



# THEY BELIEVED IN ME

2023 IMPACT REPORT

# IN 2022, CDFIs:



LENT **£248M** TO  
**95,000** CUSTOMERS

a 20% increase in lending and 22% growth in customer numbers.

**8,280** JOBS CREATED AND SAFEGUARDED

CREATED

**2,580** NEW BUSINESSES

99% of businesses had already been declined by another lender.

94% of lending was made outside of London and the South East.

50% of lending was made in the UK's 35% most deprived areas.



HELPED HOUSEHOLDS HOLD ON TO

**£28M**

IN INTEREST THEY WOULD HAVE PAID TO A HIGH-COST LENDER

IDENTIFIED **£410**  
IN UNCLAIMED BENEFITS EVERY MONTH,

FOR **68,470** PEOPLE  
(£4,918 of additional income each per year)



# MESSAGE FROM THE CEO



## What does it mean to have a lender believe in you?

“They believed in me.” That’s what Community Development Finance Institution (CDFI) customers often say about their experience with a community lender. Whether it’s an individual with a mark on their credit score who knows they can afford to repay a small-sum loan; a self-employed electrician who needs their van fixed to get to jobs; a community enterprise that tackles food waste in need of new premises; or a beloved local bakery seeking cash flow support to cope with rising prices, they have all had a “no” turned into a “yes” by a CDFI.

Behind all the data about inflation, the rising cost of living and the pandemic exacerbating gaps in access to finance, is the reason why finance is so important: it’s an enabler; a stepping stone.

Millions of people and businesses pause their journeys each year because they can’t get the funding they need. But for tens of thousands, CDFIs believed in them and helped them get ahead.

CDFIs are driven by impact, so they work very hard to get to know every customer.

They go above and beyond to provide bespoke support for applicants and customers, building up their resilience and increasing their chance of success.

Even when things don’t go as planned, customers trust CDFIs to work with them to get on a new repayment plan. This backing from a CDFI builds confidence.

Then there’s the loan itself. Whether it’s for an individual or business borrower, it can bridge a gap or fund new opportunities. The growth, stability and track record that the loan brings means that the customer has more options open to them in the future, including lower-cost mainstream finance.

Once again we are proud that our sector enabled this journey for more people, social enterprises and businesses than ever before.

This was fuelled by the incredible support we received from the growing number of partners and champions who believe in CDFIs. We look forward to building on this collaboration so more people, enterprises and communities can get the stepping stone funding they need.

**Theodora Hadjimichael**  
Chief Executive

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# MESSAGE FROM SHAWBROOK BANK



**Community Development Finance Institutions are playing an increasingly important role in delivering positive economic, social, and environmental impact. Access to finance on fair terms enables individuals, businesses, and social enterprises to achieve their goals, helping society to benefit from greater inclusion.**

We're proud to be supporting CDFIs by providing access to the consistent and stable funding they need to deliver for the local communities they serve. Driven by a strong sense of purpose to create opportunity, at Shawbrook we are delighted to support this study and the work of Responsible Finance to quantify the impact of the CDFI sector across the UK.



**Warren Mutch, Head of Speciality Finance  
Shawbrook Bank**

**Thank you to all our other partners, stakeholders and supporters without whom much of this impact would not be possible. They include:**

- Access – The Foundation for Social Investment
- British Business Bank
- Big Society Capital
- Fair4All Finance
- HM Revenue and Customs
- HM Treasury
- Impact Investing Institute
- NatWest Group
- The Department for Business and Trade
- The Department for Culture, Media and Sport
- The England Illegal Moneylending Team
- The Financial Conduct Authority
- The Finance Innovation Lab
- The Financial Ombudsman Service
- The National Association of Commercial Finance Brokers
- Triodos Bank
- Unity Trust Bank



# INTRODUCTION

**CDFIs are mission-driven lenders. Each and every CDFI is a social enterprise. Being a not-for-profit\* or asset locked organisation ensures the majority of profits are reinvested back into the mission of tackling financial exclusion.**

CDFIs' commitment to mission means that **Environmental, Social and Governance (ESG)** factors are embedded into their everyday work and financial decision making. This makes them unique in the UK's financial system. They play a vital and increasing role turning a "no" from banks and other lenders into a "yes." When others are pulling down the shutters, CDFIs dare to lend, making informed, evidence-driven decisions in order to:

- 1. Unlock opportunity**
- 2. Create thriving places**
- 3. Improve lives**
- 4. Back a Just Transition to Net Zero**

**CDFIs are effective partners to banks, national and local government and anchor institutions. They have a fantastic track record of catalysing social and economic impact; they are a well-established route to deliver policy and investment goals. In 2022 the sector's lending increased 20% to £248 million. CDFIs are a coiled spring:** their power can be further unleashed through greater access to appropriate and flexible capital; policy changes to improve the operating environment for CDFIs; and by increasing awareness that they exist.

\*As social enterprises CDFIs are/strive to be viable and sustainable businesses and make operational surpluses; they are 'not-for-profit' in that their social purpose is their primary motivation, rather than profit distribution.

# 1. UNLOCKING OPPORTUNITY: LENDING TO BUSINESSES



A small business applies for a bank loan but is declined.

1

It is referred to a CDFI, gets support on its cashflow forecasts, and its loan application is successful.

2

The business invests in product development and marketing.

3

It increases sales and secures a new contract, enabling it to take on new staff.

4

At the same time the business is able to build a repayment track record through its CDFI loan.

5

The small business goes on to access lower cost finance from a bank to further scale up.

6

# CDFI LENDING TO BUSINESSES: IN NUMBERS

**Small businesses faced many challenges in 2022 which affected their financial positions. Inflation, increased costs of doing business, and uncertainty have affected many firms, meaning it is becoming harder to get loans.**

There was only a 64% success rate for small and medium enterprises (SMEs) applying for finance from mainstream lenders; a sharp year-on-year fall from 80%<sup>1</sup>. The impact of this on the UK's economic recovery will be long-term without sufficient intervention to grow alternative credit provision.

Twenty CDFIs lend to small businesses across the regions of the UK. CDFIs are a proven route for getting funding to SMEs where it will have the biggest impact. 99% of the SMEs CDFIs support have already been unable to access finance from other sources, and they concentrate their lending in the most deprived areas of the UK.



## AS SOCIAL ENTERPRISES, CDFIS CREATE SOCIAL VALUE BY LENDING TO FOR-PROFIT SMES

SMEs make up 99% of the UK's firms. This means they have a huge impact on the following factors, which can be unlocked with finance:

- 1. Generating employment**, particularly in left behind regions, and for underserved demographics, thereby levelling up opportunity.
- 2. Creating thriving places** through strong business communities that invest back into their local places.
- 3. Delivering a just transition to net zero**, as SMEs contribute to half of the UK's business-driven carbon emissions<sup>2</sup>.

**£81M**

lent to 3,230 start-ups  
and small businesses

**99%**

of businesses  
supported were  
previously declined by  
another lender

**94%**

of businesses  
supported were based  
outside London and  
the South East

**50%**

of businesses  
supported were based  
in the UK's 35% most  
disadvantaged areas

**4,420**

jobs created

**3,760**

jobs safeguarded

**36%**

of loans made to  
women-led start-ups  
and businesses

**15%**

of loans made to  
ethnic minority-  
led start-ups and  
businesses





# CDFI'S FINANCE HAS LONG-TERM IMPACT FOR YORKSHIRE FIRM

**A Leeds-based skip hire and waste management firm has grown from 18 to 28 staff following a five-figure investment from Business Enterprise Fund (BEF).**

Bill Dyson Skip Hire and Waste Management was founded in 2003 by Bill Dyson and Lisa Dyson. The business provides commercial, industrial, and domestic skip hire across West Yorkshire and helps its customers to reuse, reduce, recycle, and manage waste safely and efficiently. Its environmentally-friendly waste handling service contributes to the UK Government's Net Zero strategy.

In 2010 the business was unable to secure finance from high street lenders which meant Bill and Lisa had to finance operations using personal credit cards.

Lisa Dyson, director at Bill Dyson said: "Because of the sector we are in the banks wouldn't speak with us. Thankfully, we were introduced to BEF by a commercial finance broker.

BEF understood our business and were happy to support us. Their five-figure investment helped us increase our fleet from 6 to 11 trucks in 2 years, create 14 new jobs over 13 years, and expand into a business area that positively impacts the environment and people's lives while supporting the UK's net zero ambitions.

Following the BEF investment, the business has grown into a multisite business that uses a state-of-the-art IT infrastructure and a finely tuned workflow to deliver an industry leading service to clients. In the 13 years following the BEF investment, turnover has grown from £1.8m to £4.2m. This has enabled the business to significantly improve its cashflow position so that it is now self-sufficient for all but largest asset purchases.

Lisa added: "We have always had ambitious plans for the business.

***"We wouldn't be where we are today if it wasn't for the investment from BEF and the ongoing support we receive from the team at Tudor Financial."***



"Their belief in Bill, me, and our business has been life changing."

Hilary Watson, investment manager at BEF, commented: "Bill Dyson Skip Hire and Waste Management is a success story that speaks to the reason BEF exists, to bridge the funding gap faced by so many SMEs. It has been a joy to see Bill and Lisa grow the business into what it is today."


✓ This loan was supported by the Regional Growth Fund.



# BUSINESS LENDING CDFIS AND THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

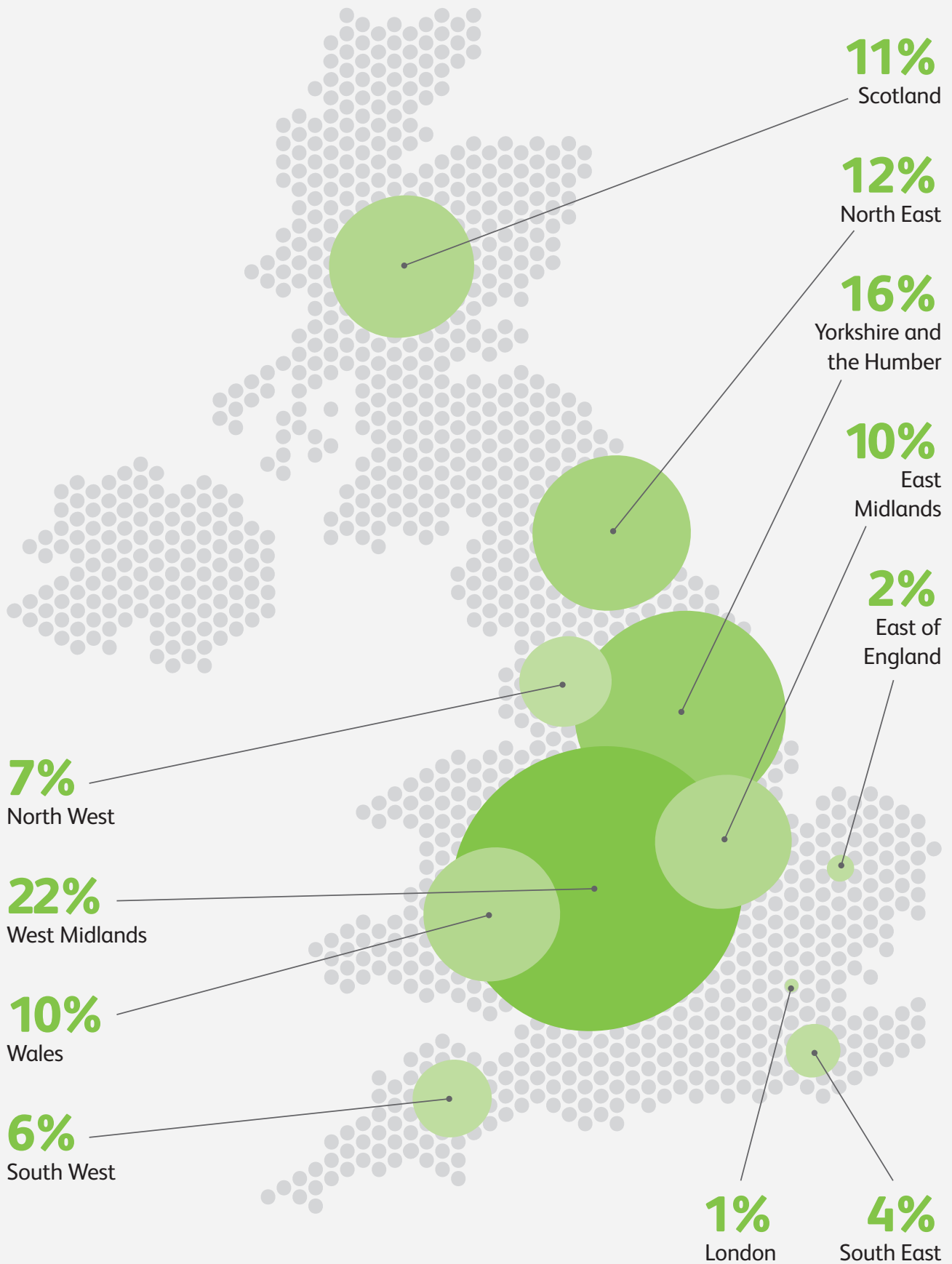
Goal	UN Definition	How CDFIs Support the Goal	Key metrics in 2022
 <p><b>5</b> GENDER EQUALITY</p>	<p>Achieve Gender equality and empower all women and girls.</p>	<p>Women-led businesses suffer double the bank loan decline rate compared to other businesses<sup>3</sup>. CDFIs work to empower women entrepreneurs by proactively providing the finance they need to realise their goals.</p>	<p><b>39% of CDFI start-up loan customers were women.</b> Only 20% of new businesses are led by women<sup>4</sup>.</p> <p><b>26% of CDFI SME loan customers were women.</b> Only 16% - 21% of SMEs are led by women<sup>5</sup>.</p>
 <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>	<p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</p>	<p>The UK economy has been growing at a sluggish rate since 2008. To tackle this the Government wants to improve business performance to boost productivity. Finance to support business innovation in both start-ups and existing SMEs is essential to improving productivity; users of finance are more likely to develop new products and processes than non-users of finance<sup>6</sup>.</p> <p>CDFIs lend to small businesses which cannot get investment elsewhere. This funds innovation and improvement, realising productivity gains that would otherwise have been lost without access to finance.</p> <p>CDFI lending to start-ups and SMEs helps businesses to grow and create jobs, particularly in the most deprived areas of the UK and outside London and the South East.</p> <p>It also helps to safeguard at risk jobs, by providing businesses with the finance they need to get back on track after the turbulence of the past few years.</p>	<p><b>Lending to start-ups: £29,025,230</b></p> <p><b>Lending to SMEs: £52,270,830</b></p> <p><b>4,420 Jobs created</b></p> <p><b>3,760 Jobs safeguarded</b></p>



