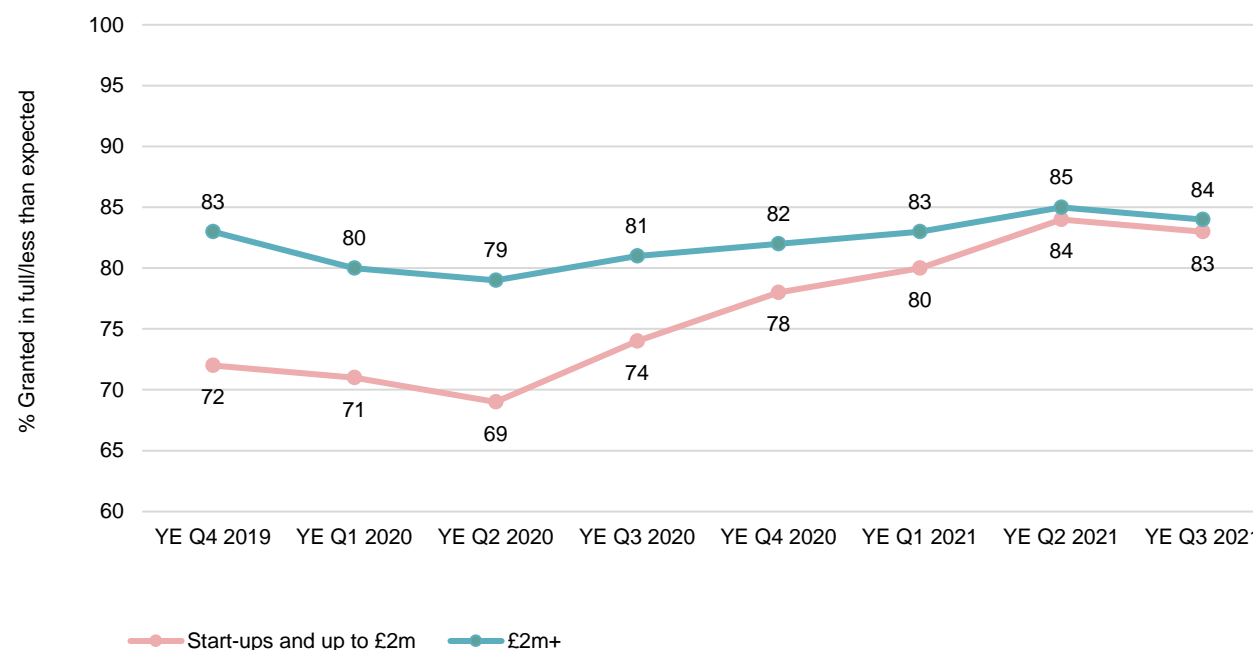
Base: All who have taken out a loan in the past 12 months and loan granted (n=713);
Start-ups and established small businesses up to £2m (excl personals) (n=550); Commercial and corporate £2m+ (n=163)

The introduction of government-backed loans has had a positive impact on loan approval levels, particularly for start-ups and smaller businesses.

Since the introduction of BBLs and CBILs in Q2 2020, start-ups and smaller businesses have experienced higher approval levels and there is now little difference by business size. For YE Q3 2021, 83% of borrowing applications from start-ups and smaller businesses were granted some finance by their main bank and 84% of applications from larger business. This compares to 72% and 83% for YE Q4 2019.

Proportion granted borrowing: in full or partial

Which of the following best describes what happened next:



MVBB YE Q3 2021 SU EST £0-1bn GB

Base : All who have applied for borrowing from their main bank in past 12 months exc. DK
Start-ups and established small businesses up to £2m (excl personals) (n=3988) Commercial and corporate £2m+ (n=758)

