Responsible Finance

The industry in 2017

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About Responsible Finance

We are the voice of the responsible finance industry. We support a strong network of responsible finance providers who are increasing access to fair finance across the UK. At our heart is the idea of bringing social and economic benefits to people, places and businesses.

Our members provide finance to customers not supported by other lenders. They offer a supportive service and treat people fairly. They are professional social enterprises that re-invest profits to help more people and businesses access finance.

www.responsiblefinance.org.uk

Responsible Finance

About this publication

Responsible Finance: The industry in 2017 is based on a survey conducted by Responsible Finance, which was completed by 43 responsible finance providers. The reporting period is 1st April 2016 until 31st March 2017. The survey has been conducted annually since 2003 and was previously known as Inside Community Finance.

The report was written by Theodora Hadjimichael with Jamie Veitch and Eleanor Pughe.

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This publication is available for download from www.responsiblefinance.org.uk

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Introduction

Responsible Finance is the voice of the responsible finance industry. Responsible finance providers play a critical role in supporting local economies across the UK by providing access to credit for businesses, social enterprises and individuals. We support people to fulfil their goals, whether that is to set up or grow a business; build an enterprise for social good; or manage household debt and build up savings.

Responsible finance providers are professional, quality assured, transparent and mission-driven lenders. They treat customers fairly and provide a supportive and personal service. They increase access to finance and serve customers who are not supported by mainstream lenders.

This report demonstrates the impact of the industry’s support for businesses, communities, individuals and social enterprises in 2017. Thousands of jobs created, thousands of businesses created and able to grow, thousands of individuals built savings, often for the first time in their lives. At the same time the industry is working hard to ensure the services it provides evolve to meet changing customer needs with finance provided more quickly, conveniently and efficiently.

Despite serving more customers than ever before, we know the potential market for the industry is significant and growing. The industry has always struggled to access the capital it needs to support its own growth ambitions. In 2018, Responsible Finance will continue to work with its members to access capital required and have an even greater impact in local communities.

Jennifer Tankard

Chief Executive, Responsible Finance

Industry Overview

Responsible finance is helping more people and businesses across Britain build their financial resilience – in 2017 the industry supported 34% more customers than in 2016

In 2017, responsible finance providers lent:

£235 million
to 61,163 customers

£67 million
to 5,072 small businesses, creating 4,270 new businesses and creating or saving 8,053 jobs

£142 million
to 363 social enterprises, creating or saving 4,661 jobs

£22 million
to 55,348 individuals, while helping customers deposit over £3 million in savings accounts

£4 million
to 379 homeowners, helping them make essential repairs and energy upgrades

The responsible finance industry provided access to affordable finance for even more customers in the United Kingdom in 2017 than they did in 2016. For many responsible finance customers there are no other ethical alternatives, and the demand is growing. With access to the right tools: funding; tax reliefs; guarantees and fit-for-purpose regulation; the industry can continue to grow to match the need for access to finance.

Microenterprises and small businesses, social enterprises, individuals and households all benefit from access to fair and affordable finance, together with a personalised supportive service, business mentoring, and financial education.

Almost 100,000 small business applications for loans are rejected each year, especially from microenterprises, startups and entrepreneurs with a thin credit file[1]. But many of these declined applications come from businesses that are viable, not only in responsible finance provider's experience but in the view of the British Business Bank[2]. So access to responsible finance helps businesses contribute to employment and job creation, catalysing growth in some of the most deprived parts of the UK.

Social enterprises are “real businesses, doing business differently”[3] and are outstripping ordinary businesses in innovation, diversity of leadership, turnover growth and job creation. They are addressing environmental and social challenges while creating wealth that circulates in local communities. And responsible finance providers are a crucial source of working capital, investment and support for the UK’s innovative social enterprises.

With fairness and behaviour in financial services still under scrutiny and continued regulatory intervention into the high cost credit market, consumers need access to affordable credit more than ever. Unsecured consumer credit grew by 10% in the year to June 2017[4], and over 4 million people have either failed to pay domestic bills or meet credit commitments in 3 or more of the last 6 months[5]. More than 8 million individuals rely on credit to pay for essential household bills, often in the form of credit cards, overdrafts, or using high cost lenders or illegal loan sharks[6].