Goal	UN Definition	How CDFIs Support the Goal	Key metrics in 2022
	<p>Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.</p>	<p>CDFIs lend across a broad spectrum of business sectors to foster innovation and support the UK's industries. They have a strong presence in the industrial heartlands of the Midlands, the North East, the North West and Yorkshire and the Humber. The sector's presence in these communities will be key to supporting their transition to net zero.</p>	<p><b>Nearly 1 in 7 CDFI SME loans are made to the manufacturing industry.</b></p> <p><b>Over 1 in 10 CDFI SME loans are made to enterprises in Information and Communication, or Professional, Scientific and Technical industries.</b></p>
	<p>Reduce inequality within and among countries.</p>	<p>Inequality harms long-term social and economic development, particularly across the regions of the UK.</p> <p>CDFIs predominately lend more in areas of higher deprivation, and to groups that face higher barriers.</p> <p>Businesses led by ethnic-minorities add £25 billion to the UK's economy<sup>7</sup>, but are twice as likely to be rejected for finance compared to white business leaders<sup>8</sup>. Often banks require security such as from a business owner's home. This can be a big challenge for people from communities who can lack generational wealth. While 68% of White British households own their home, only 20% of Black African households do<sup>9</sup>.</p> <p>CDFIs lend disproportionately more to individuals from Black, Asian and Minority Ethnic backgrounds compared to their representation in the overall business population.</p> <p>CDFIs also provide young people with opportunities for decent work and fulfilment.</p>	<p><b>1/2 of SMEs supported are located in the 35% most deprived areas of the UK.</b></p> <p><b>94% of SMEs supported are based outside London and the South East.</b></p> <p><b>16% of CDFI start-up loan customers and 10% of CDFI SME loan customers were Black, Asian or minority ethnic led.</b> Only 6% of UK SMEs are ethnic minority-led<sup>10</sup>.</p> <p><b>35% of CDFI start-up loans go to entrepreneurs under the age of 30.</b></p>



# WHERE ARE THE SMALL BUSINESSES CDFIS LEND TO?





# GUESTHOUSE GETS SPA TREATMENT WITH CDFI FINANCE

**Perched in Princetown, the highest settlement on Dartmoor, the Railway Ramblers' Rest was originally built in 1785 as a terminus for moorland mine trains, then converted to a hotel and pub. It has retained many original features and was trading as a pub until 2010 and then as a guesthouse until 2020, under names including the Devil's Elbow and the Railway.**

Former teacher Nikki Hirst and her husband Terry, a carpenter, took on the lease and reopened the building as the Railway Ramblers' Rest in August 2021, after spending a decade offering self-catering accommodation in their former home in Plymouth. They have created a guesthouse geared up for a cosy retreat after exploration and adventure on the moors, with nine rooms and suites of self-catering, family and dog-friendly accommodation.

"We're trying to make sure that people consider it sumptuous comfort, so when they've been out exploring and adventuring on Dartmoor, they can come back and properly relax," says Nikki.

Since Nikki and Terry took on the building they've welcomed many repeat customers, giving them the confidence their "simple self-catering" formula worked. Enhancing the facilities was the next step and they opened an ice-cream kiosk in the

summer of 2022, offering a multitude of flavours, including vegan and even dog-friendly options, which are going down a treat according to guests' Tripadvisor reviews. People also love the location, right next door to a dog-friendly cafe, near a super local shop, and three minutes' walk from a pub serving delicious meals – re-opening the Ramblers' Rest has already created several jobs, and supports many local businesses too.

Creating a spa area was a key element of Nikki and Terry's vision for sumptuous comfort, but they were dismayed by the "extortionate costs and terms" of commercial finance. So they approached Responsible Finance member, SWIG Finance and applied for Startup Loans of £15,000 each (£30,000 in total) in order to fund the renovation, building and installation work they needed.

Working with SWIG Finance "was a really nice process to go through," says Nikki. "We got a really good mentor,

Jo, through SWIG. It was good to have someone who understands our business to talk with. It gave us a chance to check out exactly how well we were operating before we started. She helped us with any of the gaps in our application or cashflow predictions too. Even as a former business studies teacher I found that really valuable."

Nikki and Terry secured the funding and plan to create further employment in the village now they know they can develop their spa area.

"It's been a fantastic thing, especially because the money came through during our quiet time of the year when our cashflow is lower – it meant we knew we had the funding to get things done at a quiet time, rather than when we're really busy and disrupting guests. Once the space is complete we hope to be able to continue to invest and develop the site to give great break experiences on Dartmoor."

✓ This loan was supported through the Start Up Loans scheme.

# EXPANSION OF WEST MIDLANDS BUSINESS MADE POSSIBLE BY HANDS ON SUPPORT FROM CDFI

## Couple realise dream of owning a kennels business after securing £100,000 to fund acquisition.

Caz and Darron Burness already had a thriving business offering dog walking, pet-sitting and home boarding when they spotted an opportunity to purchase a kennels premises. It was the perfect fit.

They bought Meadowcroft Kennels in 2022 after securing funding to carry out the purchase from Responsible Finance member BCRS Business Loans via the Community Investment Enterprise Facility (CIEF).

After buying the business, which provides accommodation for 65 dogs, the couple reopened it as Beacon Barkers Kennels and Pet Centre. They have embarked on an exciting programme to launch additional services, provide volunteering and training opportunities and create more jobs in addition to the seven they have safeguarded and four new roles they've created.

Caz had spent 23 years at TK Maxx, the fashion retailer, before setting up Beacon Barkers in 2020. When she and Darron saw Meadowcroft was for sale they contacted BCRS Business Loans, who guided them through the application process.

Caz said:

"There are good finance companies and there are not so good finance companies. Don't think the only people who can lend you money are a bank. Please shop around."

Darron said:

"We were novices at acquiring a business but the BCRS team gave us support and reassurance at every step of the way as they had the background and the experience to take on our project.

"The local community have been very supportive and bookings have been great. With our growing team we are looking forward to the future."

Angie Preece, Business Development Manager at BCRS Business Loans said:

"Carrena and Darron had the business background and personal circumstances which enabled us to proceed as we knew this funding would support further success.

***"We believe viable businesses should be supported, so we were pleased to help Caz and Darron make their dreams come true."***

CIEF is managed by Social Investment Scotland. Alastair Davis, chief executive at Social Investment Scotland, said:

"This loan to Carrena and Darron is a great example of where CDFIs like BCRS make a real difference, and why the Community Investment Enterprise Facility has been set up. I wish the new team at Beacon Barkers Pet Centre every success for the future and we look forward to seeing the impact that they make."

✓ **This loan was supported by Dormant Assets through the Community Investment Enterprise Facility (CIEF), Community Investment Tax Relief (CITR) and the Recovery Loan Scheme (RLS).**







# CDFI ENABLES AN ETHICAL AND SUSTAINABLE SCHOOL UNIFORM COMPANY TO GROW

**The school uniform industry in the UK is built on modern-day slave labour, according to Sean Murphy, managing director and co-founder of Etika Clothing. His Gateshead-based firm wants every child in the UK to have the opportunity to wear an ethical uniform.**

Murphy's long career in Fair Trade, international development, change management and social enterprise had opened his eyes to the dark underbelly of the textile industry: "Many of the clothes we wear come through modern day slavery in the garment industry, with atrocious conditions where most uniforms are made, including in Pakistan, The Philippines and Bangladesh, where a building full of garment factories collapsed in 2013, killing 1,134 people."

His work led to a meeting with entrepreneur and campaigner, Padma Kapoor, and a visit to her factory in Gujarat, India. "It was even better than all the factories I had visited in my time at Traidcraft. Padma and I realised we could create a unique ethical manufacturing partnership between the UK and India, with full transparency of the supply chain."

Kapoor's factory already supplied Armani and JoJo Maman Bébé, and she became a shareholder and director of Etika Clothing.

“It’s a clean and direct supply line from India to the UK,” Murphy adds, “with no-one else taking money out. So the quality is amazing – it’s second to none – we have 100% certainty that our uniforms are made in a factory with safe working conditions. We also have full transparency with a clear breakdown of product and labour costing. This ensures that salaries are above the regional average with built in bonuses to guarantee our workforce are a valued link in our supply chain.”

Launched in 2019, the business currently supplies uniforms to 20 primary schools. “I thought our USP would be about ethics, which it is,” Murphy adds, “but strangely it’s also about customer service. Parents are fed up of the stress caused by everyone ordering uniforms at the same time and then waiting for them to be personalised and delivered. Because of our structure, we can get orders out much faster than people are used to, complete with embroidered logos of each individual school. They seem to think it’s a dark art, but to us it’s the best way to do business.”

A £20,000 Small Loan Fund investment in April 2022 from CDFI NEL Fund Managers helped Etika enhance its business development activity and employ a skilled team to meet growing demand. Murphy says NEL “offered the right financial option for our particular needs and the investment team worked closely with us.” Business partner and co-founder David Beavis concurs, pointing out the funding came with valuable business support too.

Murphy and Beavis expect to create several new jobs as the business expands to become a national brand – in 2022 it started working with its first London school on top of 20 primary schools in and around the north east.

The firm works with local councils and subsidises uniforms for children living in lower-income or financially vulnerable households, so everyone can wear an ethical uniform. It also partners with schools to run workshops to help children gain a better understanding of injustices in the garment manufacturing industry; and works with several charities in India to provide employment opportunities for vulnerable women who are survivors of domestic abuse. They are paid to make Etika’s packaging for orders: reusable cotton bags from supply overstocks and material donated by corporates. “It’s much better than sending orders in plastic, like most suppliers,” says Murphy.



