Responsible Finance

The Industry in 2018

Responsible Finance

www.responsiblefinance.org.uk

About Responsible Finance

We are the voice of the responsible finance industry. We support a strong network of responsible finance providers – primarily community development financial institutions – which 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.

Community Development Financial Institutions (CDFIs) are social enterprises whose mission is to deliver responsible, affordable lending to help individuals, businesses, social enterprises and communities to access finance. These consumers would otherwise struggle to obtain funding from mainstream lenders.

About this publication

Responsible Finance: The Industry in 2018 is based on a survey conducted by Responsible Finance, which was completed by 36 responsible finance providers. The reporting period is 1st April 2017 to 31st March 2018. The survey has been conducted annually since 2003 and was previously known as Inside Community Finance.

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

Acknowledgements

We would like to thank Jamie Evans from the Personal Finance Research Centre at the University of Bristol for his work on mapping, and Start Up Loans Company for their input. We would also like to thank all the responsible finance providers which gave us vital information on their activities and impact for this report.

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Message from the Chief Executive

Access to finance and financial exclusion continue to be significant barriers to growth and long-term prosperity in local economies across the UK, at the individual, household, and business levels. Responsible finance providers play an essential role in ensuring people can access useful and affordable financial services. Access to finance is access to opportunity, and consumers who struggle to borrow from mainstream lenders will also struggle to climb out of disadvantage.

Responsible finance providers play a critical role in supporting local economies across the UK by providing affordable credit to businesses, social enterprises and individuals. In 2018 the industry continued to grow. Our members lent:

- £85 million to 5,310 businesses, creating and saving 10,370 jobs.
- £138 million to 475 social enterprises, creating and saving 4,060 jobs.
- £26 million in 45,900 loans to individuals. 23,230 of those taking out loans from a responsible finance personal lender had previously borrowed from a high cost lender.
- £5 million to 430 homeowners, bringing homes up to a decent standard and enabling 220 customers to stay in their own homes.

These facts and figures are impressive but what is harder to quantify is the impact on lives of business ambitions achieved, jobs created and saved, social challenges tackled, the building of financial resilience and people able to stay in their own, safer, homes.

Uniquely in the financial services sector, all members of Responsible Finance must agree to demonstrate accountability and transparency to stakeholders and target communities. Many of our members produce their own excellent impact reports. This annual report sets out the impact of the industry as a whole and, for the first time, links this impact to the United Nations Sustainable Development Goals.

Despite the industry's impressive growth and impact, its ambitions for growth are hampered by the lack of available capital for investment. While responsible finance as a sector has experienced a significant increase in investment in 2018, the sources of that funding have shifted with social investors providing considerably more investment and the Government and UK banks providing less. Given the transformative impact our members make within some of the UK's poorest communities, further investment from a range of different sources is essential.

Access to affordable and appropriate credit makes a critical difference thousands of people's lives. This report gives more evidence of the real and unique impact of the responsible finance industry across the UK.

Jennifer Tankard
Chief Executive, Responsible Finance

Introduction to the responsible finance industry

Responsible finance providers play a critical role in supporting local economies through access to credit for businesses, social enterprises and individuals. This report showcases the impact of the industry across the UK in 2018.

What are responsible finance providers?

Responsible finance providers support people to set up or grow businesses, build social enterprises, improve their homes, smooth out fluctuations in income and expenditure and manage household debt. They are professional social enterprises and re-invest profits to help more people and businesses access finance. They provide a supportive service and treat people fairly.

There are currently around 50 UK responsible finance providers operating in four markets: business, social enterprise, personal and home improvement lending. They are ethical entities with knowledge of local markets and networks, and expertise in dealing with public funds. These providers offer loan finance and a range of additional services and products, such as business mentoring, access to basic bank accounts and money advice. Responsible finance is the only lending sector which measures lending outcomes and can report on its economic impact.

Whilst responsible finance providers are diverse in legal structure, customer bases, systems and management, they are united by their core mission: to lend to people and businesses who struggle to access finance from mainstream banks.

Who do they serve?

Businesses often struggle to access finance if they are deemed too risky due to a lack of a trading history or insufficient assets for security. People who experience financial exclusion find it hard to access mainstream financial services, and are usually turned down for credit due to a low credit score or thin credit file. Responsible finance providers strive to open up access to finance to those who cannot borrow from mainstream lenders.

They lend to viable businesses that have been rejected for mainstream loans, to social enterprises which value social return as well as financial, to individuals who are financially excluded, and to homeowners to make essential repairs and energy efficiency upgrades.

How do they do it?

For responsible finance providers, transparency and affordability are key to responsible lending. Part of treating customers fairly is ensuring that before taking out a loan the customer understands the cost and terms and how that will impact on their personal and/or business' finances. Responsible finance providers will not lend to a customer if debt and its associated costs will make the customer worse off, or if it will not improve the business' chance of success.

The responsible finance industry provides wrap-around services to promote financial well-being and literacy and encourage saving. At a time when lending decisions are increasingly made by algorithms, responsible finance providers offer a personalised service. They reach those excluded by mainstream providers and at risk of exploitation by high-interest lenders, giving them the opportunity to achieve their goals.

Responsible finance providers support the United Nations Sustainable Development Goals

The United Nations General Assembly launched the Sustainable Development Goals as part of the 2030 Agenda for Sustainable Development. They are a blueprint to achieve a better and more sustainable future for all.