Economic instability, squeezed household budgets, and living costs outstripping incomes have exacerbated the precarious position of many in the UK. The responsible finance industry is committed to supporting this market, often providing wraparound services to promote financial wellbeing and literacy and encouraging saving.

Responsible finance is needed now more than ever

Responsible finance providers have delivered considerable impact through programmes such as the Regional Growth Fund and the Start Up Loans Programme, and will continue this impact through the Northern Powerhouse Investment Fund, Midlands Engine Investment Fund, and other initiatives. Together responsible finance providers have a total loan book of £350 million. However, challenges remain for the industry to continue to grow. In 2017 the responsible finance industry raised £62 million in new funding to on-lend – compared to £71m raised in 2016. The impact of this was reflected by lower levels of lending to businesses and a continued relative flat line in lending to consumers, despite the difficulties that persist for these markets in accessing appropriate finance. This demonstrates how access to long-term and sustainable capital to on-lend remains a limiting factor in the industry’s ambitions.

Responsible finance providers are recognised as trusted and transparent lenders; sustainable organisations that develop strong relationships with their stakeholders. They have catalyzed impressive impact, which we describe in this report. The term ‘responsible’ is more than a public relations slogan. Responsible finance providers are authorised and regulated by the Financial Conduct Authority (FCA) and some comply with the European Code of Conduct for Microcredit Provision. Alongside this, we are developing a quality assurance framework to provide an easily recognisable but robust evidence based quality mark for customers and investors.

The future of the responsible finance industry

A thriving responsible finance industry will continue to play a crucial part in business and job creation and tackling inequality in the UK. It will do this by building on its track record and strengths to increase the provision of affordable, fair finance to the businesses, social enterprises and individuals that cannot access it elsewhere. A number of measures are needed for the industry to achieve this:

A Responsible Finance Fund

The primary growth constraint for the industry is the lack of a dedicated responsible finance fund, similar to that seen in the U.S. A £150 million fund would unlock significant commercial and social investment into responsible finance providers to on-lend. This would scale up the industry's impact on excluded and undeserved communities, ultimately extending access to affordable finance to more businesses, social enterprises and consumers.

Access to tax reliefs and guarantees that are fit for purpose

Tax reliefs and guarantee schemes are widely used by the responsible finance industry to lever in commercial investment. To ensure these tools remain competitive and fit-for-purpose, we propose:

· Launching a guarantee scheme or tax relief for the personal lending sector, incentivising greater investment into responsible finance providers;

· Expanding the wholesale Enterprise Finance Guarantee (EFG) option to incentivise larger scale private investment; and

· Ensuring tax-reliefs and guarantee schemes are appropriate and flexible, to allow responsible finance providers to effectively serve demand across industrial sectors.

To guarantee that access to EU funding and facilities is maintained or replaced

The responsible finance industry receives approximately 10% of its annual funding to on-lend from EU Structural funds, in addition to using EU instruments such as the EaSI and COSME guarantees. Access to these EU funds and instruments have been frozen since 2016. While the Chancellor guaranteed that key projects dependent on European funding that support economic development across the country will continue to receive funding, it is important that those facilities which incentivise commercial investment into the responsible finance industry, namely EaSI, COSME and the European Regional Development Fund (ERDF), are replaced, or access is maintained.

Proportionate and appropriate regulation

The responsible finance industry is regulated by the Financial Conduct Authority (FCA), and is compliant with its rules. These rules are designed for larger financial institutions and so place a disproportionate burden and cost on small firms like responsible finance providers. Proportionate and fit-for-purpose regulation is needed to ensure that responsible finance providers can thrive.

Small business lending

In 2016-17 responsible finance providers lent £67 million to over 5,000 UK businesses

There are 27 responsible finance providers in the UK that lend to businesses that struggle to get finance from the mainstream banking industry. In 2016-17 the industry lent 35% less to businesses than the previous year, despite strong demand. This decrease was driven by the lack of new funding into the industry during the year, and underscores the need for access to sustainable capital.

5,072 businesses supported

4,270 businesses created

779 existing businesses safeguarded

5,889 new jobs created

2,164 at risk jobs safeguarded

The small businesses that responsible finance providers support are mainly established businesses: microenterprises (businesses with 0-9 employees) and SMEs (businesses with up to 250 employees). Responsible finance providers also lend to startups.