Padma Kapoor says “Whenever I visit schools in the UK, pupils are unhappy to learn how much plastic packaging is used by most uniform suppliers. They love how we send our orders in reusable fabric bags – and that making this packaging supports vulnerable adults and children on the streets of Mumbai.”

This “circular economy” approach informs other activities, Murphy adds. “Last year there was a problem with the logo on a thousand sweatshirts. So instead of throwing them away, we turned them into dog coats, which inspired our ‘woof warmers’ programme to save rejected fabric that would have gone to landfill. We work with young people with learning disabilities or additional needs, who repurpose these garments and gain work experience and skills; some become paid employees. Schools donate pre-loved school uniforms for our team to turn into dog coats.”

It’s easy to despair at practices endemic in modern business. But despair alone doesn’t cure anything. Etika is the antidote to slavery-dependent, throwaway, fast fashion. It’s a thriving firm on course to double turnover and create more jobs in the UK and India, with ambitions to transform and disrupt football kits and workwear as well as school uniforms. “The schools and parents believe in us. And NEL believed in us when we needed investment,” says Murphy.

“

**NEL believed in us when we needed investment.**

”

# 2. CREATING THRIVING PLACES: LENDING TO SOCIAL ENTERPRISES





## CDFI LENDING TO SOCIAL ENTERPRISES: IN NUMBERS

**Social enterprises are businesses with a core social or environmental purpose. They have clear social aims embedded in their governing documents, are asset locked and reinvest the majority of profits into their purpose. Through this they are creating thriving places across the UK.**

Eleven CDFIs and social banks fill a market gap through specialising in lending to social enterprises. CDFIs themselves are social enterprises, so have unique insight into how to best serve their finance needs to enable them to flourish.

Because of their unique business models whereby they exist primarily for a social or environmental purpose, social enterprises can struggle to access finance from mainstream lenders like banks.

Recent research has found that social enterprises are facing significant strain, as cashflow and reserve positions worsen and staff numbers have declined<sup>11</sup>. Access to grant, loan and non-financial support from CDFIs is crucial for many.



**£117M**

lent to 416 social enterprises

**5,220**

hours of support provided to social enterprises

**81%**

of social enterprises supported were based outside London and the South East

**45%**

of social enterprises supported were based in the UK's 35% most disadvantaged areas

**45%**

of loans were made to women-led social enterprises

### Top sectors financed:

- community services
- housing and accommodation
- employment, education and training

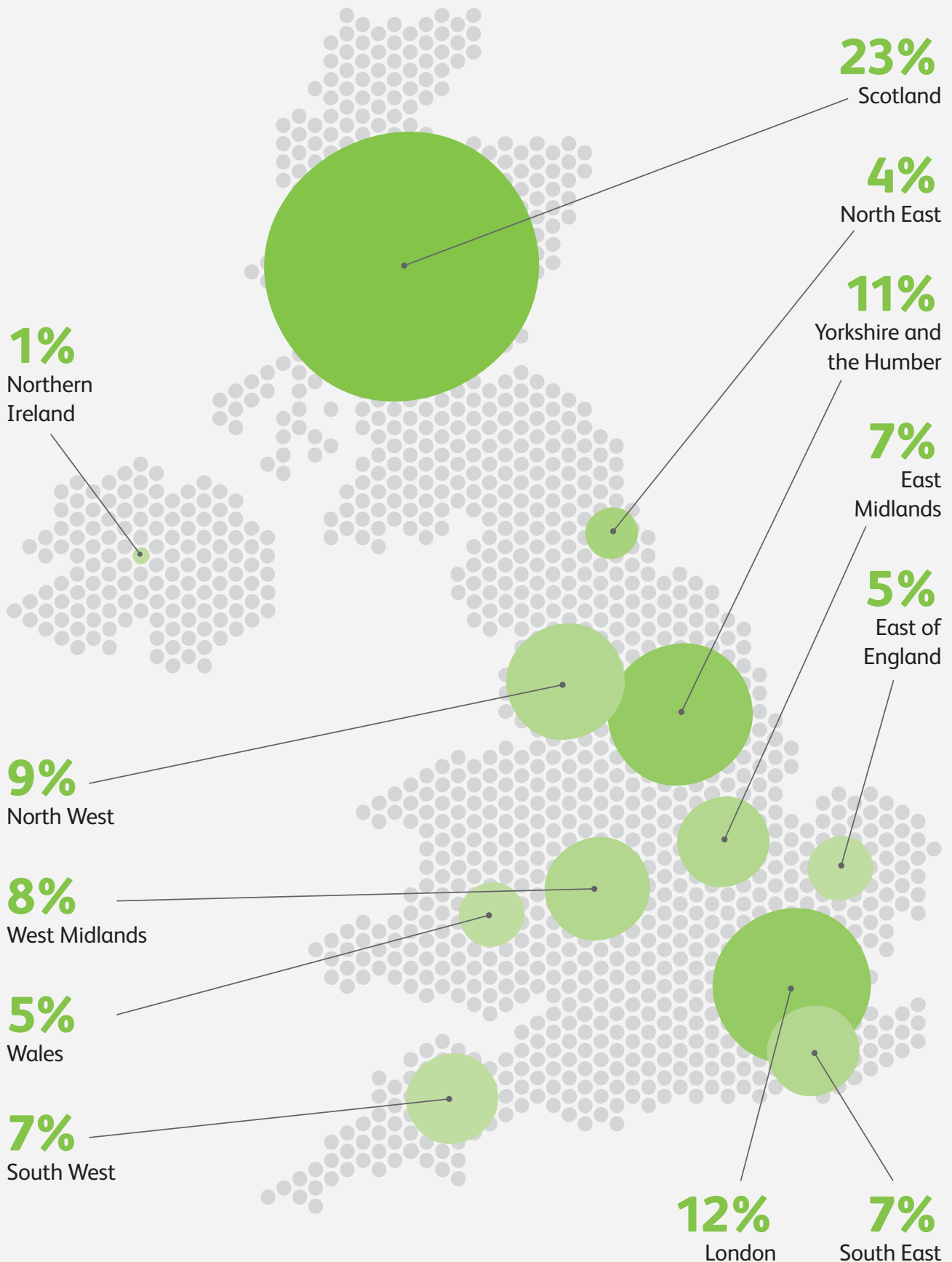
# SOCIAL ENTERPRISE LENDING CDFIS AND THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Goal	UN Definition	How CDFIs Support the Goal	Key metrics in 2022
 <p><b>5</b> GENDER EQUALITY</p>	Achieve gender equality and empower all women and girls.	CDFIs back women social entrepreneurs by providing the finance they need to scale their impact.	<p><b>45% of CDFI social enterprise loan customers were women.</b></p> <p>47 % of social enterprises are led by women<sup>12</sup>.</p>
 <p><b>10</b> REDUCED INEQUALITIES</p>	Reduce inequality within and among countries.	CDFI lending is disproportionately focused in areas of higher deprivation, despite only 22 % of social enterprises operating in the most deprived areas of the country. The staff working at social enterprises in deprived areas are more likely to be from the local area, which increases access to opportunity and promotes equality within communities <sup>13</sup> .	<p><b>45% of loans are made in the UK's 35% most disadvantaged areas.</b></p> <p><b>81% of loans are made outside London and the South East.</b></p>
 <p><b>3</b> GOOD HEALTH AND WELL-BEING</p>	Ensure healthy lives and promote wellbeing for all at all ages.	CDFIs positively impact the progress towards many of the SDGs by helping to safeguard and scale the impact of the social enterprises they support, which work directly to address some of the UK's most pressing social and environmental challenges. 85 % of social enterprises work with individuals facing disadvantage <sup>14</sup> .	<p><b>Nearly 2 in 10 loans go to social enterprises delivering community services.</b></p>
 <p><b>4</b> QUALITY EDUCATION</p>	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.		<p><b>4 in 25 go to those working in housing and accommodation.</b></p> <p><b>Over 1 in 10 go to those working in the employment, education and training sectors.</b></p>
 <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.		<p><b>1 in 10 go to organisations working in physical health.</b></p> <p><b>1 in 20 go to organisations in health, care and social care.</b></p>
 <p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p>	Make cities and human settlements inclusive, safe, resilient and sustainable.		





# WHERE ARE THE SOCIAL ENTERPRISES CDFIS LEND TO?



# SOCIAL ENTERPRISE'S VITAL PANDEMIC SERVICES WERE SECURED BY CDFI FINANCE

**During the pandemic social enterprises carried on meeting communities' and local authorities' needs as key strategic partners, often as the only safety net for service provision.**

2022's independent inquiry into the impact of COVID-19 on the social enterprise sector found "the nation should be proud of our social enterprises, their commitment to communities, the efforts that their staff have made and the resilience they have shown."

Omnis Circumvado CIC is one such social enterprise. Co-founded by Louis Speight, who raced for Great Britain and held the European records for one, two, and 400 metres in T33 wheelchair racing, it is a specialist sports coaching company working across West Yorkshire.

The firm, whose name is Latin for all encompassing, works with children, young people, and adults who have the most complex needs. Its approach is games-based: "we make sure that everybody's having fun and they engage," says Speight.

Clients include schools, community groups and adult day centres. Its activities are also preventative. In-person impact is critical, Speight adds. So when the pandemic struck, what happened?

***"I think the most challenging thing was that you just had to find your feet overnight. And then it was trying to work out what's reasonable to do."***

"A lot of companies in our position went online quickly. We tried to go away from that because, particularly with SEND schools, they were still open. So it was about working with the schools to find ways that they could be supported and putting in procedures to work with specific groups of students at specific times.

"I'm glad we did that because I think the in-person impact is still critical. Our experience of working with people is that you have to be present. You have to provide the energy, the impetus, and the spark. And I don't think it's reasonable to ask people with complex needs, which often contain a mental health component, to do star jumps in the living room."

Omnis Circumvado was already a client of CDFI, Key Fund. A loan and grant package in 2019 had enabled the firm to develop. Its services are free at the point of use. But during the pandemic, some of its contracts were paused or reduced, yet the people who needed its services most continued to need them.

It applied through Key Fund for Social Enterprise Recovery Scheme support which enabled it not only to continue working but to take on an apprentice, with additional needs, who had not previously been in employment, education or training. Thanks to that, "we've really had time to invest in him and invest in the delivery as well," Speight adds.

Omnis adapted, like most social enterprises, survived the pandemic and is now thriving, winning more contracts and offering further services. Its flexibility and the vital support it provides were enabled by another social enterprise: Responsible Finance member and CDFI, Key Fund.



.....  
✓ **Supported by the Social Enterprise Recovery Fund.**



# CDFI HELPS SOCIAL ENTERPRISE UNLOCK LIFE CHANGING OPPORTUNITIES

**CDFI Resonance has been working with Gloucester-based social enterprise Sofab Sports, an online sportswear retailer, since October 2019 when the enterprise received a £100,000 loan; the first of its two investments.**

It received its second investment of £180,000 in February 2021. These investments have been used to help Sofab increase its sales of clearance and end of line return sportswear through its online shop, increase warehouse space and to take on new employees. Through steady growth and whilst keeping to its mission to create employment for those furthest from the employment line, the enterprise has supported 55 people, some of whom have successfully moved into jobs with other organisations.

Sofab Sports provides the people it employs with a platform for future mainstream employment, and ensures

employees are supported in other areas of their lives, including finding decent and affordable housing. One of their employees, Scotty, was living full-time in a care home, without opportunities for socialising and employment. Having been provided with a role at Sofab seven years ago, the enterprise also supported him to move out of the care home and into his own home and fully independent living.

“The job at Sofab Sports means I get into a routine of getting up early and actually doing something and being around my friends ... I enjoy working here. I’ve felt part of the team since day one.”

Dale Rawlins, Sofab Sports Managing Director, says “it’s amazing what a little job opportunity can do for somebody.” Sofab Sports is creating life-changing differences for people, many of whom have faced barriers to work, by providing them with meaningful employment, so that they can gain new skills and vocational qualifications as well as improved social skills, self-esteem and wellbeing.