Responsible finance providers directly contribute towards achieving most of the Goals. They contribute indirectly too: responsible finance providers' customers – businesses and social enterprises – are creating jobs alongside sustainable economic, social and environmental impact, all enabled by their support from our members.

Uniquely in the financial services sector, all members of Responsible Finance must agree to demonstrate accountability and transparency to stakeholders and target communities. These are some of the ways responsible finance providers contribute to reaching the Sustainable Development Goals:

Goal	UN definition	How responsible finance providers fulfill this goal
1 NO POVERTY	**End poverty in all its forms everywhere**	Responsible finance providers have a proven track record in lending to the most deprived parts of the UK. They support pathways out of poverty by giving people access to appropriate financial services. Responsible finance business lenders help disadvantaged microentrepreneurs create opportunities and support job creation. Responsible finance social enterprise lenders do this too, and actively invest in projects with specific social objectives, such as training the long-term unemployed and helping them gain meaningful employment. Personal lending responsible finance providers help to alleviate the effects of poverty by offering an affordable option for smoothing out the effects of fluctuating income and expenditure. They offer individuals an alternative to the exploitative lenders that may be their only other options. Responsible finance home improvement lenders help people to make essential repairs to their homes to make them habitable.
2 ZERO HUNGER	**End hunger, achieve food security and improved nutrition and promote sustainable agriculture**	Among the world’s richest nations, the UK has some of the highest levels of hunger and deprivation(1). People living in the most deprived areas of the UK have far worse health outcomes than those who live in the most affluent areas. Many people struggle to afford healthy and nutritious food. Responsible finance providers work to distribute economic prosperity to all parts of the UK. They exist to serve the underserved. By working to alleviate the effects of poverty and spread wealth, they help to ensure that everybody has the means available to access nutritious food. Many viable food-related projects could not have started or grown without the support of responsible finance providers.
3 GOOD HEALTH AND WELL-BEING	**Ensure healthy lives and promote well-being for all at all ages**	The impact of financial exclusion on health and well-being can be devastating. The poorest in society are often excluded from affordable finance and sometimes have to resort to high-interest credit, creating a cycle trapping them in poverty. This can increase mental health issues such as stress and anxiety, harm well-being and connection with others, and lead to substance abuse(2). Personal lending responsible finance providers provide credit at affordable rates on fair terms. They promote financial wellbeing and literacy and encourage saving. Responsible finance lending to businesses and social enterprises provides an avenue for people to build rewarding careers. Rewarding careers foster thriving communities.

Goal	UN definition	How responsible finance providers fulfill this goal
4 QUALITY EDUCATION	**Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all**	Most responsible finance providers offer wrap-around services to their customers. Many responsible finance business and social enterprise lenders offer business mentoring and support, educating micro and social entrepreneurs and helping them innovate. Personal lending responsible finance providers often provide customers with financial capability education, improving the quality of customers' lives by equipping them with vital money management skills.
5 GENDER EQUALITY	**Achieve gender equality and empower all women and girls**	Responsible finance providers monitor and report on their lending demographics. They offer finance to female individuals and female-led businesses and social enterprises. Research continues to demonstrate that female business owners continue to be underrepresented or disproportionately excluded by traditional finance providers.
7 AFFORDABLE AND CLEAN ENERGY	**Ensure access to affordable, reliable, sustainable and modern energy for all**	Several social enterprise responsible finance providers specialise in supporting community energy projects, developing skills and capacity and unlocking wider investment. Hundreds of clean, green energy projects would not exist without finance from them. Responsible finance home improvement lenders provide finance to homeowners to give their homes energy efficiency upgrades. Personal lending responsible finance providers offer advice on home energy bills for their customers.
8 DECENT WORK AND ECONOMIC GROWTH	**Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**	Microfinance is a key enabler of sustainable economic development. Access to finance and financial exclusion continue to be significant barriers to growth and long-term prosperity in local economies across the UK, at the individual, household, and business levels. Responsible finance providers develop skills, confidence and resilience, enable inclusive growth and sustainable job creation, and create work and income which circulates in local economies.

Goal	UN definition	How responsible finance providers fulfill this goal
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation**	Most responsible finance providers offer wrap-around services to their customers. Many responsible finance business and social enterprise lenders offer business mentoring and support, educating micro and social entrepreneurs and helping them innovate. Personal lending responsible finance providers often provide customers with financial capability education, improving the quality of customers' lives by equipping them with vital money management skills.
10 REDUCED INEQUALITIES	**Reduce inequality within and among countries**	The UK has an uneven economic landscape. All responsible finance providers work to reduce inequality across the UK by providing opportunity in the form of finance, mentoring, training and other support to people from the most deprived communities, who are often left out from mainstream sources. This enables them to lift themselves out of poverty thereby helping to create a more equal society.
11 SUSTAINABLE CITIES AND COMMUNITIES	**Make cities and human settlements inclusive, safe, resilient and sustainable**	Local funding can develop resilience and help to attract private capital at scale. Responsible finance providers invest in the social fabric of places, helping to transform communities to become inclusive and socially sustainable. Responsible finance social enterprise lenders support social enterprises which are outperforming traditional business in their diversity, inclusiveness, growth and innovation(3).
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Ensure sustainable consumption and production patterns**	Numerous waste reduction, recycling and sustainable manufacturing projects – run by businesses, charities and social enterprises – have been enabled and developed thanks to business and social enterprise responsible finance providers.
17 PARTNERSHIPS FOR THE GOALS	**Revitalise the global partnership for sustainable development**	Responsible finance providers have a collaborative culture, fostering positive partnerships to implement sustainable development within localities and regions, across the UK, in Europe and worldwide.