SMEs are vital to the UK economy. They make up 99.9% of all private industry businesses and are responsible for 60% of private sector employment and 47% of private sector turnover. 96% of businesses in the UK are microenterprises[7].

The businesses the industry lends to are viable, but often deemed too risky or unprofitable to lend to by mainstream banks due to lack of a trading history or their small scale; 93% of the business customers lent to by responsible finance providers in 2016-17 were declined by other lenders. While credit conditions for the SME market have improved as a whole, at least 100,000 small business applications for loans are still rejected each year[8], especially from microenterprises, startups and those with a thin credit file. Many businesses do not reach the formal application stage or are discouraged to apply. Responsible finance providers are a critical source of finance that helps businesses contribute to employment and job creation, including in some of the most deprived parts of the UK.

£0.25 billion

added back to the economy in 2016-17 through responsible finance lending to businesses

Responsible finance providers’ ongoing support for these businesses develops their capacity and enhances their ability to grow and build a successful trading track record. In a crowded SME finance market, the industry’s unique offer as a lender is its relationship-based model, more flexible approach to security, and emphasis on catalysing local economic growth.

Additionally, responsible finance providers also support startup businesses as delivery partners to Government-supported programmes such as the Start Up Loans scheme (a programme providing business advice and fixed interest loans to people wanting to start a business).

The loan characteristics that responsible finance providers offer is tailored to the type of business supported:

	Startup	Micro	SME
Average loan size	£8,800	£20,500	£41,900
Average term	4 years	3.5 years	3.5 years
Average interest rate	6%	14.0%	14.0%
Secured loans as a % of total loans made (#/£)	0 / 0	15 / 40	15 / 40

Realising ambitions to grow

The Northern Powerhouse Investment Fund (NPIF) (£400 million) and the Midlands Engine Investment Fund (MEIF) (£250 million) are both important components of regional devolution. The launch of these funds gave responsible finance providers the opportunity to support the local economy by supporting local businesses.

The funds combine investment from the UK Government, British Business Bank, European Regional Development Fund and European Investment Bank to help small businesses scale up and succeed, creating jobs and attracting additional private sector investment.

Almost half of both funds come from European sources, highlighting the need for the Government to maintain or replace access to EU funding once the UK has left the EU.

Responsible finance providers were selected to deliver the microfinance portion of both NPIF and MEIF, demonstrating the effectiveness of the industry in reaching undeserved and hard to reach businesses and unlocking local economic growth.

MURRAYGROW
HYDROPONICS

Good news story: Innovative hydrophonics business gets the go ahead

Alex Murray was keen to use innovative hydroponic technology to set up a new business, MurrayGrow Hydroponics in Elgin in Scotland. Hydroponics is an agriculture system that enables plants to be grown in a nutrient solution, rather than soil, and so means produce can be grown year-round in areas that would usually have to import it. It can therefore have a positive environmental impact and reduce a local area's carbon footprint.

When Alex approached the high street banks to launch this venture they were unwilling to invest in the new technology, so he turned to DSL Business Finance, a responsible finance provider, who were able to help with a £20,000 loan through its Scottish Microfinance Fund.

Alex explains MurrayGrow Hydroponics' journey:

"When we started we had a lot of trouble getting finance to get this project underway. A lot of the local high street banks wouldn't look at us. They thought the technology was too new and they weren't willing to take a risk on it. So, we started looking around, and found out about DSL. The loan allowed us to be able to instruct a hydroponics consultancy to design the system and get it up and running, so without the loan we wouldn't be here."

93%

of customers were previously turned down by a bank

The responsible finance industry plays a key role in generating new economic activity in the UK; for every £1 million they lend; 64 businesses and 88 jobs are created as a result. The industry is recognised as offering considerable value for money in supporting microenterprises and SMEs; the engines of the UK economy.

Social enterprise lending

In 2016-17 responsible finance providers lent £141.7 million to 363 social enterprises

There are 12 responsible finance providers that specialise in lending to social enterprises; they support and enable their economic, social and environmental impact across the UK and in a diverse variety of sectors.

4,259
at risk jobs safeguarded

402
new jobs created

27
social enterprises started up

277
existing social enterprises safeguarded

Social enterprises are “real businesses, doing business differently"[9] and 74% of them earn more than three quarters of their income through trading: with the general public, the public, private and third sectors, and with other social enterprises[10]. Access to appropriate finance, at the right time and in the right form remains the “principal barrier to sustainability and growth” for social enterprises[11]. 34% of social enterprises also say they have sought some form of finance in the previous 12 months, a much higher figure than SMEs. Challenges around irregular cash flow and a need for working capital remain high, and are cited as a greater concern to social enterprises now than two years ago[12].

