

Responsible Finance Summer Briefing, July 2018

Responsible finance providers across the UK lend to people, businesses and social enterprises. They provide finance that is fair to customers alongside support and advice, and in 2017 lent over £235 million to 61,163 customers, supporting 5,072 small businesses, 363 social enterprises and over 55,000 individuals.

Equip your leaders of the future with the expertise they will need: The Responsible Finance Leadership Development Programme

We're thrilled to announce that [registration](#) for the [Responsible Finance Leadership Programme](#) is now open.

This bespoke programme is tailored to the needs of aspiring leaders in the social finance sector. It is designed to help overcome long-term challenges including staff recruitment and succession planning.

Investing in and developing the sector's talent is the best way to ensure that businesses, social enterprises and consumers can continue to access the finance they need – and supports your sustainability.

The Responsible Finance Leadership Development Programme is a one-year diploma programme, designed to fit around the busy lives of current social finance practitioners:

- It will be delivered through online modules and virtual meetings, minimising the amount of travel and out of office time for participating leaders.
- Three residential days are scheduled throughout the year, offering in person learning and networking opportunities.
- The programme also includes optional modules for becoming a certified trainer, to lead future Responsible Finance workshops.
- Participants will have the opportunity to receive mentorship from leaders within the industry.
- This range of learning experiences will stimulate peer-learning and knowledge sharing, creating a lasting network for aspiring responsible finance leaders.

Online content is spread over 12 months and can be completed around middle managers' schedules. Designed by, with and for the sector, it offers considerably greater value than other generic courses on the market. We also offer flexible payments in instalments throughout the year.

We are taking expressions of interest now. There are only 10 spots for non-members so act fast! Find [more information about the programme here](#).

RGF success

The [Regional Growth Fund](#) (RGF) programme, delivered by fourteen responsible finance providers, supports small and microbusinesses.

March 2018 marked the one-year milestone for RGF recycling. The programme lends rather than grants the money to businesses, so responsible finance providers re-lend the money that has been repaid to other local businesses, creating long-term sustainable economic impact.

It's going from strength-to-strength in supporting small businesses across England that cannot access the finance they need from mainstream lenders. To date, our members have lent over £70 million to 2,300 businesses through the RGF Programme which has supported nearly 10,000 jobs.

The programme has created outstanding long-term impact and delivered excellent value for money with an average cost per job to government of only £3,585. This compares to the national average for RGF projects of £37,400.

RGF also supports businesses in traditionally underserved parts of the country: 90% of the fund has been lent outside of London. There is a North-South economic disparity in the UK but to date 33% of RGF capital has been lent in regions in the North of England, demonstrating the model's effectiveness at reaching underserved areas.

The success of the RGF programme demonstrates how effective responsible finance providers are at reaching viable small businesses and supporting them to start up and grow.

Working in partnership with:



The **co-operative** bank

Supported by the
 Regional Growth Fund

Case Study: Essentially Yours

Essentially Yours was founded in 1999, with the aim of manufacturing skin care products in small batches to ensure quality and freshness, free from petrochemicals.

Based on sound academic research and development, the idea was to make products for the owners of existing labels rather than develop their own brand.

“We set up when the internet was in its infancy and ‘organic’ was a new word,” says John Hamilton, Director of Essentially Yours.

“Over the past 20 years the market has changed considerably, and we have learnt a lot. Understanding just what natural products can do for the human body is an exciting current trend. People are generally more aware of the need to look after themselves, exercise and eat more healthily.”

The growth of the internet, as well as the difficulty in getting his message across via other brands, has persuaded John that the way ahead for Essentially Yours lies in selling directly to health-aware consumers and building a brand which reflects his values and beliefs when it comes to skin and health care.

“Funding hasn’t proved as easy to get as I had imagined,” says John. *“People tell you that funding is available for this, that and the other, but then you realise there are various conditions that you don’t meet. It’s very frustrating. What we need is a significant sum to invest in marketing.”*

Fortunately, a loan from Responsible Finance lender, [ART Business Loans](#), has enabled John to take on a specialist digital content manager to help build the Essentially Yours website and engage with consumers via the internet and social media.

“Once we see for certain that we have hit on the right approach to marketing, the plan is to take out a second loan to help us ramp up further and buy more stock,” says John.