Industry overview

In 2018 the responsible finance industry lent £254 million to 52,120 customers

The responsible finance industry provided even greater access to affordable finance in the United Kingdom in 2018 than it did in 2017 as the industry continues to grow.

Small business lending

£85 million lent to 5,310 small businesses

4,490 new businesses created

10,370 jobs created or saved

Social enterprise lending

£138 million lent to 475 social enterprises

25 social enterprises created

4,060 jobs created or saved

Personal lending

£26 million lent in 45,900 loans to individuals

14,740 customers helped to pay bills, debts and for emergencies

19,310 people helped to pay for special and unexpected events

Homeowner lending

£5 million lent to 430 homeowners

230 homes brought up to a decent standard

220 customers able to stay in their homes after repairs

The future of the responsible finance industry

Responsible finance providers play a key role in ensuring people can access useful and affordable financial services. Our members are well positioned to work with the Government and the Financial Conduct Authority to create strong and diverse industries and inclusive and resilient communities. They do this by increasing the provision of affordable, fair finance to the businesses, social enterprises and individuals that cannot access it elsewhere.

Although this year has seen continued growth, the potential of the market is considerable and demand outstrips supply. Responsible finance providers need the following actions to continue to meet the increasing need for affordable and ethical finance:

Launch a responsible finance fund

A significant growth constraint for the sector is the lack of a dedicated responsible finance fund, similar to that seen in the US. A £150 million fund would unlock significant private sector investment and scale up the sector's impact on excluded and underserved communities.

Invest in access to affordable credit

To ensure the capacity of the sector to expand its reach and strengthen its impact, Responsible Finance is calling for a proportion of the Dormant Accounts fund to be allocated to personal lending responsible finance providers. This injection of capital would bring commercial investment and incentivise the creation of public-private partnerships. A £50 million fund could stimulate around £1 billion in lending over 10 years for low income and vulnerable consumers.

Replace EU funding and instruments

After a drop in funding for the sector from the European Union since the referendum, it is facing an enormous challenge to replace this. The Chancellor guaranteed that key projects dependent on European funding that support economic development across the country will continue to receive funding. It is essential that those facilities which incentivise commercial investment into the responsible finance sector, namely EaSI, COSME and ERDF, are replaced, or access is maintained.

Launch a guarantee and/or a tax-relief for the personal lending sector

A guarantee or tax-relief for the personal lending sector would enable the industry to gain competitiveness and improve its resources to reach and benefit more people. A guarantee mechanism could cover the risk of bad debt in the long term, and a tax-relief could improve the proposition and investment profile of responsible finance providers allowing it to attract more commercial investment.

Ensure FCA rules and fees are proportionate

The responsible finance industry is regulated by the Financial Conduct Authority. But much of this regulation is designed for large-scale financial institutions and hampers the type of diversity in the system that would lead to greater access. Proportionate and fit-for-purpose regulation would enable fair, small providers to grow and innovate.

Ensure greater transparency and regulation in the business lending sector

Currently the business finance sector is unregulated. This has led to the establishment of practices among some lenders that are aimed at maximising profit at the cost of the consumer. Protection mechanisms must be put in place to promote fairer practice and responsible lending.

Small business lending

In 2018 responsible finance providers lent £85 million to 5,310 UK businesses

Responsible finance business lenders work to promote prosperity and address inequality by empowering enterprises. They deliver inclusive economic development, helping people to start businesses, create good jobs and provide goods and services to the local economy. These are all outcomes that contribute to strong and diverse industries and an inclusive and resilient economy.

- 4,490 new businesses created
- 520 businesses safeguarded
- 6,360 new jobs created
- 4,010 jobs safeguarded

The responsible finance industry has a significant impact on its customers and its communities; for every £1 responsible finance providers lend to businesses, they generate £7 in economic value.

This is made possible by its model: local market knowledge and reach, a customer-centric approach and providing support alongside finance.

84% of viable businesses lent to by responsible finance providers were previously turned down by a bank.

Outdoors store ascends to new heights

Supported by EnterpriseLoans

Alpkit began when four friends with a shared passion for exploring the Alps started making gear for themselves and the people they knew. They then progressed to selling directly to outdoor enthusiasts in 2004 as an online-only retailer.

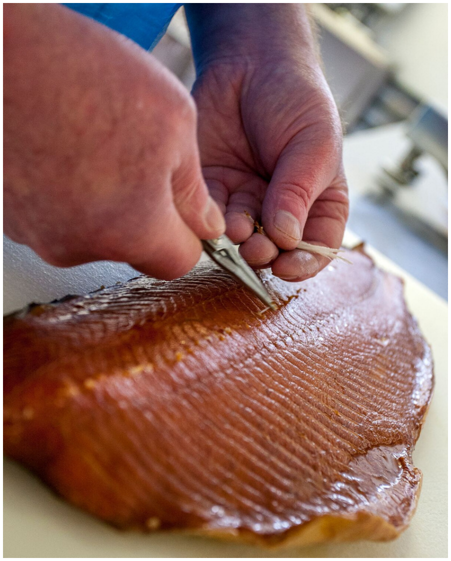
Alpkit required major investment in their IT systems to support their growth so they approached responsible finance provider Enterprise Loans East Midlands (First Enterprise). After taking out the loan, they were able to increase their turnover significantly, grow staff numbers from 12 to 63, they scaled up their manufacturing and opened retail stores. Now every week the business' employees make more than 1,500 products for climbers, hikers and bikers, earning a reputation for quality and affordability. Alpkit plans further shop openings alongside the creation of more jobs.