✓ **This loan was supported by Social Investment Tax Relief.**

# 3. IMPROVING LIVES: LENDING TO INDIVIDUALS



**1**  
An individual has a history of relying on high-cost loans to make ends meet, with frequent late payments.

**2**  
They need a new loan for a washing machine, but this time they hear about a CDFI through their housing association.

**3**  
The new loan is cheaper, has repayment flexibility and supportive customer service.

**4**  
The individual repays on time and feels in control of their finances. The stress and stigma of being behind on payments goes away.

**5**  
They have more money and security to provide opportunities for their family.

**6**  
The individual has built a stable financial foundation and repayment track record, and does not need to use high-cost lenders again.

1

2

3

4

5

6

# CDFI LENDING TO INDIVIDUALS

One quarter of UK adults have less than £100 in savings and one in six people have no money put away<sup>17</sup>. Often low-income households don't have access to an arranged overdraft or a credit card; in the absence of savings this leaves them highly vulnerable to a financial shock.

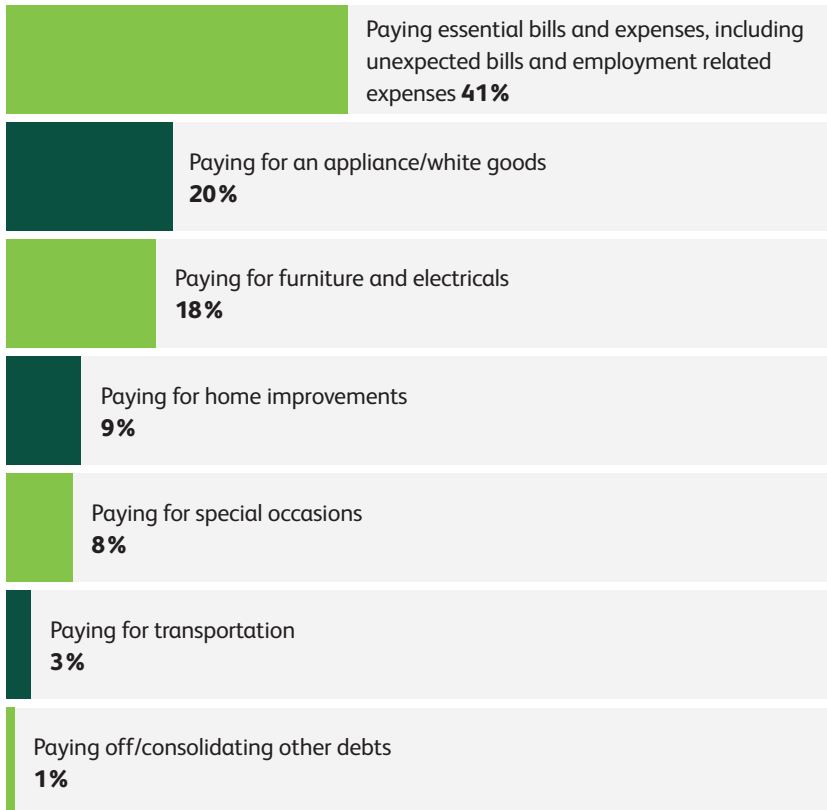
A small loan which they can repay over a few months can be their only way to buy a large item like a fridge or pay a one-off cost like a car repair. Despite this, there has been an 86% drop in high-cost short-term credit and home credit loans since 2013<sup>18</sup>. Many people no longer know where to turn when they need to plug a gap, and as a result the use of loan sharks has exploded in the last decade.

Eight CDFIs make personal loans to households across the UK which increasingly find themselves unable to access credit from anywhere else. As supply of small loans to their

customers is contracting, demand is increasing. 2022 saw a 33% year-on-year increase in the sector's lending.

CDFIs serve some of the most disadvantaged and excluded customers in the UK. This means they are at the frontline of the crisis. The proportion of CDFI loans taken out for essential bills and expenses increased by 10%. The number of people borrowing to pay for an appliance or furniture also rose by 27% and 22% respectively. This suggests that people's savings and financial resilience are exhausted.

## CDFI Customer Reasons for Borrowing



**£46M**

lent to

**90,630**

people

**£500**

average loan size

**£128**

typical cost of borrowing (or £5.30 per week<sup>15</sup>)

**£28M**

amount saved compared to high-cost credit (£308 per average loan<sup>16</sup>)

Identified

**£410** per

person per month for

**68,470**

people in unclaimed benefits (£4,920 each per year, totalling £336,724,610)

**82%**

of personal loans are made outside of London and the South East

**£4M**

lent to 465 homeowners for essential repairs and energy efficiency upgrades



## GETTING SUPPORT TO WHERE IT IS NEEDED – ICELAND FOOD CLUB

The use of food banks has increased 80% in the last 5 years<sup>19</sup>. CDFI Fair for You and retailer Iceland Foods partnered to create an alternative, the Iceland Food Club. This product is a revolving credit facility up to £100, where individuals are given a Mastercard to spend in store or online at Iceland or its sister brand, The Food Warehouse. Top-up windows are in line with school holidays and repayments are set at £10 per week.

Starting in 2020, Fair for You and Iceland ran a regional pilot of the scheme, and an independent evaluation of the project found that:

- **92%** of customers stopped or reduced their use of food banks.
- **71%** of customers reported a reduction in falling behind with rent, council tax or other bills.
- **57%** of customers felt less anxious, stressed or depressed about their financial situation.
- There was an **80%** reduction in use of loan sharks among customers.

As a result of the successful trial, the Iceland Food Club was rolled out nationwide in August 2022, with Iceland making an investment meaning that loans would now attract zero interest. More than 25,000 customers have now used Food Club, with many improving their credit profile and becoming able to access other Fair for You products.

“

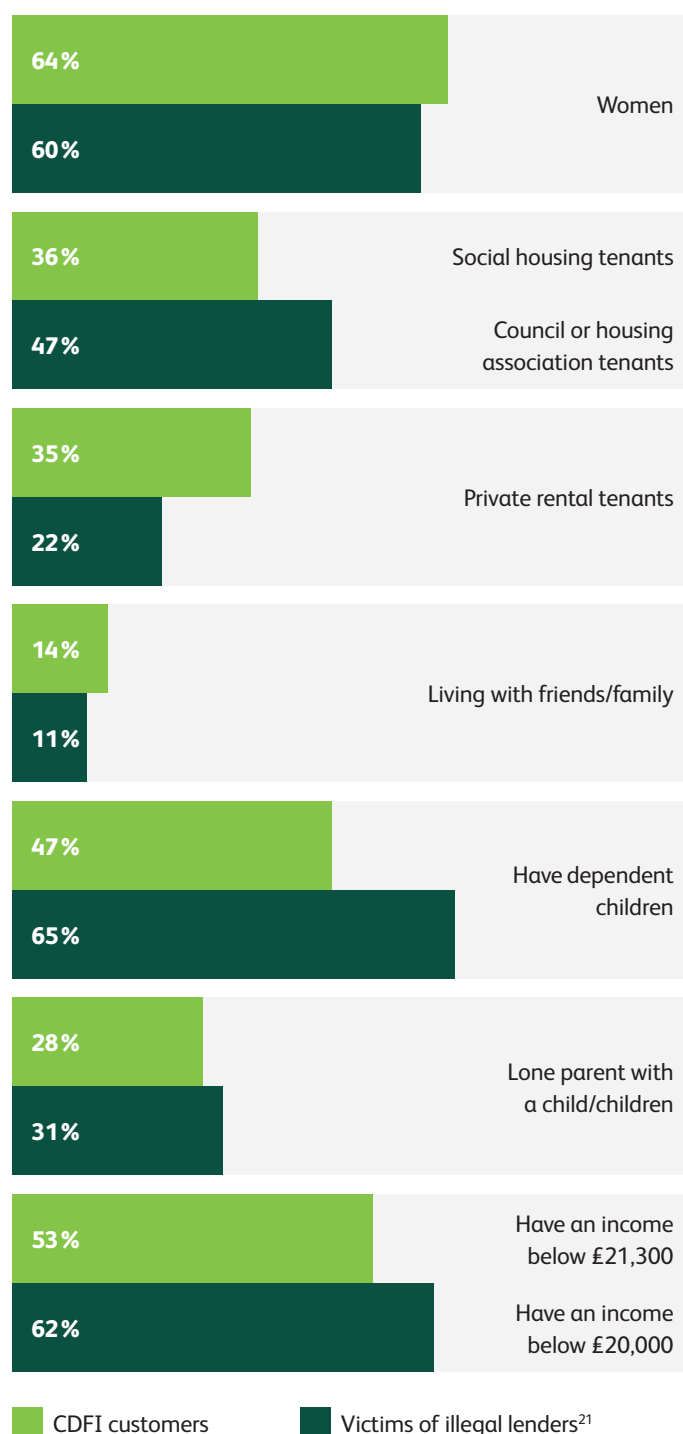
*The Food Club has been a saviour ever since I was accepted, the panic and fear up to pay day and feeling like I'll struggle to feed my children or myself has completely lifted!*

”

## A SAFER ALTERNATIVE

It is estimated that over 1 million people borrow from illegal lenders – loan sharks – in England alone each year<sup>20</sup>.

There is clear overlap with the customers CDFIs serve and these victims, so with greater scale and awareness CDFIs may be able to reroute more people to a safer alternative.



## CDFIS ARE MORE THAN JUST LENDERS

**In 2022 CDFIs were only able to lend to 7% of their loan applicants because for many people their circumstances meant they could not afford to borrow. In response, CDFIs worked increasingly to support both their customers and those they are unable to lend to in other ways; such as by uncovering unclaimed benefits or signposting to debt advice.**

In 2022, CDFIs Salad Money and Scotcash, who have embedded automatic benefits checking calculators into their application process, identified £336m of annual benefits which 68,470 people were entitled to but hadn't been claiming. Nearly 7 in 10 of their applicants were due benefits (often, in work and top-up benefits) but had not been claiming them all. This staggering sum works out at an average of £410 per person per month and £4,920 each per year. Once claimed, this income boost could prevent many people from needing to seek credit in the future.

## HOW WE PARTNER WITH BANKS: NATWEST AND RESPONSIBLE FINANCE HARDSHIP GRANT PROGRAMME

In 2023, NatWest Group and Responsible Finance partnered to help support people through the cost-of-living crisis. The new hardship grant fund is delivered by six CDFIs. It gives small grants to people who have applied for a loan but have been declined because they could not afford to borrow.

The first grants are making a big impact as we write this report. A single mother with three children who works part time as a cleaner is using her grant to pay for badly-needed improvements to her children's bedroom. Another recipient has been able to buy clothes and essentials for her father, who is going into a care home. And for a single mother with an autistic child, the grant fixed a broken-down washing machine. CDFIs never offer credit to households if it would make their financial position worse. But they can use their infrastructure to channel funding directly to where it is needed in innovative ways like this.



# NHS WORKER UNCOVERS £800 IN BENEFITS THANKS TO SALAD MONEY

**Charlene works for the NHS in Oldham and applied to Salad Money for a loan. But she got a pleasant surprise when the ethical lender, which specialises in affordable credit for NHS and public sector workers, used her application information to calculate whether she was claiming all the benefits she is entitled to. It revealed she was missing out on £800 in benefits every year.**

Charlene says “I wanted a loan to pay off a chunk of money I’d borrowed elsewhere. When I found you I liked the fact you help NHS workers. Borrowing from Salad was a million times better than from any company I’ve gone to in the past. Not because you said “yes” but because you checked to make sure I could actually afford it. It was easy to apply and all the questions showed you had genuine concern for my finances and wanted to make sure it was affordable.

“The application was easy to understand, your staff seem to really care, and being able to choose repayment dates and get the reminders through is helpful. I’m saving money now and it feels like I’m more in control. I was really impressed by the benefits calculator too and was shocked to find out how much I was missing out on, nearly £800.

“

***Borrowing from Salad was a million times better than from any company I’ve gone to in the past because you checked to make sure I could actually afford it.***

”

“It’s brilliant Salad is bringing this to people’s attention, especially with everything going on.”

Salad Money uses Open Banking data and its own software for affordability assessments, rather than credit scoring. It is one of several CDFIs which have embedded a benefits checker into their application processes.

✓ Some of Salad Money’s lending is supported by Dormant Assets.







