Responsible Finance

RIPPLES OF FINANCE, WAVES OF CHANGE

2024 IMPACT REPORT: A RECORD YEAR

In 2023, CDFIs:

Lent: **£287M**

14% increase on 2022 and a **record year**

And made

90,531 loans of which:

66%

were to **women**

11%

were to **Black, Asian** and other **ethnic minority** groups

£102M

of loans were made to **start-ups** and **SMEs**

£119M

were made to **social enterprises**

£66M

to **individuals** and **households**

CDFI support in 2023:

Created
6,571
jobs

Safeguarded
5,564
jobs

Created
3,829
new enterprises

Scaled-up or **safeguarded**
662
enterprises

Saved people
£29M
in interest compared to borrowing from high-cost lenders (£340 for each typical loan)

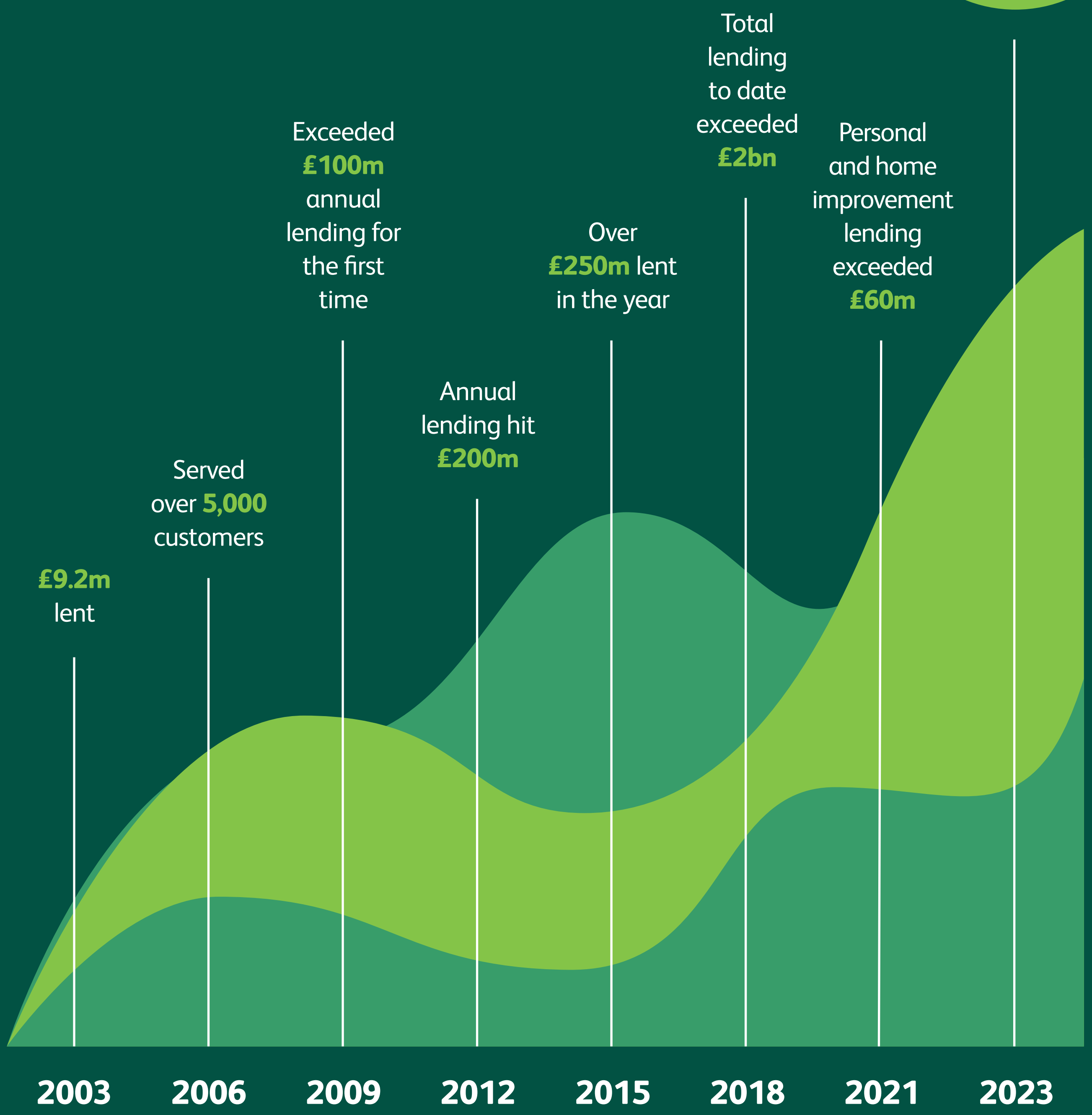
Identified
£601M
in unclaimed benefits for **143,050** individuals, worth an average **£350 per month** (£4,200 per year)

Distributed
£417K
in hardship grants, helping declined customers avoid loan sharks

From ripples to waves: CDFI growth over 20 years

£287m lent, a record year

Total lending to date: **over £3.3bn** to more than **848,000** customers



Message from the CEO

There is a lot for community development finance institutions to celebrate this year.