Smoking hot Argyll Smokery goes from strength to strength

Supported by DSL BUSINESS FINANCE

The Argyll Smokery is an independent traditional artisan fish smoke house which specialises in carrying out all of its processes by hand. The company is recognised for excellence in the industry and has won many food awards. Every step of their process, from fish filleting, smoking, trimming, slicing, through to packing and dispatch is done by hand.

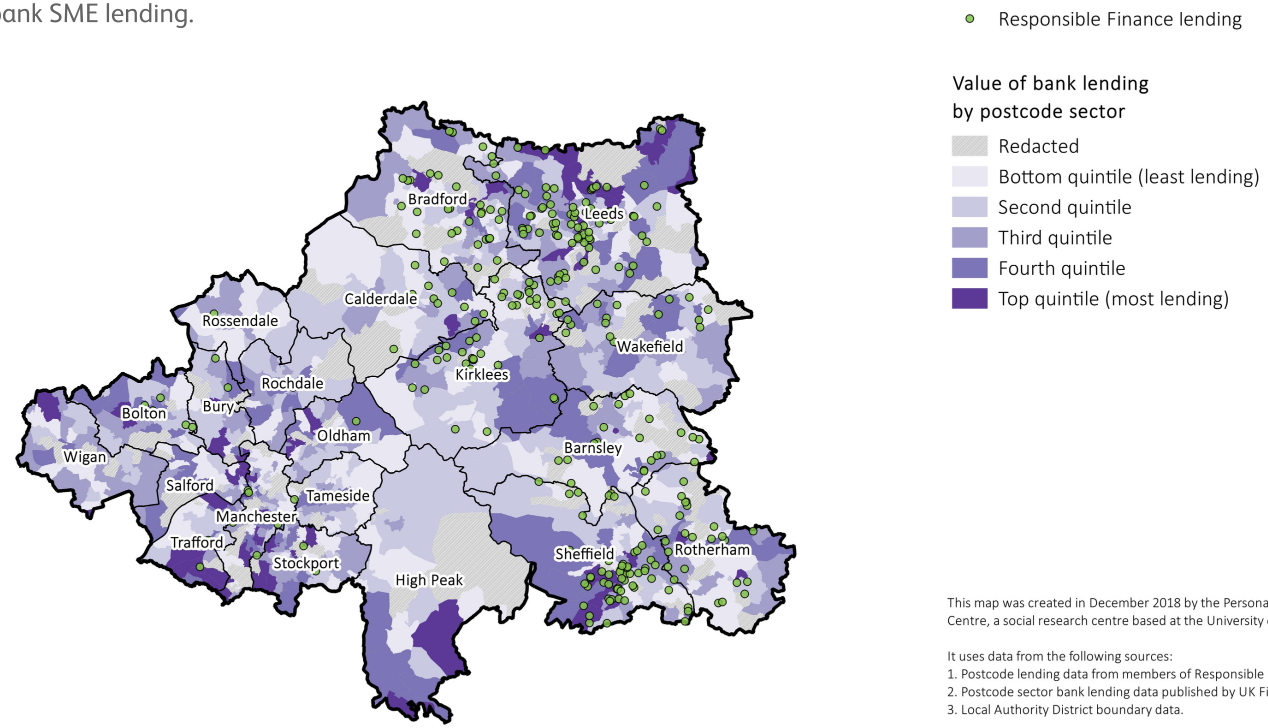
Despite a sound trading record, the Argyll Smokery's application for bank finance was declined. However, thanks to a loan from Glasgow based responsible finance provider DSL Business Finance Ltd, the firm was able to purchase its own premises. It continues to consistently increase turnover, and supplies customers including wholesalers, retailers and supermarkets, such as Aldi and Waitrose.



Mapping

Responsible finance providers have a flexible approach in determining the viability of a business and a different risk appetite to banks which allows them to lend to business who are otherwise excluded. Responsible finance business lending data has been mapped with bank SME lending data and geographies of deprivation in the Northern Powerhouse region (using responsible finance lending data, UK Finance's bank lending data, and the 2015 English Indices of Multiple Deprivation). Figures 1 and 2 demonstrate that responsible finance loans are made in areas where there is less bank lending and higher levels of deprivation.