Award winners

Responsible Finance members’ impacts were recognised at the high-profile [Credit Awards 2018](#), *“The flagship event for the UK’s credit industry.”*

Responsible Finance member [Scotcash](#) was a double winner, named the **Small Business Alternative Lender of the Year** and the **Responsible Lender of the Year (Small)**.

Scotcash CEO Sharon MacPherson and Board Director Megan Peat attended.

MacPherson said: *“We are absolutely delighted to be recognised by such prominent industry figures in not only one, but two areas of the financial sector. As a responsible lender with a comprehensive wrap around service, it is important that the positive impact of our work is shared and acknowledged.”*

East-London based provider, Fair Finance, was one of four finalists (including Scotcash) in the **Responsible Lender of the Year (Small) Award** – excellent recognition in itself. Fair Finance was the only Finalist in the category to receive a **Highly Commended** award from judges.

Responsible Finance member [Purple Shoots](#) was recognised for “outstanding contribution” to Welsh business at the [Zokit business awards 2018](#). Founder Karen Davies has also been named a finalist in the **Leadership for the Future (Sustainability) category of the Leading Wales Awards 2018**.

Purple Shoots is a not-for-profit microfinance organisation set up to tackle unemployment and economic problems in South Wales. Hear more in an interview with Karen Davies – details in the podcast section, below.

Scaling affordable lending: case studies

The vision of affordable lenders is that everyone should have access to affordable and appropriate credit, delivered in a fair, respectful and responsible way.

Affordable lenders are social purpose lenders, such as responsible finance providers and credit unions. Their vision is gaining traction as levels of problem debt persist, as a result of borrowing from high cost lenders. The debt charity [StepChange](#) estimates that problem debt costs the UK £8.3 billion through its impact on productivity, physical and mental health and employment potential.

The policy response to problem debt has identified the key role of affordable alternatives to high cost credit in tackling financial exclusion; the Department for Culture, Media and Sport (DCMS) allocated £55 million of dormant account funds to financial inclusion and the Financial Conduct Authority (FCA) has engaged affordable lenders as part of their work on the high cost credit market.

In addition, actor and activist Michael Sheen brought together industry bodies under the [End High Cost Credit Alliance](#) to improve the market for fair alternatives to high cost credit.

These initiatives are all considering how to sustainably scale solutions to problem debt from high cost lenders, given the substantial size of the market.

Funded by the [Oak Foundation](#), Responsible Finance undertook a research programme to advance the supply of affordable credit to UK consumers.

The latest and final report looks in depth at case studies of how existing affordable lenders have scaled. It presents five case studies of predominantly responsible finance providers’ pathways to scale ([Five Lamps](#), [Scotcash](#), [Fair for You](#), [Just Finance Foundation](#) and [Affordable Lending Portal](#)).

Read about how the commonalities in their journeys demonstrate [the keys to unlock scale for the affordable credit sector](#).

End High Cost Credit Alliance

There was widespread press coverage of [Michael Sheen launching the End High Cost Credit Alliance](#) at our annual conference earlier this year. Listen to Sheen's full speech via the Responsible Finance podcast (below) or [watch it here](#).

Responsible Finance Chief Executive, Jennifer Tankard, welcomed the launch of this movement:

"The Alliance brings together over 50 partners with a collaborative and pragmatic approach to support the providers of ethical, fair and affordable finance – many of whom are our members – and the people they serve.

"Through collaboration and with access to the right investment; tax reliefs; guarantees and fit-for-purpose regulation the industry can expand to have a greater impact on tackling high cost credit and continue to tackle inequality in the UK."

Sheen visited Birmingham-based [Street UK](#) in June to meet customers. A documentary covering his work to support fair and responsible providers of credit and advice will be broadcast later this year.

The Responsible Finance podcasts

Meet our members and their customers to hear how responsible finance builds hope, creates opportunity and changes lives. [Find the podcast on iTunes](#).

Episode 1 features Matt Smith, Chief Executive of [Key Fund](#), which lends to community and social enterprises which have traditionally been excluded, particularly in disadvantaged areas. Matt describes his approach to supporting clients, leadership and facing challenges.

Karen Davies, founder and Chief Executive of [Purple Shoots Business Lending](#) is our guest for Episode 2. Purple Shoots is a not-for-profit microfinance organisation, set up to tackle unemployment and economic problems in the areas where it operates.