# ENGINEER CAN WORK THANKS TO A SMALL LOAN

**Driving through flood water on his way to an urgent call-out left self-employed access engineer Darren with a huge headache. The water wasn't deep, but it caused major damage to his car's wheels and suspension. The repair quote was a whopping £1,600. The dad of two didn't have enough in savings to pay for it. But getting his car back on the road was vital to his business.**

"I had £1,100 to put towards it and decided to take out a loan for the rest," says Darren, 38, from Lanark in Scotland.

"My bank would grant me a loan, but their best terms were for amounts of £2,000 and over. I didn't want to borrow any more than I needed. I didn't see the point in that.

"So I went online to find loan companies that weren't charging a fortune. I looked at Conduit and they sounded ok in their customer reviews. I remembered I'd actually used them before - for a small loan some years ago and that it had been an easy process."

Darren applied for a loan of £500, gave proof of earnings and outgoings and the loan was swiftly approved. He booked his car in for repair and the loan was in his bank account before he got the bill.

"I got my car back on the road quickly thanks to Conduit and I paid the loan off in six months," says Darren.


"I was over the moon with the service. The process was straightforward, with no hassle. The loan was affordable and at a low interest rate.

"What was also really important for me was that there was no cold-calling after I'd paid the loan off. I've heard of Payday companies bombarding people with emails and texts to push them into borrowing more money.

"I won't be driving through big puddles anymore.

***"I will go back to Conduit if I ever need a loan and would recommend them to anyone."***

# PERSONAL LENDING CDFIS AND THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Goal	UN Definition	How CDFIs Support the Goal	Key metrics in 2022
	<p>End poverty in all its forms everywhere.</p>	<p>Lending is not the solution to inadequate incomes. However, small loans and ‘wraparound support’ from CDFIs help to prevent people from slipping into unacceptable hardship when they need to borrow to cover unexpected bills. This can help families to keep the lights on and their children’s school uniforms clean.</p> <p>CDFIs save their customers money in interest compared to a high-cost lender or a loan shark and uncover additional income for hard-pressed families by identifying unclaimed benefits.</p>	<p><b>£308 per loan saved in interest repayments for 90,630 people compared to high-cost credit, lowering the poverty premium.</b></p> <p><b>£410 additional income per person per month for 68,470 people identified in unclaimed benefits.</b></p>
	<p>Ensure healthy lives and promote wellbeing for all at all ages.</p>	<p>CDFIs have a positive impact on the health and wellbeing of their customers by:</p> <ul style="list-style-type: none"> <li>• Reducing the anxiety of being unable to cover the cost of household items and bills.</li> <li>• Giving people a greater sense of control over their lives.</li> <li>• Providing the reassurance of a financial safety net when the school holidays or Christmas come around, thereby reducing stress.</li> <li>• Providing additional benefits associated with the purchase of essential household items, such as enabling people to cook nourishing food by giving them the means to buy a fridge to store fresh ingredients.</li> </ul>	<p><b>Independent research has found that every £1 lent by CDFI Fair For You creates health and wellbeing outcomes worth £16.68<sup>23</sup>.</b></p>
	<p>Reduce inequality within and among countries.</p>	<p>CDFIs lend to people who are excluded from other sources of credit because they take a holistic approach to assessing loan applications instead of deciding only based on a credit score. Because of this they successfully lend to more disadvantaged groups, such as those who do not have savings and do not own their homes. They give their customers a cheaper and fairer form of credit than would be available elsewhere, as well as offering other services to improve financial resilience, helping to reduce inequality and improve their customers’ chance of being able to access lower cost credit in the future.</p>	<p><b>Only 13% of customers own their own homes.</b></p> <p><b>2 in 3 of customers are women.</b></p> <p><b>1/2 of customers have an income below £21,300.</b></p>





# MONEYLINE SAVED MY CHRISTMAS

**Elise was in her 40s when she left a controlling and abusive husband to start a new life in South Wales with her children. A women's refuge helped her back on her feet, found her a home to rent and organised the benefits she was due. Money was incredibly tight for the mum of three, but her financial problems worsened when her youngest reached 16.**

"He left school and I went back to work. I got a part-time job, which meant my tax credits stopped, but I didn't have enough money to make ends meet," says Elise, 66, who lives in Llanelli.

She turned to payday loans, but couldn't afford the repayments and took out other loans to pay them off. "I got trapped in a circle of borrowing, facing loads of bills and letters from debt collectors. In 2014 it got really bad. I had rent arrears and was about to lose my home. I tried to commit suicide because I couldn't see any other way out. I sat down with a bottle of wine, wrote letters for my children and took pill after pill."

With support for anxiety and depression, plus money management guidance, she got life back on track:

"But when Christmas loomed in 2020, I didn't have a penny and couldn't afford presents for my grandchildren.

"I decided on a loan but my credit rating was bad and I didn't have a job. It looked impossible, but while I was desperately searching online for a lender, I spotted Moneyline.

"I didn't know ethical lenders existed. Moneyline sounded too good to be true. I thought it must be a scam. But they are true. Really true.

"I applied online for £900 and an advisor rang, went through my outgoings and income from Employment and Support Allowance and Personal Independence Payments and granted the loan. The money was in the bank in a couple of days. I literally cried my eyes out.

"Moneyline saved my Christmas, I carefully budgeted, made every single £153 payment and paid the loan off in six months.

***"I've never felt so good. I proved to myself I could do it."***

Elise got another £900 Moneyline loan in June 2022 for a holiday. Because she was making payments on time, she was accepted for a top-up loan five months later, so she could help two of her children when they got married. "Now I know where to go to if money issues get on top of me again. Moneyline gets me through the big things life throws at me. I don't have to go to a dodgy lender and pay ridiculous interest rates. I feel safe."

✓ **Some of Moneyline's lending is supported by Dormant Assets.**





# BACKING A JUST TRANSITION TO NET ZERO EMISSIONS

## THE ENVIRONMENTAL IMPACT OF CDFIS

**A just transition to net zero is one which is fair and inclusive, not leaving anybody behind. Finance is widely acknowledged as being critical, and a diversity of options will be crucial for unlocking the UK's transition.**

CDFIs enable communities to drive their own decarbonisation. They have catalysed community-owned energy schemes, green technology innovations, emission-reducing projects and the installation of household insulation and renewables. Across small businesses, social enterprises and consumer lending, CDFI finance is a tool for the just transition.

As the deadline to achieve net zero approaches lenders will increasingly seek to decarbonise their loan portfolios. Done in a blanket way without nuance and flexibility, there is a danger that mainstream lenders will exclude certain businesses and social enterprises from the finance they need to transform into sustainable operations, leaving them stranded.

Goal	UN Definition	How CDFIs Support the Goal	Key metrics in 2022
 <p><b>7</b> AFFORDABLE AND CLEAN ENERGY</p>	<p>Ensure access to affordable, reliable, sustainable and modern energy for all.</p>	<p>Many people do not have the funds to make energy efficiency adaptations themselves, or a good enough credit score to borrow money. Two CDFIs lend to homeowners to enable them – regardless of their personal circumstances – to make energy efficiency upgrades to their homes, creating sustainable communities.</p>	<p><b>163 properties retrofitted with energy efficiency upgrades.</b></p> <p><b>40% of homeowners lent to had an income under £21,301.</b></p>
 <p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p>	<p>Make cities and human settlements inclusive, safe, resilient and sustainable.</p>	<p>A number of CDFIs specialise in supporting community energy projects. Hundreds of these projects would not exist without finance from them.</p>	
 <p><b>13</b> CLIMATE ACTION</p>	<p>Take urgent action to combat climate change and its impacts.</p>	<p>CDFIs have local knowledge, a focus on social outcomes, flexibility, and reach into markets not served by other lenders. This means they are and will increasingly be significant in driving the transition to net zero by lending to:</p> <ol style="list-style-type: none"> <li>1. Small businesses and start-ups focused on sustainable outcomes or innovations, which do not have a track record and for which mainstream lenders cannot take projected environmental impact into account when making a lending decision.</li> <li>2. Small businesses in more polluting industries such as manufacturing or construction which a CDFI can reach into with tailored support.</li> <li>3. Community energy initiatives.</li> <li>4. Low-income homeowners who wish to make energy efficiency upgrades.</li> </ol>	<p><b>Nearly 1/2 of CDFI SME loans are in the Midlands, Yorkshire and the Humber and Scotland; areas identified as particularly vulnerable to negative impacts of transitioning to net zero<sup>24</sup>.</b></p> <p><b>Responsible Finance is working with the CDFI sector towards reporting on this goal in future.</b></p>





# GEAR MANUFACTURER IS JOB CREATING NET ZERO HERO AFTER CDFI BOOST

**Alpkit is a business success story which has doubled employee numbers to 200 between 2020 and 2023, all while dramatically reducing its absolute emissions and carbon intensity.**

The Nottingham-based firm makes and sells outdoor equipment and bikes. It began life in 2004 as an online-only retailer. In 2015 a high street bank couldn't provide the finance Alpkit needed to grow but referred it to CDFI, First Enterprise.

When it secured its first £100,000 and subsequent £130,000 First Enterprise loans a few years ago Alpkit had a team of just 12. Since then it has grown to 200 employees, opened new stores across the UK, and developed significant international sales. And between 2020 and 2023 it has halved its total greenhouse gas emissions – eight years ahead of a 2030 target set by The Science Based Targets initiative (SBTi).

CEO David Hanney says the measures it is taking are “Something all businesses can do, from small to big.” They align with Intergovernmental Panel on Climate Change recommendations and processes which would enable the global economy to achieve the 1.5 degree limit on global warming – if everybody does them.

Alpkit has also reduced carbon intensity by more than 36% in three years; set a path with its decarbonisation to achieve true net zero in line with SBTi deadlines; achieved B Corp Certification and grown from 100 to 200 employees.

Nowadays Alpkit could borrow from retail banks should it wish to. But speaking of CDFI finance, Hanney adds “Raising finance with banks can be hard, particularly when your business is a bit outside the normal. First Enterprise is a valuable source of finance for ambitious companies. It has been very helpful for our overall growth. I see community development finance as complementary to the retail banking system.”



# RENEWABLE ENERGY CDFI LOAN HELPS COUPLE CUT EMISSIONS TO ZERO

Homeowners Mr R and Miss C had been in their house about a year and wanted to reduce their carbon footprint. They were looking at financing options to fund a heat pump and solar PV system and found CDFI Lendology online. They applied for a Renewable Energy Loan – a scheme funded by South Gloucestershire Council which enables eligible homeowners to spread the cost of installing renewable energy measures – and their application was successful.

Mr R said:

“I can’t recommend Lendology highly enough, we have cut our home emissions to zero now and halved our energy costs.

“It was so straightforward and really fast to get the funding approved and we loved that Lendology are real people on the end of a telephone.”

# YORKSHIRE’S TRANSITION TO NET ZERO HAS ROOTS IN ONE CDFI LOAN

**In 2019, Yorkshire-based CDFI Business Enterprise Fund (BEF) made a start-up loan to SeaGrown, a small business devoted to harvesting seaweed. Since then the business has been featured in the Guardian and on The BBC’s The One Show.**

The Guardian’s piece described why some scientists believe seaweed can help to tackle the climate crisis\*. SeaGrown started by harvesting seaweed from rocks because of its characteristics as a sustainable crop with potential innovative uses, such as biodegradable plastics and biochemicals.

When Community Development Finance Institution (CDFI) BEF first met Seagrown in 2019, it wanted to expand into bigger industries.

Wave Crookes, director at SeaGrown, said at the time: “The funding from BEF has enabled us to purchase the equipment which is fundamental for us to start processing the seaweed. We...have also taken on two full time and two part time employees... The support from Julie and the team at BEF has been outstanding; always communicative and the process was incredibly straightforward.”

Now, in 2022, SeaGrown is the UK’s largest offshore seaweed farm and its seaweed is used to make a range of products, from a biodegradable alternative to plastic bottles to condiments which are stocked in Selfridges.

Stephen Waud, Chief Executive of BEF, said: “We are hugely proud to have been part of SeaGrown’s journey.”