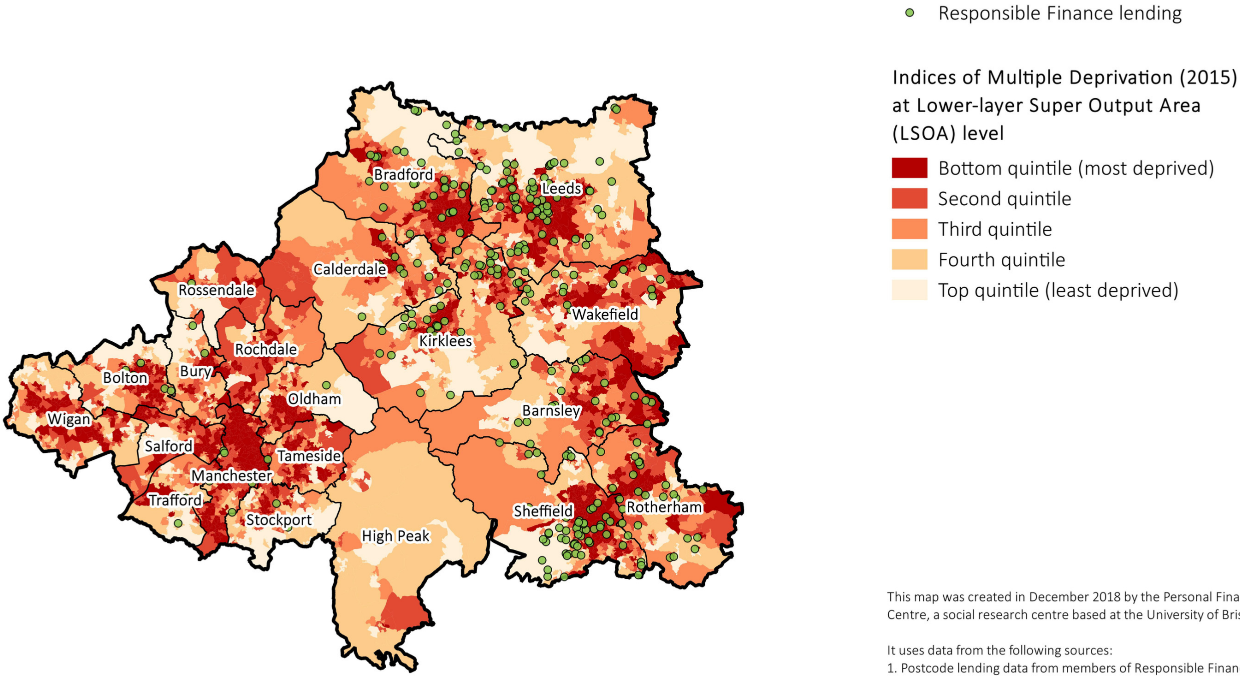
Figure 1: Business lending by responsible finance providers in the Northern Powerhouse in 2018 compared with bank SME lending.



This map was created in December 2018 by the Personal Finance Research Centre, a social research centre based at the University of Bristol.

It uses data from the following sources:
1. Postcode lending data from members of Responsible Finance
2. Postcode sector bank lending data published by UK Finance
3. Local Authority District boundary data.

Figure 2: Business lending by responsible finance providers in the Northern Powerhouse in 2018 mapped by local area deprivation.



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Social enterprise lending

In 2018 responsible finance providers lent £138 million to 475 social enterprises

Responsible business is essential to building a strong and inclusive society. Responsible finance providers are a vital source of finance and support for the UK's innovative social enterprises that sit at the core of civil society. They offer finance to start-up and grow socially and environmentally impactful businesses, tackling social challenges across the UK.

- 25 new social enterprises created
- 360 social enterprises safeguarded
- 510 new jobs created
- 3,550 jobs safeguarded

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

1 - Traditional responsible finance loan funds lend to social enterprises that are seeking less than £250,000, have a limited track record or inadequate security, and are unlikely to be able to secure finance from mainstream sources.

2 - Social banks lend to larger and more established social enterprises and charities, typically seeking over £250,000 with security.

"Since we've worked with Key Fund our operation has grown by a multiple of ten in the past 12 months" Jo Hercberg, The Real Junk Food Project.

From landfill to tasty meal

Supported by Key Fund Growing Enterprise in Communities

Sheffield's Real Junk Food Project turns surplus food destined for landfill into tasty meals. In a single month, the social enterprise serves 8,000 meals, intercepting five tonnes of food per week (with each tonne of food saving the equivalent of four tonnes of carbon dioxide). The Sharehouse Market serves 50 to 100 people per day, 6 days a week.

The project's exponential growth came after responsible finance provider The Key Fund provided loan and grant support for a warehouse and to roll out a programme for schools. They were able to go from being a single part time cafe run by volunteers to running two full time community hubs, a 5000 sq ft warehouse and market, an educational programme, high end dining events and a fast growing catering operation.

Their future ambition is to work in every school in Sheffield to empower the next generation around food, waste, fairness and value.

Tackling funeral poverty in Scotland

Supported by SIS Social Investment Scotland

Funeral poverty, when the price of the funeral is beyond a person's ability to pay, is a rapidly growing issue in Scotland. Caledonia Cremation is a social enterprise funeral business which addresses funeral poverty by providing low-cost direct cremations.

Caledonia Cremation offers direct cremations for a standard rate of £995. Although lower than the average cost of a funeral, they know that this might still be a financial burden on some families. In this case they offer additional support. To further raise awareness around this sometimes hidden cause of poverty, Caledonia Cremation runs 'death café' discussion groups, community conferences and a national advice helpline. The organisation approached Social Investment Scotland to help set-up capital expenditure and working capital. With backing and grants from others, Social Investment Scotland was able to support Caledonia Cremation in successfully commencing business operations and tackling funeral poverty.

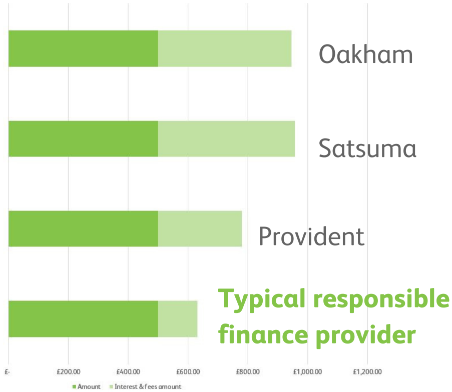
Personal and homeowner lending

In 2018 responsible finance providers lent £26 million in 45,900 personal loans and £5 million in 430 homeowners

In recent years UK households have experienced an unprecedented squeeze on household incomes, leaving many with little or no savings and highly vulnerable to financial shock. Credit is a necessary tool for people to smooth out fluctuations in income and expenditure. Unfortunately, awareness of responsible lenders is low, and people on low-incomes and those who have thin or low credit files often face a poor choice about where they can access credit. The responsible finance industry is committed to serving this market.