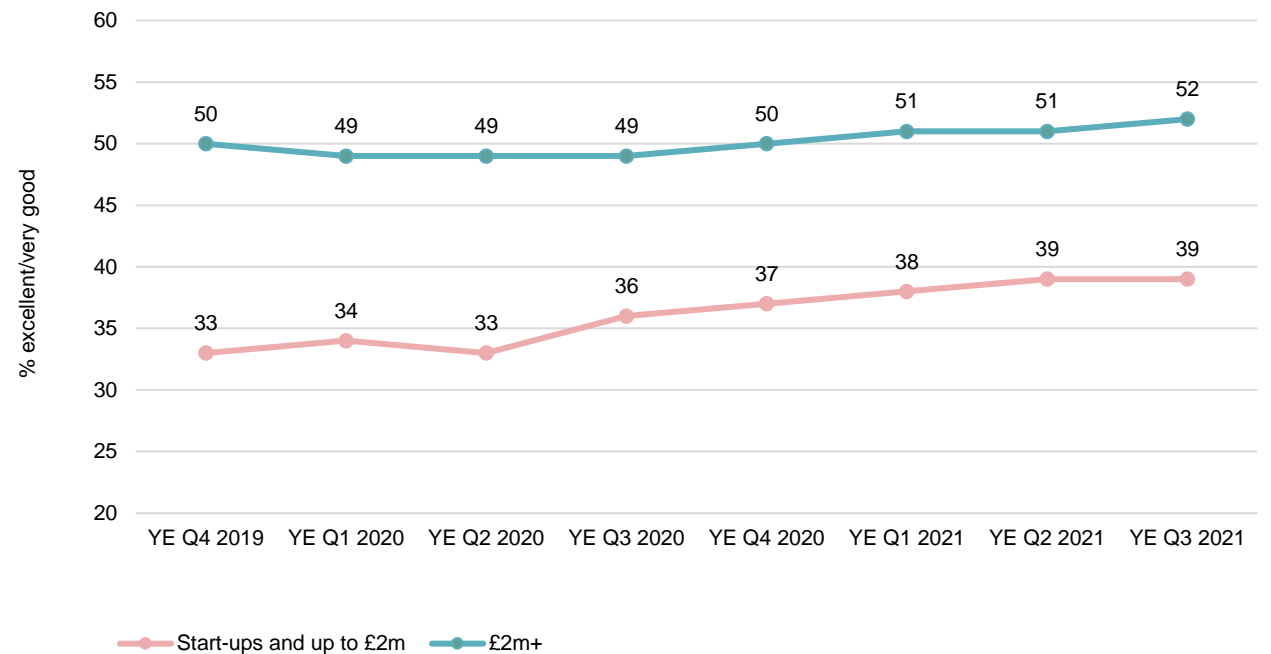
Banks' ratings for “making finance available” have also improved

Both smaller and larger businesses were more likely to rate their main bank as being ‘excellent’ or ‘very good’ at making finance available to businesses following the introduction of the government-backed loans. Positive ratings peaked for YE Q3 2021.

Start-ups and those with turnover of up to £2 million gave a notably lower rating pre Covid-19 (33% rating as ‘excellent/very good’ for YE Q4 2019 vs 39% for YE Q3 2021). Positive ratings were also higher amongst larger businesses, but the difference was much less marked (50% ‘excellent/very good’ for YE Q4 2019 versus 52% ‘excellent/very good’ for YE Q3 2021).

Rating for making finance available to businesses

How would you rate your main bank in terms of making finance available to businesses? Would you say:



MVBB YE Q3 2021 SU EST £0-1bn GB

Base: All exc. DK

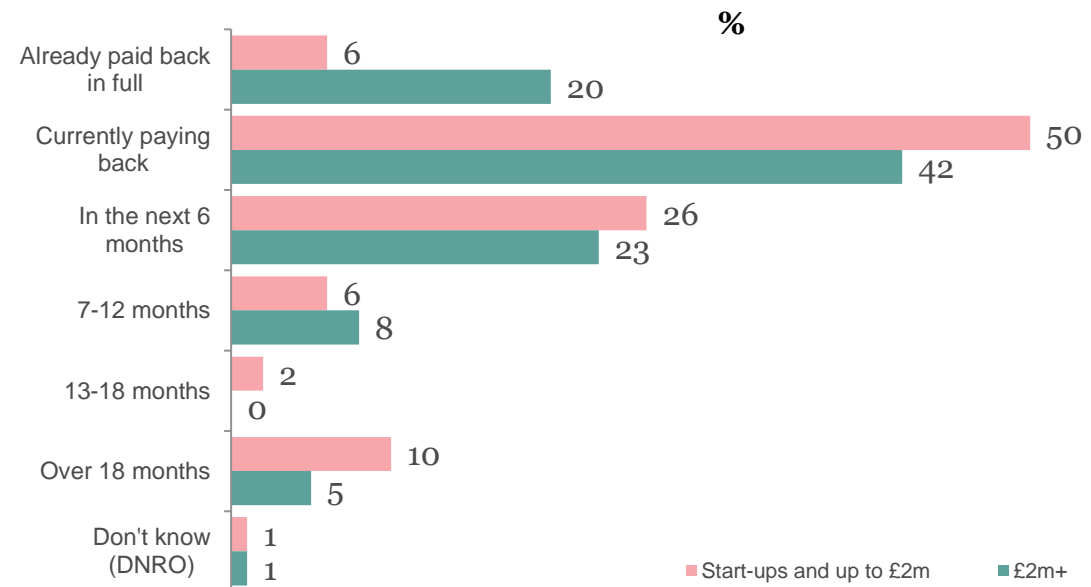
Start-ups and established small businesses up to £2m (excl personals) (n=5122); Commercial and corporate £2m+ (n=2203)

Over half of businesses said they had either paid their loan back or had started doing so

In Q3 2021 only 6% of start-ups and businesses with up to £2 million turnover and 20% of larger businesses said they had already paid their loan back, but some 50% and 42% respectively were in the process of doing so. Approximately one in four businesses expect to start paying back in the next 6 months, with the remainder requiring longer to begin the process.

When expect to start paying back BBL/CBIL – by business size

When do you expect to start paying back your Business Bounce Back Loan / Coronavirus Business Interruption Loan?



MVBC Q3 2021 SU EST £0-1bn GB

Base: All who have taken out a loan in the past 12 months and loan granted

Start-ups and established small businesses up to £2m (excl personals) (n=550); Commercial and corporate £2m+ (n=163)

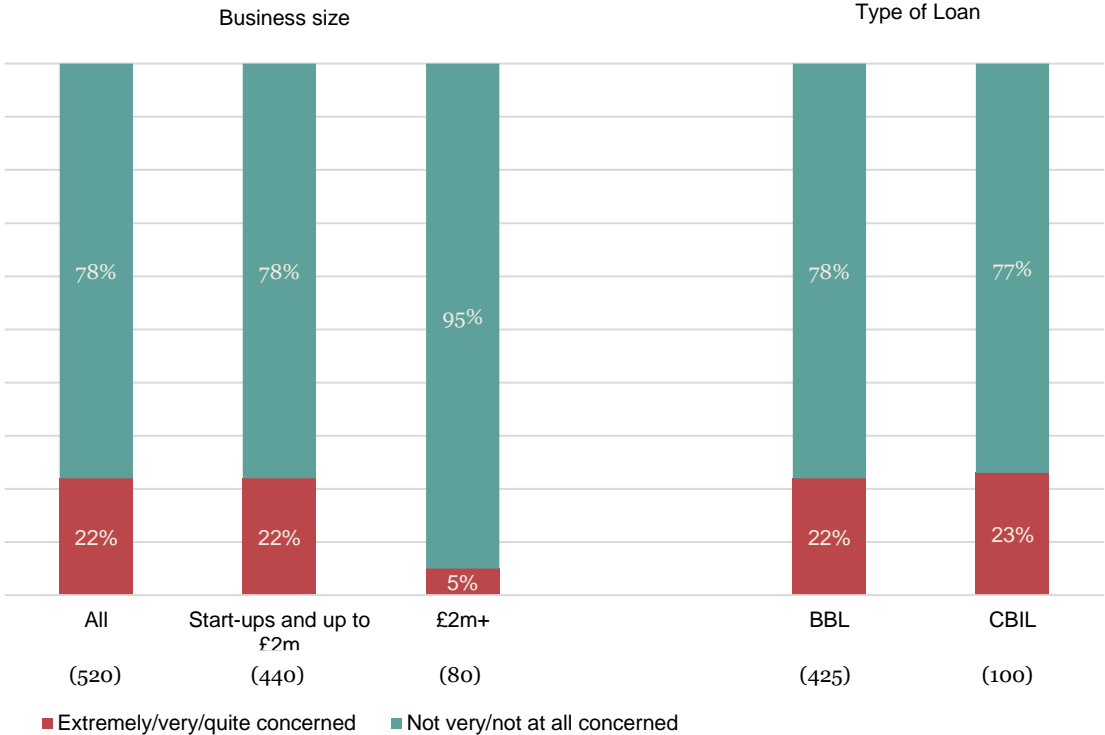
One in five have some concern about the ability of their business to pay back their BBL or CBIL.

