

KEVIN HOLLINRAKE MP



HOUSE OF COMMONS

LONDON SW1A 0AA

John Glen MP
Economic Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

29th November 2018

Dear John,

In your letter dated 6th November to the Police and Crime Commissioner for Thames Valley Police, Anthony Stansfeld, you said that a Financial Services Tribunal “would require the regulation of SME lending, which could hurt the sector and cut off access to credit for SMEs”.

I have received data from the House of Commons Library, which shows that new SME lending in the Republic of Ireland increased from €2.6 billion in 2015 Q1 when new SME regulation was announced to €3.7 billion in 2018 Q1, a full 18 months after regulation was implemented. There had been a steady increase in SME lending in Ireland since 2013 Q4, however, this upward trend continued after regulations had been announced, introduced and remained high in the first quarter of 2018. The House of Commons Library suggest that regulations may well have helped to embed and encourage this trend. New SME lending in Ireland increased by more than 51 per cent from the end of 2014 to the start of 2018.

According to further data from the House of Commons Library, figures show that SME lending in the UK has remained static over the same period. New lending to SMEs in the UK actually fell from £14.3 billion in 2015 Q1 to £14.1 billion in 2018 Q1. Furthermore, The Times looked at the SME Finance Monitor, a survey which is funded by the high street banks and conducted by research firm BDRC, which showed the lack of trust in banks felt by SMEs. In 2017, only one in six companies not using external finance said they would be willing to do so, down from a quarter in 2015. Only one in three SMEs were willing to borrow to finance growth in 2017 compared to a half in 2015; only five per cent of companies reported making a new loan or overdraft application in the previous 12 months, a figure which has more than halved since 2012.

The All-Party Parliamentary Group on Fair Business Banking’s report, *Fair Business Banking for All*, made it clear that a Financial Services Tribunal was a low-cost solution. We proposed that costs would be reimbursed via a small levy introduced on financial services companies. I would go further to say that a tribunal, a scalable solution, should be funded by the receipts of fines from banks, when it is proven that they have mistreated their business customers.

The Financial Ombudsman Services’ annual operating income 2018/19 is £230.4 million. Monies that would be spent on expanding the FOS could be put to better use financing a Financial Services Tribunal alternative dispute mechanism. This proposal is self-financing and cost-effective.

Please find attached a copy of your letter to Anthony Stansfeld and a copy of the data received from the House of Commons Library.

Yours ever,

A handwritten signature in blue ink, appearing to read 'Kee'.

Kevin Hollinrake MP
Co-Chair for the All-Party Parliamentary Group on Fair Business Banking