- 23,230 customers had used a high cost lender in the last year
- 14,740 customers helped to pay bills, existing debts and for emergencies
- 19,310 customers helped to pay for special and unexpected events
- 220 customers able to stay in their homes after repairs
- 230 homes brought up to a decent standard

Low income consumers often pay a poverty premium for goods and services. Responsible finance providers offer significant cost savings to their customers compared to high-cost credit providers. The chart to the right illustrates the cost of borrowing from a typical responsible finance provider compared to a high cost lender(4).



To sum up her experience, Marie said "I just don't have to think about money worries because I know they will help me if they can."

Marie's Story

Supported by Scotcash approachable finance

Living with her son Jack, Marie struggled to cover the costs associated with being his full-time carer, whilst also trying to save in case of emergency or for special events. After years of turning to expensive lenders, Marie became aware that there were alternatives. Scotcash proved to be a different service all together. After turning to Scotcash, Marie found that she could easily afford to replace her broken tumble drier and buy presents for her son's birthday and Christmas, without the stress of extraordinarily high interest rates.

With help from a Scotcash Money Adviser, Marie was also able to access the Warm Home Discount to reduce her energy bills and a grant to help cover the costs of her mother's funeral, meaning she had less need to borrow and was lifted out of fuel poverty. Marie, like other Scotcash customers said that the support she has received from Scotcash has been "invaluable" and feels fewer people would need to resort to high-cost lenders, or even illegal lenders, if there was more awareness of the responsible finance options available.

Sophie's Story

Supported by Lancashire community finance

Sophie's* television had broken down and whilst out in her town she walked past a well known rent-to-own store and saw a TV in the window. As the label said it would cost £9 per week for 3 years she thought she could easily manage the repayments. When she completed the purchase they added insurance and a service plan, meaning the weekly payment increased to £11.70. Under pressure, she said yes. As soon as Sophie got home she realised she could not afford the payments as she was out of work and living off her benefits. This is when she approached responsible finance provider Lancashire Community Finance (LCF). They looked at the agreement she had signed with the rent-to-own firm (right).

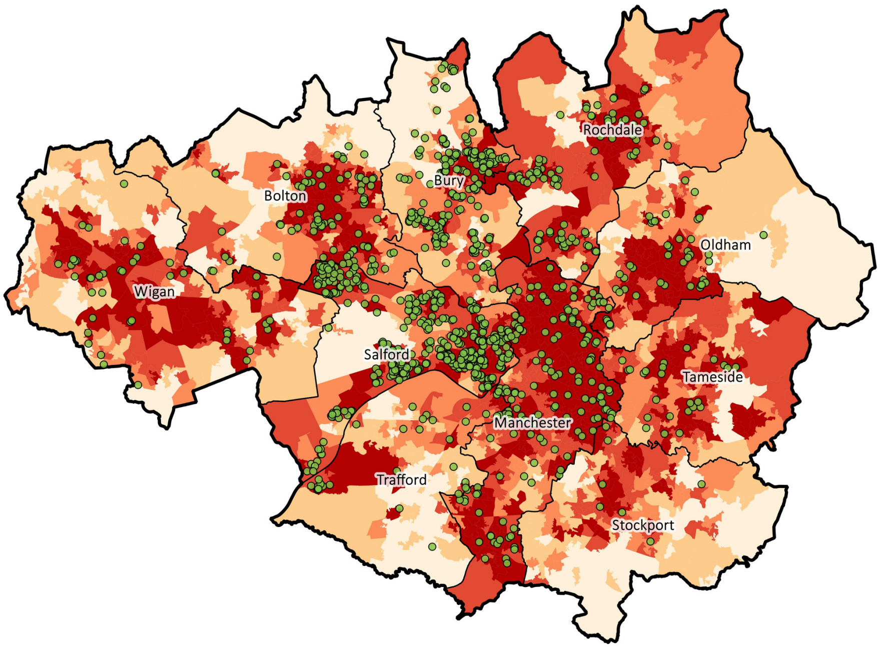
TV price £641.51
Delivery and installation £65.00
Total TV price £706.51
Representative APR 69.9 %
Repayments: £9.00 per week (156 weeks)
Service plan £1.63 per week
Mandatory insurance £1.07 per week
Weekly payments: £11.70 (156 weeks)
Total cost £1,825.20

LCF advised her to return the TV immediately as she was still within the 14 day cooling off period, meaning she was able to get a full refund. They helped her go on line to find an equivalent TV on sale from a retailer for £419. They offered her a loan of £400, with affordable repayments of £8.97 per week over 78 weeks, meaning a total cost £699.66. Thanks to LCF, Sophie's children were able to get a very similar TV and she got peace of mind. *Name changed to protect privacy

Mapping

Across the country there are pockets of poverty and deprivation. Responsible finance providers are lending to individuals in these areas who are unable to access other forms of affordable finance. Responsible finance personal lending data has been mapped with geographies of deprivation in the Manchester and Birmingham regions (using responsible finance lending data, UK Finance's bank lending data, and the 2015 English Indices of Multiple Deprivation). Figures 3 and 4 show that responsible finance lending is clustered in the most deprived areas of the Greater Manchester and West Midlands regions.