Social enterprises require capital to grow, to launch new products and services, and to support income diversification, for example by the development of assets. Social enterprises scored higher on the Government’s measure of innovation than for-profit businesses, based on the number of new products or services launched within the past 12 months[13].

There are two categories of responsible finance provision to social enterprises:

- **Traditional responsible finance loan funds** that lend to social enterprises that are seeking less than £250,000, have a limited track record or adequate security, and are unlikely to be able to secure finance from mainstream sources.
- **Social banks** are also responsible finance providers but serve a different segment of the market: larger and established social enterprises and charities typically seeking over £250,000 with security.

The table below illustrates the lending characteristics for responsible finance providers and social banks:

	Responsible finance provider	Social bank
Average loan size	£94,000	£884,900
Average term	4.9 years	N/A
Average interest rate	7.94%	N/A
Secured loans as a % of total loans made (#/£)	26 / 45	96 / 99

In 2016-17 responsible finance loan funds lent 30% less than the previous year, reflecting similar constraints in access to capital to on-lend as SME lenders. Social banks saw an increase in lending in the year, returning to historical levels of lending; however the social banks also moved to making larger value loans than in previous years, demonstrating the growth and development of the social enterprise market to take on larger levels of repayable finance.

Realising ambitions to grow

Social enterprises continue to be more representative of the communities in which they work than traditional businesses. Their leadership and workforce is more diverse, and a third of social enterprises operate in the most deprived locations in the UK. They contribute around £24 billion to the economy[14].

But while their “business optimism” remains higher than that of mainstream SMEs, based on whether social entrepreneurs believe their turnover will increase, decrease or remain the same over the next year, it is lower now than two years ago[15]. Social Enterprise UK (SEUK) reports that social enterprises’ business models are “becoming stretched: cash flow pressures are rising, capacity is shrinking, and the use of investment for working capital is as high as it has ever been[16]”. It is clear that while many social enterprises are sustainable, they continue to require access to appropriate finance. Responsible finance providers are a key source of finance for this market.

Good news story: Brain Injury Foundation opens first 'Pub with no Beer'

The Brain Injury Foundation (BIF) is a support group for brain injury survivors and their families and carers. The initiative was launched by a group of survivors, carers and volunteers in 2012 and has over 100 members from all over Newry and Mourne, Armagh, Banbridge and Dungannon in Northern Ireland. BIF supports people with all forms of brain injuries and is service-user led.

BIFFERS is a 'pub with no beer' set up by BIF, with the help of a £55,000 loan from the Ulster Community Investment Trust (UCIT), a responsible finance provider.

Frank Dolaghan, Chair of BIF, explained:

"We have developed BIFFERS as an innovative response to requests from our survivors for a social environment which would allow participation in pool matches and other events. One of the after effects of an acquired brain injury is that alcohol consumption can have a very negative impact on recovery and survivors are strongly encouraged to avoid alcohol. The downside of this for our members is that visits to pubs are difficult, and it is in the pub setting that many pool matches are played, therefore our members are precluded from taking part in a sport which very many of them play well.

"Our brain injury survivors now have a pub they can call their own where they can entertain local teams in pool and darts matches and generally enjoy a much more normal social life. This will add immeasurably to their self-confidence and further reduce the social isolation which is a sad consequence of acquired brain injury. The excitement among our members has to be seen to be believed."

The UCIT loan enabled the purchase and refurbishment of the venue, which is now used for a wide range of events. It is also hired by other groups for functions and meetings- including games nights for young people with disabilities and a Saturday morning club for people with autism.

Personal lending

In 2016-17 responsible finance providers lent £22 million to 55,348 individuals, and £3.8 million to 379 homeowners for home repairs, bringing 227 homes up to a decent standard

At a time of increasing concern about rising levels of personal and household debt, responsible finance providers helped their customers to deposit over £3 million into savings accounts in 2016-17, and provided a lower cost of borrowing to over 55,000 people.