Amongst start-ups and smaller businesses, only 3% were 'extremely concerned' and 3% were 'very concerned', with the remainder 'quite concerned' (17%) about their ability to pay back their loan. For larger businesses, none reported extreme concern, 3% were 'very concerned' and 3% 'quite concerned'.

Confidence in BBL payback ability is most likely influenced by the government's "Pay As You Grow" (PAYG) measure, which was announced in February this year. This new scheme offers businesses the chance to extend BBL repayments to 10 years (from 6 years). Although welcomed by small businesses, not all providers are supportive of the scheme, especially where high reserves are not readily available. Some banks have therefore decided not to offer this option to their customers, particularly digital banks/neobanks.

Concern re business's ability to pay back BBL/CBIL

How concerned are you about your business's ability to pay back the Business Bounce Back Loan / Coronavirus Business Interruption Loan?



MVBC Q3 2021 SU EST £0-1bn GB
Base: All who have taken out a BBL or CBIL in the past 12 months

Can small businesses prove their reliability or will lending return to ‘normal’?

In the past, banks may have been reluctant to grant lending to start-ups and small businesses because of a lack of collateral or trading history, but the new government-backed loans have effectively removed these barriers. Will we now see a wave of defaults in the months and years to come, or will start-ups and small businesses redeem themselves, proving that they can be reliable partners and revolutionising the future of lending? Only time will tell.



Data attribution:

Source:

Savanta MVBC Q3 2021 SU EST £0-1bn GB. Base: 713, Survey Period: 21st June 2021 – 16th September 2021.
Savanta MVBB YE Q3 2021 SU EST £0-1bn GB. Base: 8,965, Survey Period: 16th September 2020 - 16th September 2021

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Stephen Palmer

EVP, Financial Services

Stephen has 25 years' research experience across financial services and tech and leads the financial services team at Savanta. Prior to Savanta, Stephen was Head of Insight at Kantar Financial Services & Technology and responsible for delivering customer experience, brand and segmentation research. Stephen is a certified member of the MRS and has sat on the standards board.

stephen.palmer@savanta.com



Sue Lewis

Senior Director, Financial Services

Sue has more than 25 years' financial research experience having worked both agency and clientside on continuous and adhoc, qualitative and quantitative research. Sue has worked in the MarketVue Business Banking team since the inception of the study, 10 years ago.

sue.lewis@savanta.com



Craig Tandy

Account Director

Craig has worked in a variety of roles across the financial services sector, including working directly with SMEs at Close Brothers Bank. More recently Craig worked for IBISWorld supporting banks across their credit approval process and relationship management capabilities, before moving to Savanta to support the wider financial services research team.

craig.tandy@savanta.com



Rima Aryandani

Senior Consultant, Financial Services

Rima has years of experience in research; works predominantly on quantitative projects in the finance and wealth space and has particular expertise in project logistics. Rima joined the MarketVue Business Banking team in March 2021.

rima.aryandani@savanta.com

Savanta:

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London

The Woolyard
54 Bermondsey Street
London, SE1 3UD

New York

666 3rd Ave
7th Floor
New York
NY – 10017

better.decisions@savanta.com

+44 (0) 20 7632 3434