Figure 3: Personal lending by responsible finance providers in Greater Manchester in 2018 by local area deprivation.



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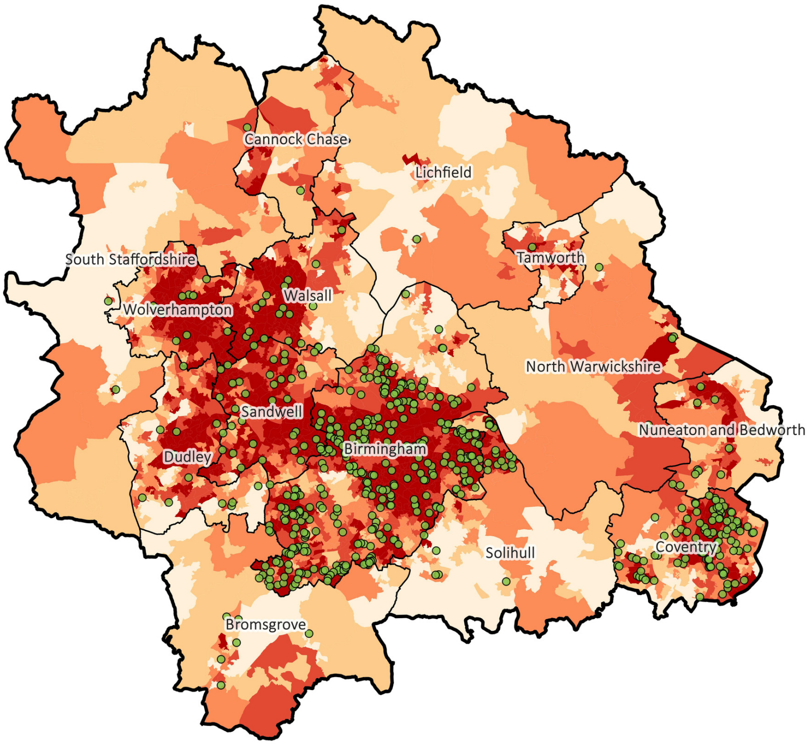
3. Local Authority District boundary data.

Figure 4: Personal lending by responsible finance providers in the West Midlands in 2018 by local area deprivation.



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3. Local Authority District boundary data.

Thank you

The need for everyone to have access to a comprehensive package of appropriate and affordable financial products is as pressing as ever. Responsible finance providers are essential for people who are either poorly served or not served at all by the main high street banks and lenders. To help achieve financial inclusion, responsible finance providers need long term commitment and support to scale up and improve their reach.

We would like to thank:

- ART Business Loans
- fredericksfoundation – now you can.
- Charity bank – a bank for good
- Moneyline
- cwrt
- bef Business Enterprise Fund
- The Big Issue Invest
- fair Finance
- SWIG Finance
- Robert Owen Community Banking
- Business Finance
- Lucky Isle of Wight Lottery – Creating Island Jobs
- SIS Social Investment Scotland
- UCIT – Financing Social Enterprise
- EnterpriseLoans
- msif... – msif.co.uk
- Places for People
- Finance for Enterprise
- Purple Shoots – little loans to grow ideas
- Co-operative & Community Finance – supportive lending since 1973
- resonance
- Financing Enterprise – Financing Start Up Enterprise
- DSL Business Finance Ltd
- Royal Bank of Scotland
- Five Lamps – Making People Matter
- streetUK – the affordable finance company
- Triodos Bank
- Lancashire community finance
- Key Fund – Growing Enterprise in Communities
- WCVA – Cyngor Gweithredu Gwirfoddol Cymru – Wales Council for Voluntary Action
- Let's Do Business Finance
- Foundation East – Finance and Support for Businesses
- Wessex Resolutions CIC – People First and Foremost
- BCRS Business Loans
- Newable Business Finance
- Scotcash – approachable finance

Endnotes

(1) UNICEF (2017) Building the Future: Children and the Sustainable Development Goals in Rich Countries. Available: https://www.unicef-irc.org/publications/pdf/RC14_eng.pdf

(2) Royal Society for Public Health (2018) Life on Debt Row. Available: https://www.rsph.org.uk/uploads/assets/uploaded/75b46b96-10e8-48a3-bc597f3d65d91566.pdf

(3) Social Enterprise UK (2018) 2017-2018 Impact Report. Available: https://www.socialenterprise.org.uk/Handlers/Download.ashx?IDMF=252d0226-8db9-4142-8c70-8ddd0eff2c7d

(4) Representative example based on borrowing £500 over 26 weeks. Using the average of five personal lending responsible finance providers (Moneyline, Scotcash, Fair Finance, Conduit, Places for People) and Satsuma (https://www.satsumaloans.co.uk/), Oakham (https://www.oakam.com/en) and Provident (https://www.providentpersonalcredit.com/). All figures taken from each provider's online cost calculator, last accessed August 2018.