3 million adults

have at least one high-cost loan now or have had one during the past 12 months

4 million adults

have either failed to pay domestic bills or meet credit commitments in 3 or more of the last 6 months

15.9% of people

are living with a debt problem; an increase from 15.4% in 2016 [17]

There are ten responsible finance providers that specialise in providing affordable credit and financial capability support to individuals. Five provide finance to homeowners to make urgent repairs to their homes or energy efficiency upgrades.

Access to affordable credit from responsible finance providers helps people on low incomes, with no savings buffer, to avoid taking on high cost unmanageable debt. A loan from a responsible finance provider often helps the customer improve their creditworthiness through making regular repayments. In addition, the wraparound support provided alongside the finance build financial resilience and capability.

50% of UK consumers (25.6 million)...

...currently show one or more characteristics of potential vulnerability [18]

People showing characteristics of potential vulnerability are twice as likely to have used high-cost credit in the last 12 months as other UK adults[19]. And over 8 million individuals are relying on credit to pay for essential household bills, often in the form of credit card debt, overdrafts, and high-interest loans[20].

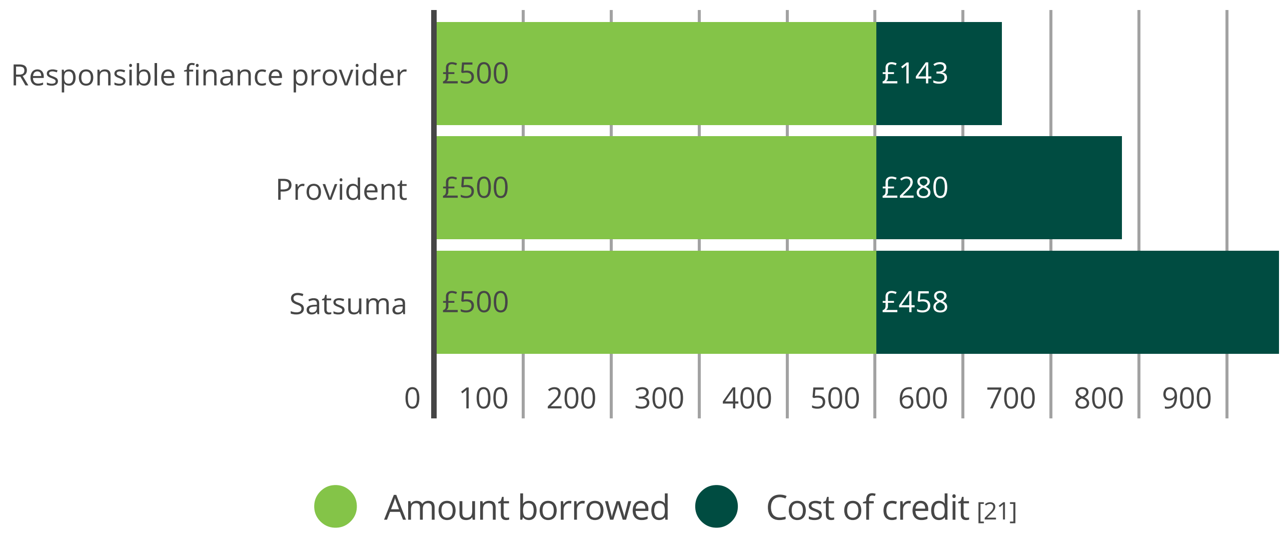
Many high-cost lenders act irresponsibly, treat their customers unfairly and prey on their vulnerability. In comparison, responsible finance providers are “mission-driven” social enterprises: they treat customers fairly, only lend to those who can afford to repay, are transparent about the costs of borrowing, and provide supportive services that help customers increase financial inclusion.

The table below illustrates the average loan characteristics for the personal and home improvement lending sectors:

	Personal	Home improvement
Average loan size	£400	£10,000
Average term	9 months	7 years
Average interest rate	136%	4.6%
Secured loans as a % of total loans made	0 / 0	31 / 78

Low income consumers often pay a poverty premium for goods and services. The cost of borrowing from high-cost lenders is at least twice as expensive as borrowing from a responsible finance provider, and in some cases three times as expensive. Responsible finance providers offer significant cost savings to their customers, in addition to the benefits of the wraparound services they provide.