In Episode 3, Duncan Parker, Chief Executive of [Fredericks Foundation](#) covers the Foundation's Women's Loan Fund and their work to reduce unconscious bias on lending panels. Duncan also talks about a worry that excessive concern for profit in microfinance is leading some providers away from poorer clients to serve better-off clients.

Charlotte Purdie was a new parent with a problem. There was nowhere to go with the right facilities to enable her to feed her baby. So Purdie, then 21, launched [The Milk Lounge](#), a cafe in Nottingham with fantastic, family friendly features. In episode 4 Charlotte tells why she turned to a responsible finance provider, [First Enterprise](#) when she needed money to get The Milk Lounge going but the bank said "no."

Stephen Henderson, 23, runs [Ruach Music](#), supplying musicians worldwide with handmade instruments and accessories. Turnover tripled this year and the firm employs eight full-time staff. He describes how access to responsible finance and support from our member [Enterprise Northern Ireland](#) supported the business' development in episode 5.

Actor and activist Michael Sheen [launched the End High Cost Credit Alliance at Responsible Finance 2018](#). The Alliance seeks to make affordable fair finance mainstream and support providers and customers. Episode 6 features Sheen's speech highlighting the Alliance's collaborative approach. Also, Jennifer Tankard discusses the work of responsible finance providers and the recent FCA review of high cost short term credit.

And in Episode 7, Elaine Rimmer of [Lancashire Community Finance](#) – which reaches clients “even harder to reach than the average” in the sector – talks about how this small organisation competes with high interest and payday lenders and rent to buy stores.

Here's the podcast [on iTunes](#). Please share it and leave a rating on iTunes so other people can learn about the work and impact of responsible finance providers.

Business leaders FM interviews Responsible Finance CEO

Jennifer Tankard gave an in-depth interview to Business Leaders FM. She discussed what the government could do to support the responsible finance sector, highlighted the importance of everyone having the right financial tools and the need for responsible finance providers to scale up to reach everyone in the UK that needs access to fair and affordable credit. You can listen to the interview [here](#).

Responsible finance supports retail jobs

It has been a difficult few months for retailers; there are now weekly announcements of store closures and high street brands going into administration. A common thread through all these stories is the thousands of jobs lost, or at risk, by the slow decline of the retail sector.

The responsible finance industry provides a solution on multiple fronts. One responsible finance provider, [Enterprise Loans East Midlands](#) (First Enterprise), helped a retailer to increase turnover significantly and increase staff numbers from 12 to 63 people, scale its manufacturing and open retail stores. [More here](#).

96% of UK businesses are microenterprises; without responsible finance, many would not exist

Businesses often deemed too risky or unprofitable by mainstream banks can thrive with finance and other support from responsible lenders. Jennifer Tankard, Responsible Finance's Chief Executive, illustrated this in an article published by Politics Home:

“What links an artisan fish smokehouse with percussion instrument maker, a luxury chocolatier and a firm manufacturing gear for climbers, bikers and outdoor enthusiasts?

All four outstanding businesses have created jobs and opportunities. Each was supported by a responsible finance provider when high street banks couldn't help them.

And the four firms (The Argyll Smokery, Ruach Music, Harry Specters and Alpkit respectively) were the winners in this year's Citi Microentrepreneurship Awards, with all award finalists gaining recognition as exemplary businesses.

Recognition for micro-entrepreneurs is important. Much business and industrial policy focuses on larger SMEs and supports already established firms. But microenterprises are vital to the UK. They create jobs and income in local and regional economies, they make up 96% of businesses, and one in seven of the UK adult population now runs their own micro-enterprise. They innovate too: bringing new products or services to market rapidly; testing, refining, and proving demand.

Start-ups and microenterprises drove the 3.6% growth in the total number of businesses in the UK in 2017. This increase and the rise in self-employment made a large contribution to lowering unemployment. But the most recent regional and country economic indicators shows wide regional variations in the changes in business numbers.”

[Read the article in full here.](#)

Accurate credit scoring is critical to everything we do

Jennifer was invited to speak at this year's [Association of Consumer Credit Information Suppliers](#) annual conference.

Describing how our industry is underpinned by the principles of fairness, transparency and a strong customer focus, she emphasised that, since providers put people first and don't lend to everyone, and affordability of re-payment is key, accurate credit scoring is critical to everything we do.

