

**Money “makes the world go around.” Without fit-for-purpose finance on fair terms, businesses can’t grow and create jobs, social enterprises are unable to deliver vital frontline services, and millions of households are prey for loan sharks.**

Community Development Finance Institutions (CDFIs, community lenders) advanced more than £228m in UK communities in 2021, a 32% increase on the year before. A catalyst, a lifeline, a lever: their lending had profound, positive impact boosting small businesses, social impact and household resilience.

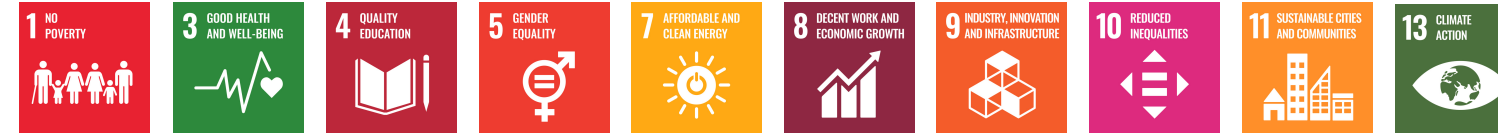
Our 2022 Impact Report gives a comprehensive insight into CDFIs’ work and the unique effects of fair, affordable finance from our members in 2021. The businesses, social enterprises and jobs we created and grew. The millions of pounds we helped households save in interest. The inequalities we fought.

It covers our purpose-driven members’ social, environmental and economic impacts, and maps how this work contributes to the UN Sustainable Development Goals (UN SDGs), today, all over the UK.

People, social entrepreneurs and business leaders tell their stories of the difference CDFIs make in their lives, and we urge banks, regulators, tech firms, housing associations, local authorities and other stakeholders to take specific actions so more stories can be heard in the future.

This summary includes key data and recommendations.

Download our 38-page report in full on our [website](#).



**CDFIs supported 3,260 viable businesses and social enterprises in 2021. More than 9 out of 10 had been turned down by banks yet went on to create and sustain over 10,000 jobs. Most were outside London and the South East and are vital if the UK is to address regional inequalities.**

Ethnic minority-led and women-led businesses still face higher rejection rates from mainstream banks than other SMEs. Many are discouraged from applying in the first place. CDFIs lend disproportionately more than mainstream providers to these businesses, reducing inequalities and turning entrepreneurial ambition into reality.

In 2021, CDFIs lent over £93m to businesses (excluding social enterprises), 6 % more than 2020. Two and a half thousand businesses and social enterprises launched thanks to CDFIs. Without their flexible finance and the almost 33,000 hours of business support they gave to micro-SMEs and social enterprises locked out of other support programmes, tens of thousands of businesses and jobs would have been at risk.

Social enterprises are driven by their missions, addressing some of the biggest challenges in society. They were resilient and flexible through the pandemic. They “are levelling up the UK right now and we need to back them with everything we’ve got,” according to crossbench peer Lord Adebowale. CDFIs do exactly that.

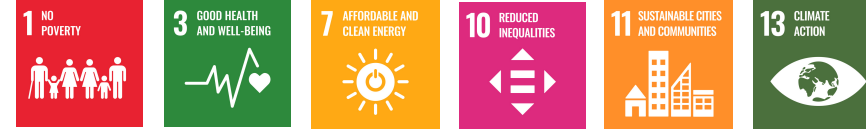
Some social enterprises deliver vital frontline services but are only paid after incurring delivery costs. They can struggle to access patient finance. CDFIs, social enterprises themselves, understand their business models and consider the ‘triple bottom line’ when lending. They don’t just invest in social enterprises but support them to launch, grow and increase resilience. The £73m they advanced to social enterprises is a 17 % jump from 2020.

Thousands of creditworthy businesses and social enterprises can’t get the finance they need every year, from banks or new fintech challengers. But we can often turn a “no” into a “yes”, growing the economy and creating next year’s customers for the mainstream finance industry.

Our report gives more details of our unique ability to grow and start enterprises, support their move to net zero emissions, and invest in underserved regions to create local wealth and employment.

# HOUSEHOLD DEBT: THE GOOD, THE BAD AND THE UGLY

Relevant UN  
SDGs:



**Even before the cost of living crisis hit, millions more households became financially excluded and vulnerable to unexpected financial shocks last year. Credit isn't the solution to poverty, low benefits or earnings but is a necessity and fact of life. When people need it, it's unfair for the lowest paid to pay the most for credit, or have no options other than illegal and exploitative lenders.**

While high profile firms have faced fines, compensation claims and FCA investigations for their unaffordable lending to low-income households, CDFIs only lend if people can afford to repay a loan. They are fair, cautious and diligent. They know their customers, and focus on good outcomes for them, such as the millions in unclaimed benefits they have helped applicants identify, often meaning an applicant doesn't need, or needs less credit than they thought.

In 2021, non-profit and asset-locked CDFIs lent £34 million to 67,000 customers. A further £25 million was lent by responsible finance providers with a mission to provide innovative, new ways of transparently accessing credit. 98% of these loans were of £1,000 or less and 96% were for a term of 12 months or less, with an average loan size across the sector of £374. This makes our next statistic all the more staggering: they helped every customer save at least £190 compared with high-cost lenders' published rates, keeping £30m where it's needed most: in lower-income households.

With between 11 and 20 million people now unable to access affordable credit, the need for fair credit products has never been greater. Without it people will be forced to approach high-cost and even illegal lenders when they face emergencies or unexpected bills. The impact of this on their lives, health and wellbeing would be devastating. CDFIs prevent this.

Our full report explains more about how CDFIs help some of the most financially fragile households and disadvantaged groups build their financial resilience, and showcases the £3m of lending CDFIs made to homeowners for essential repairs and adaptations.

## IN 2021:

- CDFIs lent **£228 million** - a third more than they lent in 2020
- They lent **£93 million** to 3,260 businesses and start-ups, 6 % more than 2020
- **94%** of the established businesses they lent to had been declined by another lender and 2/3 had 9 or less employees
- **2,520** new businesses and social enterprises were created through CDFI lending
- CDFI lending created **4,280** jobs and supported **5,850**
- They delivered nearly **33,000** hours (more than 4,000 working days, or over 10 years' worth) of specialist, enterprise and investment readiness support
- They lent **£73 million** to 383 social enterprises, a 17 % rise from 2020
- Thanks to CDFIs, low income households saved **£30 million** in interest repayments compared to high-cost lenders
- Non-profit and asset-locked CDFIs lent **£34 million** to 67,000 customers, more than twice as many customers as 2020
- The average loan size across all members was **£374** and they helped every customer save at least £190 compared with high-cost lenders' published rates

## CALLS TO ACTION

**“Investing in CDFIs puts capital into the heart of communities that need capital - whilst getting a return.”**

Jamie Broderick, Board member, Impact Investing Institute.

- **Banks and investors:**
  - talk to us about investing in our members to meet your impact goals
- **Housing associations and local authorities:**
  - explore partnerships with CDFIs to build financial resilience in your communities
- **Policymakers:**
  - allocate new Dormant Assets capital to CDFIs; bring community investment tax relief up to date; require the FCA to promote financial inclusion; deliver new regional funds through CDFIs to ensure money gets to where it's most needed

Our full report gives complete details of these and other practical recommendations, needed now to scale-up CDFIs, grow the economy, create more social and environmental impact and help households avoid predatory lending. Download it [here](#).



FINANCING SHARIA ENTERPRISE



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