Comparison of cost of borrowing from responsible finance providers vs high cost lenders:



Realising ambitions to grow

There is growing awareness of over-indebtedness in the UK. Unsecured consumer credit grew by 10% in the year to June 2017[22]. Employment and inflation figures show a gap between real wage increases and inflation, and there is increasing recognition of issues that can contribute to or exacerbate financial exclusion, such as the cost of housing.

The Financial Conduct Authority's Financial Lives Survey of consumers found worrying levels of financial vulnerability, showing that 3% of UK adults are unbanked and 4.1 million people are in financial difficulty[23]. In 2017 high cost credit provider Provident's switch to digital technology led to a failure to collect significant repayment, and high cost rent-to-own company Brighthouse was ordered to repay £14.8 million to consumers it had treated unfairly[24]. While trouble continues for the high cost credit giants, UK consumers' demand for finance persists and they need affordable alternatives for credit.

Responsible finance providers that lend to businesses and social enterprises benefit from tax reliefs which encourage investment, yet there is currently no tax relief scheme available to responsible finance providers who lend to individuals, despite the impact they have on tackling financial exclusion.

Responsible Finance has called on the Government to introduce a tax relief for personal lenders which would attract new investors into the sector, while also lowering the financing costs (investors can lower the cost of capital as they generate return through the tax). This would support responsible finance providers to help many more people across the UK.

Good news story: Getting Sarah's finances back on track

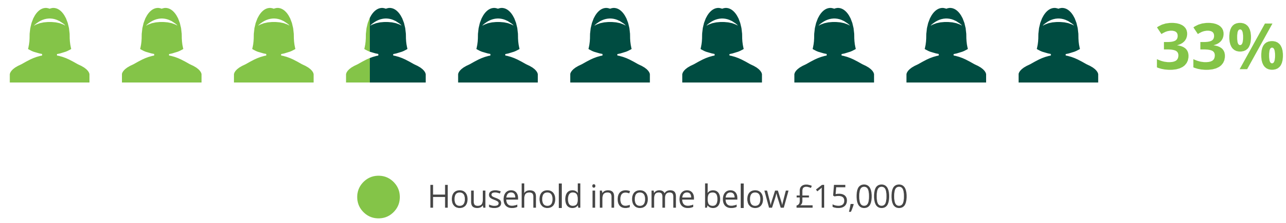
Sarah was in a desperate situation when she came to responsible finance provider Lancashire Community Finance. She had recently moved out of her mum's house to a rented flat and her household expenditure was becoming unsustainable. Though she was working full time, she had begun to take out payday loans to help meet her bills.

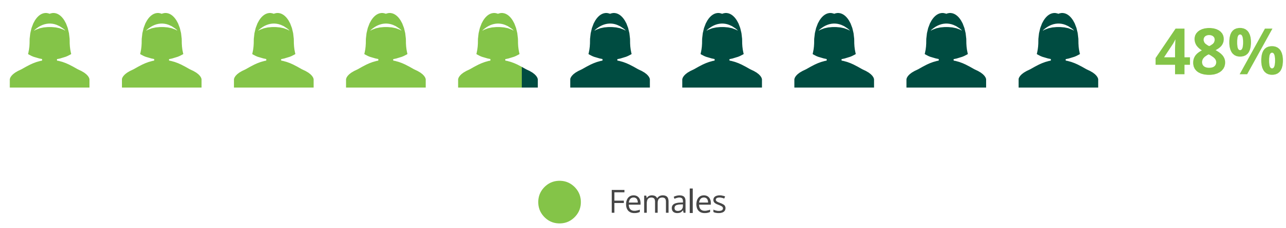
At first, the sum she borrowed was small, but it soon escalated and she was forced to take out larger and larger loans to repay the previous loans and interest payments. Within a few months the loan repayments were taking up her entire salary. Unable to repay the loans she found herself in a vicious circle.