A handful of players with a traditional approach to credit scoring dominate the market in the UK and this approach increasingly excludes a large proportion of the population. These people are then excluded from accessing mainstream credit meaning that, in many cases, they will have to rely on high cost credit, paying a poverty premium.

Responsible finance providers are reliant on the main credit scoring companies to assess risk and ensure affordability when providing credit. We believe the credit scoring companies could do more to support our work. Read about [“a new dawn for credit reporting.”](#)

Responsible Finance's report 'Scaling up affordable lending: credit scoring' is [here](#).

Tax relief plus enterprise finance guarantee backs South West loan fund

Responsible Finance member SWIG Finance has launched its first loan fund using the Enterprise Finance Guarantee scheme (EFG) and Community Investment Tax Relief (CITR) with investment from Triodos Bank.

The loan fund, worth £1.5m, will support an estimated 30 SMEs in the South West that struggle to raise finance from traditional lenders. It is targeted at disadvantaged areas and communities in the region.

John Peters, Managing Director of SWIG Finance says: *“The launch of this fund is really exciting news as it not only provides us with more vital capital alongside our own to lend to our customers, but it also offers SWIG Finance a blue print for developing similar funds of our own in the future.*

“Triodos have been hugely supportive in helping us get this off the ground and we are looking forward to a positive and productive relationship for years to come.”

The new fund has been made possible following last year’s announcement from HM Treasury approving the use of CITR with EFG. EFG is administered by the British Business Bank to facilitate business lending to smaller businesses that are viable but unable to obtain finance from their lender due to having insufficient security to meet the lender’s normal requirements.

Jennifer Tankard, Chief Executive of Responsible Finance says: *“Small businesses are critical to the UK’s economic success but many still struggle to access the finance they need. Responsible finance providers like SWIG Finance are critical in meeting this need and supporting local economic growth.*

“We are really excited that SWIG Finance is using this new opportunity of matching CITR alongside the EFG scheme, to secure investment to give that critical support to businesses across the South West. This is another example of responsible finance provider’s taking highly innovative approaches to secure investment into local businesses.”

Several applications are already in the pipeline, with the first investment anticipated by the end of July 2018. More details: www.swigfinance.co.uk

Career opportunities in the responsible finance sector

Responsible Finance Programme Manager (part time, 8-month contract).

Responsible Finance is seeking an energetic programme manager with outstanding organisational skills. The role is responsible for managing delivery of key programmes, including fund management, leadership development and quality assurance programmes. [Full details.](#)

Chair of the Board of Directors of Responsible Finance

Responsible Finance is recruiting a Chair for the Board of Directors to lead the Board and with them provide strategic direction to the Executive Team to ensure delivery of the organisation's mission and vision. This is an unpaid role with a time commitment of around 20 days per year for Board meetings, meetings with the Chief Executive and representing Responsible Finance at events and in meetings with stakeholders. [Full details.](#)

Social Investment Scotland – SIS Associate: Investment Manager

Social Investment Scotland is looking for talented individuals to the bank of contract SIS Associate: Investment Managers who support on a contract basis in times of high investment demand. [Full details.](#)

Fair Finance – Personal Loans Branch Manager and Branch Officer, fluent in Spanish

Fair Finance is looking for talented people to work Fair Personal Loans, the consumer lending arm of fair finance in London. [Full details.](#)

Are you...

A social entrepreneur seeking finance to grow and launch new products and services? Visit: www.findingfinance.org.uk

An impact investor seeking partners with a track record of supporting social enterprise? Visit: www.responsiblefinance.org.uk

Keeping in touch

This briefing covers just some of the many activities and initiatives underway across the responsible finance sector. You can find out more about our work here:

Website: www.responsiblefinance.org.uk

Podcast: [iTunes](#)

Twitter: https://twitter.com/resp_finance

LinkedIn: <https://www.linkedin.com/company/responsible-finance/>

Data protection

Responsible Finance would like to keep you up-to-date with our work and what's happening in and around the responsible finance world. We will never sell your data and we always keep your details safe and secure. If you have any issues with us using your data, you can change your mind at any time by emailing info@responsiblefinance.org.uk.

For further details on how your data is used and stored, please visit:
<http://responsiblefinance.org.uk/about/privacy-policy/>