\*The Guardian: North Yorkshire puts seaweed at the heart of its carbon-negative ambitions



# UPHOLDING GOOD GOVERNANCE

## THE GOVERNANCE OF CDFIS

### Structure and Governance

All CDFIs:

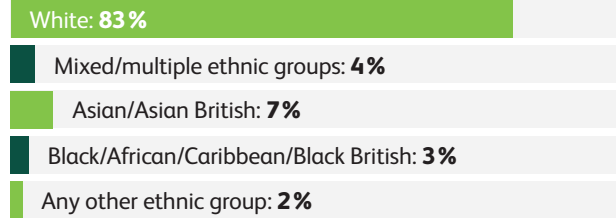
- Are not-for-profit. A small number of CDFIs are asset locked instead, meaning they have a clearly defined policy in relation to the distribution of any profits, and at least 50% of profits go back into fulfilling their social purpose to ensure there is no undue private gain from the organisation's activities.
- Have strong social objectives enshrined in their governing documents, with a focus on increasing access to finance for businesses, social enterprises and individuals.
- Have transparent and accountable Governance and management.



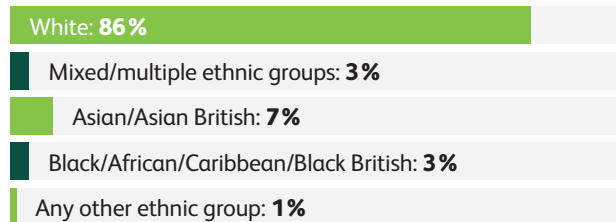
## Commitment to Monitoring Equality

CDFIs are working hard to represent the communities they lend to, so they can provide the best possible service. In 2022 CDFIs reported the following make-up of their organisations to Responsible Finance:

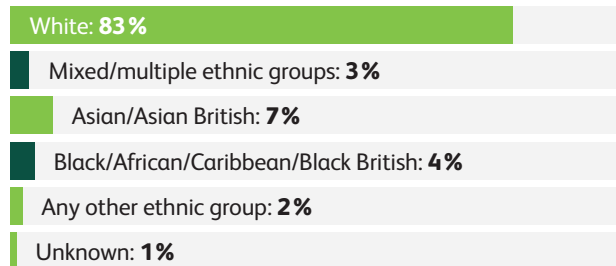
### Board of Directors



### Management Staff



### Non-Management Staff



## Social Impact Reporting

All CDFIs measure and evaluate their activities and outcomes, and an increasing number publicly release an annual social impact report.

## Getting Good Customer Outcomes

CDFIs' goals align with their customers and their primary focus is on getting good outcomes for the people and enterprises they support. They do this through:

- Deeply considered design of their **products and services**, which incorporates thorough affordability assessments, flexibility and forbearance when a customer is struggling to repay.

- Ensuring they **know and understand the customers** in their target market.
- Through fair, transparent and **proportionate pricing**.
- By going over and above to **support their customers' financial wellbeing** with wrap around services like helping to uncover unclaimed benefits and signposting to debt advice.

# HOW CAN WE SCALE UP CDFIS' IMPACT?

**CDFIs have been around for over two decades. They are a proven way for delivering positive impact across the UK.**

CDFIs continuously evolve to meet the most pressing challenges we are facing, such as stepping up to deliver job creation and economic growth after the 2008 recession through the Regional Growth Fund programme, using their lending software in creative ways to deliver hardship grants in response to Covid-19 and the rising cost of living, and helping communities reduce their carbon emissions.

Responsible Finance has a range of initiatives and partnerships underway with a growing number of CDFI champions including the Impact Investing Institute, the Community Enterprise Growth Plan and England's Illegal Moneylending Team. In its most recent Nations and Regions Tracker, the British Business Bank stated that CDFIs are key components of the finance ecosystems in the UK's most deprived areas.

Journalists have long covered CDFIs' impact and their interest has exploded recently. Responsible Finance, our members and clients appear regularly in national and regional newspapers, magazines, consumer, business and tech media, and on TV, radio and podcasts.

CDFIs are agile and responsive. They make strong reliable partners because they have unique reach into underserved markets, they have a track record, measure their results and are focused on getting the very best outcome for their customers.

**Policymakers, banks, stakeholders, here's what you can do to scale their impact:**

## 1. HELP CDFIS SCALE UP THEIR CAPACITY

### **Target portions of the expanded Dormant Assets for Social Investment and Financial Inclusion to scaling up CDFIs**

CDFIs are instrumental in achieving the intended impact of Dormant Assets through the social investment and financial inclusion causes, both of which will continue to be supported when the scheme expands to include assets from additional industries. In order to use the new funds to create permanent, transformational change for people,

places and enterprises, it is vital that some of the new funds are channelled innovatively to CDFIs through Big Society Capital, Access – The Foundation for Social Investment, and Fair4All Finance, to better support the sector's long-term scale up and sustainability.

## Exempt all Community Finance Organisations from payment of Financial Ombudsman Service Case Fees

The Financial Ombudsman Service (FOS) resolves complaints between customers and financial services providers. Currently it charges a £750 case fee to financial services providers after the first three cases each year regardless of whether or not a complaint is upheld. For non-profit CDFIs this is a significant cost and risk to their sustainability. The average loan size for CDFIs is £500, and surplus income after expenses on a £500 loan is approximately £13. Just one £750 case fee therefore wipes out the income of 60 loans.

Responsible Finance welcomes working with the Financial Conduct Authority and the Financial Ombudsman Service to extend the current exemption so all Community Finance Organisations, regardless of income, are not liable to pay FOS case fees.

## 2.BOOST INVESTMENT IN CDFIS

### Back the Fair Banking Act

Exclusion from fair and affordable financial services is an entrenched problem in the UK for individuals, small businesses and social enterprises. CDFIs and other purpose driven lenders work hard to tackle financial exclusion, but a step change is needed in our response to this embedded issue.

Responsible Finance is part of a coalition of organisations calling for the introduction of a Fair Banking Act in the UK.

A Fair Banking Act would:

- Require mainstream banking institutions to report on their performance on financial exclusion, through a transparent, publicly available, framework.
- Create a system for clear ratings, showing which banks are doing well and which need to improve, improving market incentives and regulation.
- Enable banks to improve their ratings and thus help tackle financial exclusion by partnering with organisations like CDFIs to expand lending to underserved communities, or by providing these services directly.

A similar piece of legislation in the USA which has been in place for several decades has shown how an Act of this kind can transform financial services for excluded communities.

[You can read the Fair Banking Act policy paper here.](#)

### Expand Community Investment Tax Relief to personal lending CDFIs

Community Investment Tax Relief (CITR) is an important tool to help CDFIs raise funding for social impact lending. Currently it is only available for CDFIs which lend to small businesses and social enterprises. In 2022 it unlocked one quarter of the sector's overall fundraising. CITR helps reduce the interest rate costs that CDFIs pay to their investors, so this change would help personal lending CDFIs to lower the interest rates that they charge to customers. Extending CITR for use by personal lending CDFIs would enable them to access funding from new sources, thereby supporting them to scale-up and provide more households with vital, fair and affordable access to credit.

### Investors: have a conversation

In 2022 CDFIs raised £75.5 million in new funding, but only 50% have sufficient funding available to meet their objectives in the next two years. CDFIs have a measurable impact and can support investment in line with ESG goals. In 2022 the largest investors in the sector were social banks, local government, corporations and dormant assets bodies.

Responsible Finance welcomes conversations with investors interested in hearing more about CDFIs.

### 3. INCREASE AWARENESS OF CDFIS

#### Extend the credit broking exemption to reroute more people away from high-cost and illegal lenders

Encouraging referrals to ethical lenders when consumers need credit is key in rerouting people from high-cost and illegal lenders, providing consumers with a cheaper and professional source of finance. This is particularly important now when more people may decide they need credit to manage their money amid the increasing cost of living. However, credit broking is a regulated activity defined in legislation. If a firm or person is engaged in regulated activity they must have authorisation from the Financial Conduct Authority (FCA). This acts as a barrier to partnerships with organisations like local and national charities which support low income and vulnerable communities who could benefit from access to affordable credit.

We therefore recommend extending the Government's existing exemption for registered social landlords (RSLs) to all organisations when making fee free referrals for individuals to CDFIs.

#### Require banks to signpost customers they cannot support to CDFIs

Requiring banks to signpost individual and business customers they cannot currently support towards CDFIs would help spread awareness of where people can go to get financial help which is fair and affordable.



#### BREAKING NEW GROUND IN UK CDFI INVESTMENT: BLOCK AND CDFI ART

In early 2023 global technology company Block Inc, co-founded by former Twitter CEO Jack Dorsey, and ethical lender – and long-term backer of CDFIs – Unity Trust Bank broke new ground in impact and place-based investing in the UK with a £4m investment into CDFI ART Business Loans (ART).

ART, a Birmingham-based CDFI, was founded in 1997 to help alleviate poverty through enterprise. ART lends between £10,000 and £150,000 to businesses in underserved and disadvantaged communities which are unable to obtain their full requirements from traditional banks.

Amrita Ahuja, Chief Financial Officer at Block, said: "We are thrilled to be making our first UK social impact investment. ART's efforts to help underserved groups access fair and responsible finance is completely aligned with Block's mission of economic empowerment."

“

*We believe fair access to finance is what unlocks opportunities for individuals and communities and are pleased to be able to invest in local programs that further this mission.*

”





# SPOTLIGHT ON IMPACTFUL GOVERNMENT POLICY CHANGE – COMMUNITY INVESTMENT TAX RELIEF

Community Investment Tax Relief (CITR) delivers on the Government's growth objectives by increasing access to finance for small businesses and social enterprises through CDFIs. It offers investors in Government-accredited CDFIs a 25% tax-relief spread over five years. CDFIs then on-lend the money to businesses unable to obtain funding from other sources and located in areas of disadvantage, or those owned and operated by, or intended to serve, individuals recognised as disadvantaged.

CITR's impact has been increasing. In the last 3 years CITR has facilitated an average of over £20 million of loans each year. Without CITR, much of the CDFI sector's funding simply wouldn't be available.

In 2022 Responsible Finance and its members identified two amendments to the existing scheme which would increase its impact. In response, in its 2023 Spring Budget the Government committed to the following changes:

## **1: Increase the amounts that businesses and social enterprises can borrow under CITR.**

What does this mean for businesses and social enterprises?

The change means that previously excluded businesses who want to borrow more than the original limits (set in 2002) will now be able to access funding raised through CITR. In time we estimate that it will add a further £20 million of annual lending to small businesses and social enterprises in deprived areas which are unable to secure funding from other lenders.

## **2: Raise the limits on the amounts CDFIs can raise under CITR.**

What does this mean for businesses and social enterprises?

This change is a signal that the Government expects CDFIs to start taking on more capital. It will steadily increase the overall funding available for small businesses and social enterprises by reducing the complexities for CDFIs and investors when raising larger amounts of funding under CITR.

These milestone amendments to a tried and tested mechanism will allow CDFIs to catalyse job creation and economic growth in the more deprived areas of the UK.



# THANK YOU


We are grateful to the following members of Responsible Finance for responding to our survey.