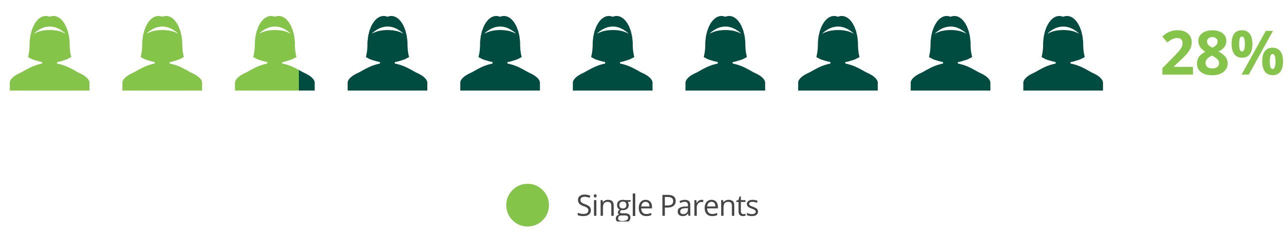
Lancashire Community Finance spent time with Sarah to understand her budget and work with her on ways to save money. They then agreed a loan of £900 to enable her to repay the payday loans in full, giving her the chance to stabilise her finances by repaying the loan over 9 months at an affordable rate.

Customer demographics

Responsible finance providers lending to individuals and homeowners supported the following demographics in 2017:







Responsible finance participants

Acorn Fund
ART Business Loans
BCRS Business Loans
Big Issue Invest
Business Enterprise Fund
Business Finance Solutions
Community Land and Finance CIC
Co-operative and Community Finance
Coventry & Warwickshire Reinvestment Trust
DSL Business Finance Ltd
Enterprise Answers
Enterprise Loans East Midlands
Enterprise Northern Ireland Ltd
Fair Finance
Finance for Enterprise
Financing Enterprise Ltd
Five Lamps
Foundation East Ltd
Fredericks Foundation
Hampshire & Isle of Wight Opportunity Society
Impetus
The Key Fund
Lancashire Community Finance
Let's Do Business Finance
Merseyside Special Investment Fund Ltd
Moneyline
NatWest Social & Community Capital
Newable Business Loans Ltd
Places for People Financial Services
Purple Shoots
Resilient Scotland Ltd
Robert Owen Community Banking Fund Ltd
Scotcash
Scottish Community Re:Investment Trust
Sirius
Social Investment Cymru (WCVA)
Social Investment Scotland
South West Investment Group
Street UK
The Charity Bank Ltd
Triodos Bank NV
Ulster Community Investment Trust
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Appendix - Responsible Finance data

Loan disbursals, by number and value

Total lending, 2013-17

	2013	2014	2015	2016	2017
Total number of loans disbursed	50,700	56,200	57,800	47,500	61,163
Total value of loans disbursed	£123m	£173m	£251m	£242m	£235m

Loans to businesses: microbusinesses and SMEs, 2013-2017

	2013	2014	2015	2016	2017
Total number of startup/micro loans disbursed	8,992	12,791	10,280	9,150	4,720
Total number of SME loans disbursed	311	430	1,160	433	352
Total number of loans disbursed	9,303	13,230	11,440	9,583	5,072
Total value of startup/micro loans disbursed	£38m	£52m	£64m	£85m	£52m
Total value of SME loans disbursed	£14m	£20m	£34m	£18m	£15m
Total value of loans disbursed	£52m	£72m	£98m	£103m	£67m

Loans to businesses: microbusinesses and SMEs, 2013-2017

	2013	2014	2015	2016	2017
Total number of loans disbursed by responsible finance providers	204	261	325	376	227
Total value of loans disbursed by responsible finance providers	£13m	£12m	£21m	£30m	£21m
Total number of loans disbursed by social banks	102	109	129	179	136
Total value of loans disbursed by social banks	£35m	£66m	£106m	£87m	£120m
Total number of loans disbursed to social enterprises	306	370	454	555	363
Total value of loans disbursed to social enterprises	£48m	£78m	£126m	£116m	£142m

Loans to individuals, 2013-2017

	2013	2014	2015	2016	2017
Total number of loans disbursed	40,562	41,938	45,185	36,957	55,348
Total value of loans disbursed	£19.4m	£18.9m	£21.5m	£19.8m	£22.0m

Loans to homeowners, 2013-2017

	2013	2014	2015	2016	2017
Total number of loans disbursed	541	584	677	389	379
Total value of loans disbursed	£4.1m	£4.3m	£5.3m	£2.8m	£3.8m

Loan characteristics

Loan size, interest rate and term

	Average loan size	Average term	Average interest rate (APR)
Buisness			
Existing Micro	£20,500	3.5 years	14.0%
Existing SME	£41,900	3.5 years	14.0%
SUL	£8,800	4 years	6.0%
Social Enterprise			
Responsible finance provider	£94,000	4.9 years	7.9%
Social Bank	£884,900	N/A	N/A
Personal	£400	9 months	136%
Home Improvement	£10,000	7 years	4.6%