Appendix - Responsible Finance data

Average loan characteristics

Small business lending sector

	Startup	Micro	SME
Average loan size	£8,219	£13,783	£52,853
Average term	4.3 years	3.7 years	3.7 years
Average interest rate	6 %	14.76 %	14.76 %
Secured loans as a % of total loans made (#/£)	0 % /0 %	40 % /43 %	40 % /43 %

Social enterprise lending sector

	Responsible finance provider	Social bank
Average loan size	£65,248	£997,341
Average term	5.5 years	n/a
Average interest rate	7.22 %	n/a
Secured loans as a % of total loans made (#/£)	19 % /35 %	99 % /100 %

Personal and home improvement lending sectors

	Personal	Home improvement
Average loan size	£569	£11,081
Average term	10 months	7 years
Average interest rate	129.45 %	4.69 %
Secured loans as a % of total loans made (#/£)	12 % /3 %	55 % /76 %

Loan disbursals, by number and value

Total lending, 2014 - 2018

	2014	2015	2016	2017	2018
Total number of loans disbursed	56,122	57,756	47,484	61,163	52,121
Total value of loans disbursed	£173m	£251m	£242m	£235m	£254m

Loans to businesses: microbusinesses and SMEs, 2014-18

	2014	2015	2016	2017	2018
Total number of startup/micro loans disbursed	12,791	10,280	9,150	4,720	5,008
Total number of SME loans disbursed	430	1160	433	352	306
Total number of loans disbursed	13,230	11,440	9,583	5,072	5,314
Total value of startup/micro loans disbursed	£52m	£64m	£85m	£52m	£69m
Total value of SME loans disbursed	£20m	£34m	£18m	£15m	£16m
Total value of loans disbursed	£72m	£98m	£103m	£67m	£85m

Loans to social enterprises, 2014-18

	2014	2015	2016	2017	2018
Total number of loans disbursed by responsible finance providers	261	325	376	227	360
Total value of loans disbursed by responsible finance providers	£12m	£21m	£30m	£21m	£23m
Total number of loans disbursed by social banks	109	129	179	136	115
Total value of loans disbursed by social banks	£66m	£106m	£87m	£120m	£115
Total number of loans disbursed to social enterprises	370	454	555	363	475
Total value of loans disbursed to social enterprises	£78m	£126m	£116m	£142m	£138m

Loans to individuals, 2014-18

	2014	2015	2016	2017	2018
Total number of loans disbursed	41,938	45,185	36,957	55,348	45,903
Total value of loans disbursed	£19m	£22m	£20m	£22m	£26m

Loans to homeowners, 2014-18

	2014	2015	2016	2017	2018
Total number of loans disbursed	584	677	389	379	429
Total value of loans disbursed	£4m	£5m	£3m	£4m	£5m

Services and referrals

Services other than lending

Online application	53%
Business mentoring	26%
Money management and budgeting advice	20%
Back office services for other organisations	17%
Equity/quasi equity	17%
Letting business space	14%
Business training	9%
Personal accounts	9%
Commercial mortgages	6%
Islamic Sharia finance	3%

Top sources of referrals for responsible finance providers

Own marketing activities (online and offline)	31 %
Word of mouth	25 %
Start Up Loans Company	7 %
Housing Association	5 %
Accountants	4 %
Broker	4 %
Voluntary and community groups	4 %
Jobcentre Plus	4 %
Local Authorities	4 %
Banks	2 %
Online referral platforms	2 %
Social enterprise support organisations	2 %
Chambers of Commerce	1 %
Credit Unions	1 %
Social investors	1 %

Funding and portfolio performance

Earned and other income, 2014-18

	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)
2014	£17m	£7m	£8m	£7m
2015	£19m	£6m	£7m	£6m
2016	£21m	£6m	£13m	£9m
2017	£22m	£7m	£5m	£8m
2018	£23m	£6m	£3m	£7m

Portfolio performance by market, 2014-18

	2014	2015	2016	2017	2018
Micro & SME (non-Start Up loans lending)					
Par	7.7 %	15.8 %	10.5 %	9.3 %	9.6 %
Write offs/provisions	4.7 %	12.6 %	6.2 %	9.0 %	10.5 %
Social enterprise					
Par	2.8 %	2.7 %	1.9 %	3.7 %	2.2 %
Write offs/provisions	2.6 %	2.5 %	5.8 %	6.9 %	6.1 %
Personal					
Write offs/provisions	11.2 %	13.6 %	8.5 %	8.4 %	6.6 %
Home improvement					
Par	0.2 %	0.2 %	0.5 %	0.1 %	0.6 %
Write offs/provisions	<0 %	0.2 %	0.5 %	0.3 %	0.2 %

Lending outcomes

Business lending outcomes

	2018
Number of businesses created	4,494
Number of businesses safeguarded	517
Jobs created (FTE)	6,364
Jobs safeguarded (FTE)	4,014
Business customers mentored	893
Businesses previously declined by a bank	84%

Social enterprise lending outcomes

	2018
Social enterprises created	25
Social enterprises safeguarded	362
Jobs created (FTE)	511
Jobs safeguarded (FTE)	3,548

Individual lending outcomes

	2018
Value helped customers deposit into savings accounts	£1,328,577
Number of customers helped pay bills	3,697
Number of customers helped to pay down existing debt	2,710
Number of customers helped pay for emergencies	8,332
Number of customers helped pay for special/unexpected events	19,310
Number of customers using a high cost lender in the last year	23,233

	2018
Unemployed	50 %
Social housing occupants	53 %
Benefits recipients	66 %
Women	61 %
Located in the UK's 35 % most disadvantaged areas	78 %
On household incomes of less than £15,000	48 %
In-work poverty	36 %
Single parents	42 %

Homeowner lending outcomes

	2018
Number of homes brought up to a decent standard	234
Number of customers able to stay in their homes	219

	2018
Loans used for general repairs	31 %
Loans used for thermal comfort	12 %
Loans used for energy efficiency upgrades	10 %
Loans used for adaptations (eg. for a disability)	8 %

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