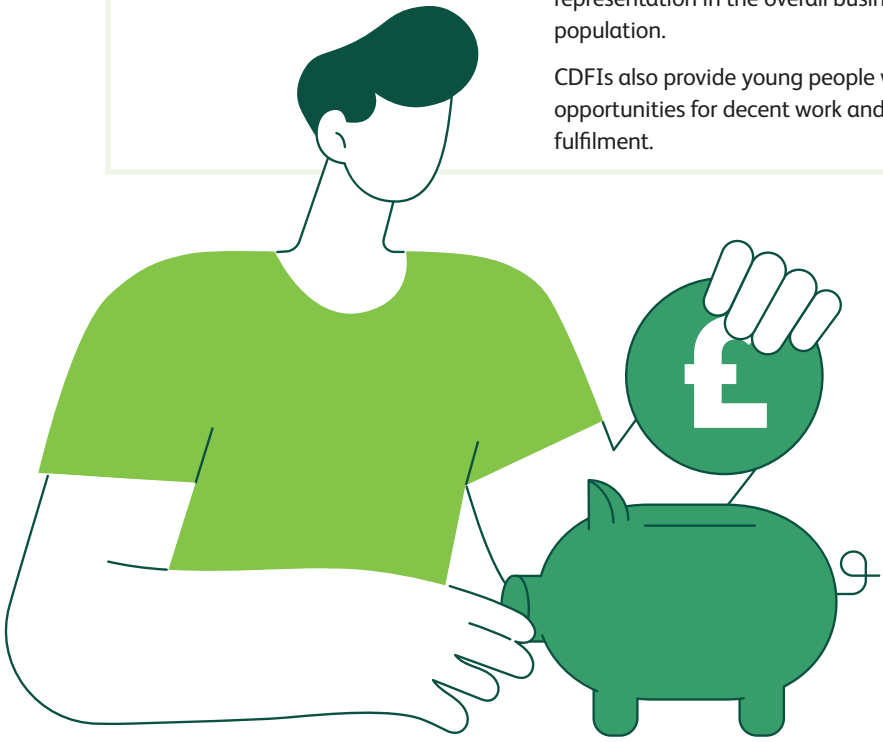


# SUMMARY OF CDFIS' ALIGNMENT WITH THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

## BUSINESS LENDING CDFIS AND THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Goal	UN Definition	How CDFIs Support the Goal	Key metrics in 2022
 <p><b>5</b> GENDER EQUALITY</p>	<p>Achieve Gender equality and empower all women and girls.</p>	<p>Women-led businesses suffer double the bank loan decline rate compared to other businesses<sup>3</sup>. CDFIs work to empower women entrepreneurs by proactively providing the finance they need to realise their goals.</p>	<p><b>39% of CDFI start-up loan customers were women.</b> Only 20% of new businesses are led by women<sup>4</sup>.</p> <p><b>26% of CDFI SME loan customers were women.</b> Only 16% - 21% of SMEs are led by women<sup>5</sup>.</p>
 <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>	<p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</p>	<p>The UK economy has been growing at a sluggish rate since 2008. To tackle this the Government wants to improve business performance to boost productivity. Finance to support business innovation in both start-ups and existing SMEs is essential to improving productivity; users of finance are more likely to develop new products and processes than non-users of finance<sup>6</sup>.</p> <p>CDFIs lend to small businesses which cannot get investment elsewhere. This funds innovation and improvement, realising productivity gains that would otherwise have been lost without access to finance.</p> <p>CDFI lending to start-ups and SMEs helps businesses to grow and create jobs, particularly in the most deprived areas of the UK and outside London and the South East.</p> <p>It also helps to safeguard at risk jobs, by providing businesses with the finance they need to get back on track after the turbulence of the past few years.</p>	<p><b>Lending to start-ups: £29,025,230</b></p> <p><b>Lending to SMEs: £52,270,830</b></p> <p><b>4,420 Jobs created</b></p> <p><b>3,760 Jobs safeguarded</b></p>

Goal	UN Definition	How CDFIs Support the Goal	Key metrics in 2022
	<p>Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.</p>	<p>CDFIs lend across a broad spectrum of business sectors to foster innovation and support the UK's industries. They have a strong presence in the industrial heartlands of the Midlands, the North East, the North West and Yorkshire and the Humber. The sector's presence in these communities will be key to supporting their transition to net zero.</p>	<p><b>Nearly 1 in 7 CDFI SME loans are made to the manufacturing industry.</b></p> <p><b>Over 1 in 10 CDFI SME loans are made to enterprises in Information and Communication, or Professional, Scientific and Technical industries.</b></p>
	<p>Reduce inequality within and among countries.</p>	<p>Inequality harms long-term social and economic development, particularly across the regions of the UK.</p> <p>CDFIs predominately lend more in areas of higher deprivation, and to groups that face higher barriers.</p> <p>Businesses led by ethnic-minorities add £25 billion to the UK's economy<sup>7</sup>, but are twice as likely to be rejected for finance compared to white business leaders<sup>8</sup>. Often banks require security such as from a business owner's home. This can be a big challenge for people from communities who can lack generational wealth. While 68% of White British households own their home, only 20% of Black African households do<sup>9</sup>.</p> <p>CDFIs lend disproportionately more to individuals from Black, Asian and Minority Ethnic backgrounds compared to their representation in the overall business population.</p> <p>CDFIs also provide young people with opportunities for decent work and fulfilment.</p>	<p><b>1/2 of SMEs supported are located in the 35% most deprived areas of the UK.</b></p> <p><b>94% of SMEs supported are based outside London and the South East.</b></p> <p><b>16% of CDFI start-up loan customers and 10% of CDFI SME loan customers were Black, Asian or minority ethnic led.</b> Only 6% of UK SMEs are ethnic minority-led<sup>10</sup>.</p> <p><b>35% of CDFI start-up loans go to entrepreneurs under the age of 30.</b></p>





# SOCIAL ENTERPRISE LENDING CDFIS AND THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



Goal	UN Definition	How CDFIs Support the Goal	Key metrics in 2022
 <p><b>5</b> GENDER EQUALITY</p>	Achieve gender equality and empower all women and girls.	CDFIs back women social entrepreneurs by providing the finance they need to scale their impact.	<p><b>45% of CDFI social enterprise loan customers were women.</b></p> <p>47 % of social enterprises are led by women<sup>12</sup>.</p>
 <p><b>10</b> REDUCED INEQUALITIES</p>	Reduce inequality within and among countries.	CDFI lending is disproportionately focused in areas of higher deprivation, despite only 22 % of social enterprises operating in the most deprived areas of the country. The staff working at social enterprises in deprived areas are more likely to be from the local area, which increases access to opportunity and promotes equality within communities <sup>13</sup> .	<p><b>45% of loans are made in the UK's 35% most disadvantaged areas.</b></p> <p><b>81% of loans are made outside London and the South East.</b></p>
 <p><b>3</b> GOOD HEALTH AND WELL-BEING</p>	Ensure healthy lives and promote wellbeing for all at all ages.	CDFIs positively impact the progress towards many of the SDGs by helping to safeguard and scale the impact of the social enterprises they support, which work directly to address some of the UK's most pressing social and environmental challenges. 85 % of social enterprises work with individuals facing disadvantage <sup>14</sup> .	<p><b>Nearly 2 in 10 loans go to social enterprises delivering community services.</b></p> <p><b>4 in 25 go to those working in housing and accommodation.</b></p>
 <p><b>4</b> QUALITY EDUCATION</p>	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.		<p><b>Over 1 in 10 go to those working in the employment, education and training sectors.</b></p> <p><b>1 in 10 go to organisations working in physical health.</b></p>
 <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.		<p><b>1 in 20 go to organisations in health, care and social care.</b></p>
 <p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p>	Make cities and human settlements inclusive, safe, resilient and sustainable.		



# PERSONAL LENDING CDFIS AND THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Goal	UN Definition	How CDFIs Support the Goal	Key metrics in 2022
	<p>End poverty in all its forms everywhere.</p>	<p>Lending is not the solution to inadequate incomes. However, small loans and ‘wraparound support’ from CDFIs help to prevent people from slipping into unacceptable hardship when they need to borrow to cover unexpected bills. This can help families to keep the lights on and their children’s school uniforms clean.</p> <p>CDFIs save their customers money in interest compared to a high-cost lender or a loan shark and uncover additional income for hard-pressed families by identifying unclaimed benefits.</p>	<p><b>£308 per loan saved in interest repayments for 90,630 people compared to high-cost credit, lowering the poverty premium.</b></p> <p><b>£410 additional income per person per month for 68,470 people identified in unclaimed benefits.</b></p>
	<p>Ensure healthy lives and promote wellbeing for all at all ages.</p>	<p>CDFIs have a positive impact on the health and wellbeing of their customers by:</p> <ul style="list-style-type: none"> <li>• Reducing the anxiety of being unable to cover the cost of household items and bills.</li> <li>• Giving people a greater sense of control over their lives.</li> <li>• Providing the reassurance of a financial safety net when the school holidays or Christmas come around, thereby reducing stress.</li> <li>• Providing additional benefits associated with the purchase of essential household items, such as enabling people to cook nourishing food by giving them the means to buy a fridge to store fresh ingredients.</li> </ul>	<p><b>Independent research has found that every £1 lent by CDFI Fair For You creates health and wellbeing outcomes worth £16.68<sup>23</sup>.</b></p>
	<p>Reduce inequality within and among countries.</p>	<p>CDFIs lend to people who are excluded from other sources of credit because they take a holistic approach to assessing loan applications instead of deciding only based on a credit score. Because of this they successfully lend to more disadvantaged groups, such as those who do not have savings and do not own their homes. They give their customers a cheaper and fairer form of credit than would be available elsewhere, as well as offering other services to improve financial resilience, helping to reduce inequality and improve their customers’ chance of being able to access lower cost credit in the future.</p>	<p><b>Only 13% of customers own their own homes.</b></p> <p><b>2 in 3 of customers are women.</b></p> <p><b>1/2 of customers have an income below £21,300.</b></p>

# BACKING A JUST TRANSITION TO NET ZERO EMISSIONS

Goal	UN Definition	How CDFIs Support the Goal	Key metrics in 2022
 <p><b>7</b> AFFORDABLE AND CLEAN ENERGY</p>	<p>Ensure access to affordable, reliable, sustainable and modern energy for all.</p>	<p>Many people do not have the funds to make energy efficiency adaptations themselves, or a good enough credit score to borrow money. Two CDFIs lend to homeowners to enable them – regardless of their personal circumstances – to make energy efficiency upgrades to their homes, creating sustainable communities.</p>	<p><b>163 properties retrofitted with energy efficiency upgrades.</b></p> <p><b>40% of homeowners lent to had an income under £21,301.</b></p>
 <p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p>	<p>Make cities and human settlements inclusive, safe, resilient and sustainable.</p>	<p>A number of CDFIs specialise in supporting community energy projects. Hundreds of these projects would not exist without finance from them.</p>	
 <p><b>13</b> CLIMATE ACTION</p>	<p>Take urgent action to combat climate change and its impacts.</p>	<p>CDFIs have local knowledge, a focus on social outcomes, flexibility, and reach into markets not served by other lenders. This means they are and will increasingly be significant in driving the transition to net zero by lending to:</p> <ol style="list-style-type: none"> <li>1. Small businesses and start-ups focused on sustainable outcomes or innovations, which do not have a track record and for which mainstream lenders cannot take projected environmental impact into account when making a lending decision.</li> <li>2. Small businesses in more polluting industries such as manufacturing or construction which a CDFI can reach into with tailored support.</li> <li>3. Community energy initiatives.</li> <li>4. Low-income homeowners who wish to make energy efficiency upgrades.</li> </ol>	<p><b>Nearly 1/2 of CDFI SME loans are in the Midlands, Yorkshire and the Humber and Scotland; areas identified as particularly vulnerable to negative impacts of transitioning to net zero<sup>24</sup>.</b></p> <p><b>Responsible Finance is working with the CDFI sector towards reporting on this goal in future.</b></p>



# APPENDIX - 2022 CDFI SECTOR DATA

## TOTAL CDFI SECTOR LENDING

	#	£
	<b>94744</b>	<b>£248,459,173</b>
Increase on 2021	<b>20%</b>	<b>22%</b>

## LENDING TO START-UPS

Number of loans	<b>2480</b>
Value of loans	<b>£29,025,234</b>
Average loan size	<b>£11,704</b>
Average loan term (months)	<b>57</b>
Interest rate	<b>6%</b>

### Impacts

New businesses created	<b>2480</b>
New jobs created (Full Time Equivalent)	<b>2480</b>
Hours of investment readiness support	<b>7323</b>
Hours of post-loan support	<b>13909</b>

### Ethnicity of loan recipients

White	<b>84%</b>
Mixed/multiple ethnic groups	<b>3%</b>
Asian/Asian British	<b>7%</b>
Black/African/Caribbean/Black British	<b>4%</b>
Any other ethnic group	<b>0%</b>
Ethnic Minority Business (non granular data)	<b>1%</b>

### Gender identity

Female	<b>39%</b>
Male	<b>60%</b>
Non-binary	<b>0.2%</b>
Other	<b>0.1%</b>

### Age of borrower

18 - 24	<b>7%</b>
25 - 30	<b>28%</b>
31 - 49	<b>56%</b>
50+	<b>10%</b>

### Age of business

0 - 3 years	<b>100%</b>
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### Region