Loans secured (against property or assets, or using a loan guarantee scheme such as EFG or EIF)

	Loans secured by number	Loans secured by value
Buisness		
Existing micro/SME	15%	40%
SUL/NEA	0%	0%
Social Enterprise		
Responsible finance provider	26%	45%
Social Bank	96%	99%
Personal	0%	0%
Home Improvement	31%	78%

Services other than lending

One-to-one business mentoring	30%
Back office services for other organisations	23%
Online application	19%
Business training	16%
Money management & budgeting advice	16%
Equity/quasi equity	9%
Letting business space	7%
Personal accounts	7%
Commercial mortgages	2%
Islamic shari'a finance	2%

Top sources of referrals for responsible finance providers

Own marketing activities	84%
Word of mouth/informal referrals	47%
Start Up Loans Company	23%
Local authorities	16%
Brokers	16%
Voluntary and community groups	14%
Banks	12%
Social enterprise support agencies	9%
Accountants	9%
Online referral platforms	7%
Enterprise agencies	7%
Housing associations	7%
Other responsible finance providers	7%
Jobcentre	5%
Local Enterprise Partnership (LEP)	2%
Social investors	2%

Funding and portfolio performance

Sources of funding, 2013-17

	2013	2014	2015	2016	2017
Central Government	26%	44%	48%	41%	55%
Banks	10%	20%	26%	27%	14%
Other (including individual investors)	20%	14%	2%	6%	3%
European Union	11%	13%	11%	10%	1%
Local Government	14%	7%	8%	4%	3%
Trusts/foundations	1%	1%	<1%	3%	3%
Social investors	11%	1%	4%	9%	14%
Housing associations	7%	0%	<1%	<1%	1%
Total received in the year	£42.3m	£59.4m	£83.8m	£71.0m	£62.2m

Earned and other income, 2013-2017

	Earned income – Interest and fees from lending	Earned income – Income and fees from managing funds	Earned income – Other	Other income (revenue and capital grants, donations)
2013	£15m	£5m	£7m	£7m
2014	£17m	£7m	£8m	£7m
2015	£19m	£6m	£7m	£6m
2016	£21m	£6m	£13m	£9m
2017	£22m	£7m	£5m	£8m

Portfolio performance by market, 2013-2017

	2013	2014	2015	2016	2017
Micro & SME (non-Start Up Loans lending)					
PAR	20.4%	7.7%	15.8%	10.5%	9.3%
Write-offs/provisions	7.6%	4.7%	12.6%	6.2%	9.0%
Social enterprise					
PAR	1.4%	2.8%	2.7%	1.9%	3.7%
Write-offs/provisions	0.6%	2.6%	2.5%	5.8%	6.9%
Personal					
Write-offs/provisions	7.7%	11.2%	13.6%	8.5%	8.4%
Home improvement					
PAR	0.2%	0.6%	0.2%	0.5%	0.1%
Write-offs/provisions	<0%	0.1%	0.2%	0.5%	0.3%

Lending outcomes

Business lending outcomes

Number of businesses created	4,270
Number of businesses safeguarded	779
Jobs created (FTE)	5,889
Jobs safeguarded (FTE)	2,164
Business customers mentored	1,125
Businesses previously declined by a bank	93%

Social enterprise lending outcomes

Social enterprises created	27
Social enterprises safeguarded	277
Jobs created (FTE)	402
Jobs safeguarded (FTE)	4,259

Individual lending outcomes

Value helped customers deposit into savings accounts	£3m
Number of customers helped pay bills	4,391
Number of customers helped to pay down existing debt	2,496
Number of customers helped pay for emergencies	6,285
Number of customers helped pay for special/unexpected events	16,609
Number of customers using a high cost lender in the last year	17,993
Unemployed	41%
Social housing occupants	43%
Benefits recipients	47%
Women	48%
Located in the UK's 35% most disadvantaged areas	45%
Single parents	28%

Homeowner lending outcomes

Number of homes brought up to a decent standard	227
Number of customers able to stay in their homes	155
Loans used for thermal comfort	36%
Loans used for general repairs	21%
Loans used for energy efficiency upgrades	21%

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