East Midlands	<b>12%</b>
East of England	<b>5%</b>
London	<b>9%</b>
North East	<b>2%</b>
North West	<b>6%</b>
South East	<b>12%</b>
South West	<b>22%</b>
West Midlands	<b>2%</b>
Yorkshire and the Humber	<b>24%</b>
Scotland	<b>5%</b>
Wales	<b>0%</b>
Northern Ireland	<b>0%</b>



## LENDING TO ESTABLISHED SMALLER BUSINESSES

Number of loans	<b>754</b>
Value of loans	<b>£52,270,834</b>
Average loan size	<b>£69,325</b>
Average loan term (months)	<b>57</b>
Weighted average interest rate	<b>13.53%</b>
% Recovery Loan Schem Guarantee (RLS) Loans by value	<b>59%</b>
% Recovery Loan Schem Guarantee (RLS) Loans by value	<b>68%</b>

### Impacts

Business previously declined by another lender	<b>98.54%</b>
New businesses created	<b>92</b>
Businesses safeguarded	<b>323</b>
New jobs created (Full Time Equivalent)	<b>1939</b>
Jobs safeguarded (Full Time Equivalent)	<b>3763</b>
Hours of investment readiness support	<b>2036</b>
Hours of post-loan support	<b>3053</b>

### Ethnicity of loan recipients

White	<b>90%</b>
Mixed/multiple ethnic groups	<b>1%</b>
Asian/Asian British	<b>4%</b>
Black/African/Caribbean/Black British	<b>1%</b>
Any other ethnic group	<b>0%</b>
Ethnic Minority Business (non granular data)	<b>3%</b>

### Gender identity

Female	<b>26%</b>
Male	<b>74%</b>

### Age of borrower

18 - 24	1%
25 - 30	10%
31 - 49	57%
50+	31%

### Number of employees

0-9 employees	61%
10-49 employees	35%
50 - 249 employees	4%
250+ employees	0%

### Age of business

Less than 1 year old	18%
1 - 4 years old	41%
5 - 9 years old	20%
10 - 50 years old	21%
50+ years old	1%

**Lending in UK's 35% most deprived areas** **50%**

### Region

East Midlands	10%
East of England	2%
London	1%
North East	12%
North West	7%
South East	4%
South West	6%
West Midlands	22%
Yorkshire and the Humber	16%
Scotland	11%
Wales	10%
Northern Ireland	0%

## Industry

Agriculture, forestry and fishing	2%
Mining and quarrying	0%
Manufacturing	16%
Electricity, gas, steam and air con supply	1%
Water, sewerage and waste management	0%
Construction	9%
Wholesale and retail trade and repair	19%
Transportation and storage	3%
Accommodation and food service activities	9%
Information and communication	3%
Financial and insurance activities	1%
Real estate activities	1%
Professional, scientific and technical activities	8%
Admin and support service activities	8%
Education	2%
Human health and social work activities	4%
Arts, entertainment and recreation	3%
Other service activities	12%

## LENDING TO SOCIAL ENTERPRISES, CO-OPERATIVES AND CHARITIES

### Lending by CDFIs and Social Banks

Number of loans	416
Value of loans	£117,135,495
Average loan size	£281,576
Average loan term (months)	96
Weighted average interest rate	6%
Weighted average arrangement fee	2%

## Of total lending

### CDFIs only

#	<b>194</b>
£	<b>£10,985,495</b>
Average loan size	<b>£56,626</b>

### Social banks only

#	<b>216</b>
£	<b>£105,900,000</b>
Average loan size	<b>£490,278</b>

## Impacts

New social enterprises created	<b>6</b>
Social enterprises safeguarded	<b>58</b>
Social enterprises helped to scale	<b>29</b>
New jobs created FTE	<b>7</b>
Jobs safeguarded FTE	<b>96</b>
Hours of investment readiness support	<b>2460</b>
Hours of post-loan support	<b>2760</b>

## Gender identity of senior leadership teams

Female	<b>45%</b>
Male	<b>51%</b>
Non-binary	<b>0%</b>
Other	<b>4%</b>

## Number of employees

0-9 employees	<b>82%</b>
10-49 employees	<b>18%</b>
50 - 249 employees	<b>0%</b>
250+ employees	<b>0%</b>

**Lending in UK's 35% most deprived areas** **45%**

## Region

East Midlands	<b>7%</b>
East of England	<b>5%</b>
London	<b>12%</b>
North East	<b>4%</b>
North West	<b>9%</b>
South East	<b>7%</b>
South West	<b>7%</b>
West Midlands	<b>8%</b>
Yorkshire and the Humber	<b>11%</b>
Scotland	<b>23%</b>
Wales	<b>5%</b>
Northern Ireland	<b>1%</b>

## Industry

Community services	<b>18%</b>
Housing and accommodation	<b>16%</b>
Employment, education and training	<b>13%</b>
Arts, creative and digital services	<b>11%</b>
Physical health	<b>10%</b>
Leisure, tourism and sport	<b>6%</b>
Access to finance	<b>5%</b>
Health, care and social care	<b>5%</b>
Agriculture, horticulture and environmental management	<b>4%</b>
Advisory services	<b>1%</b>
Environment and recycling	<b>1%</b>
Personal services, childcare and other	<b>11%</b>



## LENDING TO INDIVIDUAL PEOPLE

Number of loan applications	<b>1254048</b>
Value of loan applications	<b>£433,469,297.89</b>
Number of loans made	<b>90629</b>
Value of loans made	<b>£45,694,023.89</b>
Average loan size	<b>£504</b>

### Unclaimed benefits uncovered, data supplied by InBest.ai

Value of uncovered benefits	<b>£336,724,608</b>
Number of people	<b>68474</b>
% users found to have unclaimed benefits	<b>67%</b>
£ per person/per year	<b>£4,918</b>
£ per person/per month	<b>£410</b>

**Average Representative Annual Percentage Rate (APR)** **172%**

### Cost of borrowing from a CDFI

£400 over 3 months	<b>£65</b>
£400 over 6 months	<b>£129</b>
£400 over 9 months	<b>£190</b>
£750 over 3 months	<b>£140</b>
£750 over 6 months	<b>£262</b>
£750 over 9 months	<b>£387</b>
£1000 over 3 months	<b>£186</b>
£1000 over 6 months	<b>£354</b>
£1000 over 9 months	<b>£524</b>

### Gender identity

Female	<b>64%</b>
Male	<b>36%</b>

## Age

18 - 24	6%
25 - 44	61%
45 - 64	31%
65 - 75	2%
75+	0%

## Residency status

Social housing tenants	36%
Private rental tenants	35%
Owner occupiers	13%
Living with friends/family	14%
Other	3%

## Employment status

Unemployed	22%
Self-employed	2%
Employed	74%
Retired	1%
Student	0%
Other	1%

## Individual gross annual income

< £13,900	18%
£13,901 - £16,200	7%
£16,201 - £18,600	13%
£18,601 - £21,300	15%
£21,301+	47%

## Characteristics of borrowers

Lone parent with a child/children under the age of 18	<b>28%</b>
Couple with a child/children under the age of 18	<b>19%</b>
Benefits recipients	<b>45%</b>

## Region

East Midlands	<b>5%</b>
East of England	<b>3%</b>
London	<b>9%</b>
North East	<b>11%</b>
North West	<b>19%</b>
South East	<b>9%</b>
South West	<b>6%</b>
West Midlands	<b>12%</b>
Yorkshire and the Humber	<b>3%</b>
Scotland	<b>13%</b>
Wales	<b>8%</b>
Northern Ireland	<b>1%</b>

## Reason for borrowing

Paying essential bills and expenses, including unexpected bills and employment related expenses (eg. electric and gas, groceries)	<b>41%</b>
Paying for an appliance/white goods (eg. washing machine, cooker)	<b>20%</b>
Paying for furniture and electricals (eg. TV, sofa)	<b>18%</b>
Paying for home improvements	<b>9%</b>
Paying for special occasions (eg. Christmas, birthdays, wedding, holidays)	<b>8%</b>
Paying for transportation (eg. car, car repairs)	<b>3%</b>
Paying off/consolidating other debts	<b>1%</b>
Paying a rental deposit or moving house	<b>0.5%</b>
Related to a baby or a child (eg. school uniforms)	<b>0.2%</b>

## CDFI SECTOR FUNDRAISING

### % of CDFIs with the funding necessary to realise objectives in the next 24 months

Yes	52%
No	48%

**Total funding raised in 2022** **£75,483,500**

### Sources of funding

Social bank	28%
Local government	15%
Corporation	13%
Dormant Assets body	12%
Challenger bank/fintech	5%
Trust/Foundation	4%
Devolved government	0%
Central government	3%
Individual	0%
Other	20%

### Type of funding

Loan	53%
Fund Management	33%
Grant	1%
Equity	1%
Other	12%

### Used CITR to leverage funding raised

Yes	23%
No	77%

### Purpose of funding

On-lending	98%
Cashflow	1%
Other	2%

### Length of time using funding source

Long-term partnership over 3 years	<b>73%</b>
Last 12 months - new funder	<b>20%</b>
1 - 2 years	<b>3%</b>
Unconfirmed	<b>4%</b>
<b>Average duration of funding (months)</b>	<b>41</b>
<b>Interest rate range paid on funding</b>	<b>0% - 9%</b>

## COMMUNITY INVESTMENT TAX RELIEF

**Number of Government Accredited CITR Lenders who completed the survey** **16**

### Methods of raising CITR

a loan to your CDFI	<b>93%</b>
a subscription for shares in your CDFI	<b>7%</b>
a subscription for securities in your CDFI	<b>7%</b>
If you are a bank, deposits in your bank	<b>7%</b>

\*does not add up to 100 % because organisations ticked multiple boxes

### CITR investors

Banks	<b>79%</b>
Individual private investors	<b>43%</b>
Private companies	<b>21%</b>
Individual depositors in bank accounts	<b>7%</b>

\*does not add up to 100 % because organisations ticked multiple boxes

### In last annual CITR reporting period

Total value of investment raised	<b>£23,134,000.00</b>
Total value of loans made to qualifying investments	<b>£21,285,852.62</b>



# REFERENCES

- <sup>1</sup> British Business Bank (2023) Small Business Finance Markets 2022/23
- <sup>2</sup> British Business Bank: Smaller Businesses and the Transition to Net Zero
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- <sup>7</sup> Roberts et al. (2020) Unlocking Opportunity: The Value of Ethnic Minority Firms to UK Economic Activity and Enterprise. Enterprise Research Centre. Centre for Research in Ethnic Minority Entrepreneurship. Federation of Small Businesses.
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- <sup>12</sup> Social Enterprise UK (2021) State of Social Enterprise.
- <sup>13</sup> Social Enterprise UK (2021) State of Social Enterprise.
- <sup>14</sup> Social Enterprise UK (2021) State of Social Enterprise.
- <sup>15</sup> A £500 loan taken out over 24 weeks from typical CDFI Moneyline. Calculated on Moneyline's website. Accessed 23/03/2023
- <sup>16</sup> Based on a £500 loan borrowed over 6 months. Comparing the cost of borrowing from typical CDFI Moneyline with Loan Pig, Payday Loans Online, Mr Lender. All online calculators accessed 29/03/2023.
- <sup>17</sup> Money and Pensions Service (2022) One in six UK adults have no savings
- <sup>18</sup> Fair4All Finance
- <sup>19</sup> The Trussell Trust (2022) End of Year Stats
- <sup>20</sup> The Centre for Social Justice (2022) Tackling Illegal Money Lending in England
- <sup>21</sup> The England Illegal Moneylending Team (2022) Borrower Support Report
- <sup>22</sup> Centre for Social Justice (2022) Swimming With Sharks
- <sup>23</sup> Evans and Earnshaw (2023) Measuring the impact of Fair For You on customer health and wellbeing
- <sup>24</sup> Robins N, Muller S, Tickell S and Szwarc K (2021) Just Zero: 2021 Report of the UK Financing a Just Transition Alliance. London: Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science.

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