CDFIs invested a record amount into underserved places and people, unlocking potential for businesses, social enterprises and households.

A record number of new investors and partners supported CDFIs' growth, including mainstream banks, family offices, trusts and foundations, technology companies and business and consumer groups.

Major policy wins have built foundations for yet more impact. The expansion of the Community Investment Tax Relief, the extension of the loan guarantee scheme and additional dormant assets will enable CDFIs to get more money where it is needed most in communities.

There is a wave of momentum behind CDFIs and recognition that their expertise, support and reach creates opportunities for those who other finance providers turn down or can't reach.

As evidence of this, CDFIs outperform the mainstream by serving higher levels of women, ethnic minorities and areas of deprivation. They have also blazed the trail for support like benefits checkers, which other lenders are now adopting.

We are grateful to our member CDFIs who turn every inch of support they get into a mile of impact. We are also grateful to all of our partners for their time, funding and advocacy for Responsible Finance and our sector.

Yet our impact could be bigger. More people and businesses could be thriving. Millions of people and hundreds of thousands of enterprises have huge potential but are overlooked.

We are proud of the many milestones we celebrate in this report. The progress of the past few years shows that hard change is achievable. We need your continued support to secure the policy tools and long-term investment that will scale the CDFI sector to unlock sustainable and inclusive economic growth. Together we create waves of change. Thank you.

Theodora Hadjimichael
Chief Executive

CDFIs turn every inch of support into a mile of impact.

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Foreword

2023 was a record year for Community Development Financial Institutions (CDFIs) lending to viable and creditworthy UK businesses, social enterprises and households who can afford to borrow but would otherwise not be able to access finance. While it's an achievement, it's also an indication of the support people need to get access to finance.

NatWest Group has a longstanding focus on financial wellbeing, and a track record in helping people and businesses to build a savings habit and resilience for the future.

As a bank, we recognise the important role we play in helping people build their financial capability, and our ongoing support ensures that people, families and businesses across the UK can access the tools and support they need to take control of their finances.

In January 2023, as part of our package of cost of living support for customers and communities, NatWest Group provided £900k to Responsible Finance. This was evenly split between hardship grants to address immediate needs, and CDFI capacity-building to help the sector grow and support more families and businesses in the medium-long term.

The Hardship Grant Programme was designed to help financially vulnerable households who had applied to a CDFI for a small-sum loan but were turned down. Instead they were offered a no-strings-attached grant of £50 to £100. It's encouraging to see from this report how these grants helped more than 4,000 households pay their energy bills, replace broken appliances, feed their children, and carry on getting to work – an immediate lifeline, that saved them from more risky and dangerous sources of finance.

NatWest Group has worked with the UK community finance sector for 30 years. We are delighted to continue that support, working alongside Responsible Finance to draw attention to the broad economic, social, and environmental benefits of increased access to finance.

Brian Holland
Director, Customer Vulnerability, Retail Controls & Remediation, NatWest Group

Stuart Foster
Managing Director of Financial Institutions, NatWest Group

NatWest Group

Introduction

Community Development Finance Institutions (CDFIs) turn ripples of finance into waves of change. They provide opportunity and build resilience for disadvantaged communities and those excluded from mainstream finance.

In 2023 their lending hit a record high of £287 million: CDFIs now operate at 31 times the scale they did in 2003, when the sector lent £9.2 million.

Their achievements reflect their ability to fill widening needs for the right finance at the right time. For the lone parent with an unexpected expense, the woman with a health condition, the young entrepreneur with a business idea, all locked out from mainstream finance. More and more individuals, businesses and social enterprises are in these circumstances. Improving access to finance remains vital.

There is growing recognition of CDFIs' impact, with increasing support from investors, funders, government and social sector organisations. Recent policy wins, such as Treasury extending the guarantee scheme and improving an important tax relief, create a more supportive environment for CDFIs. For anyone wanting to support under-represented communities and grow local economies, CDFIs offer a strong proposition of social and financial returns.

We're thrilled to share the impact of our members and Responsible Finance in 2023:

1. Enabling changes which transform economies and communities (see pages 8-9)
2. Contributing towards specific UN Sustainable Development Goals (pages 10-13)
3. Unleashing entrepreneurial potential through start-ups and SMEs (pages 14-19 and 38-39)
4. Building resilience for vulnerable households (pages 20-26)
5. Strengthening communities by supporting social enterprises (pages 27-31)
6. Catalysing growth of the CDFI sector (page 32-37)

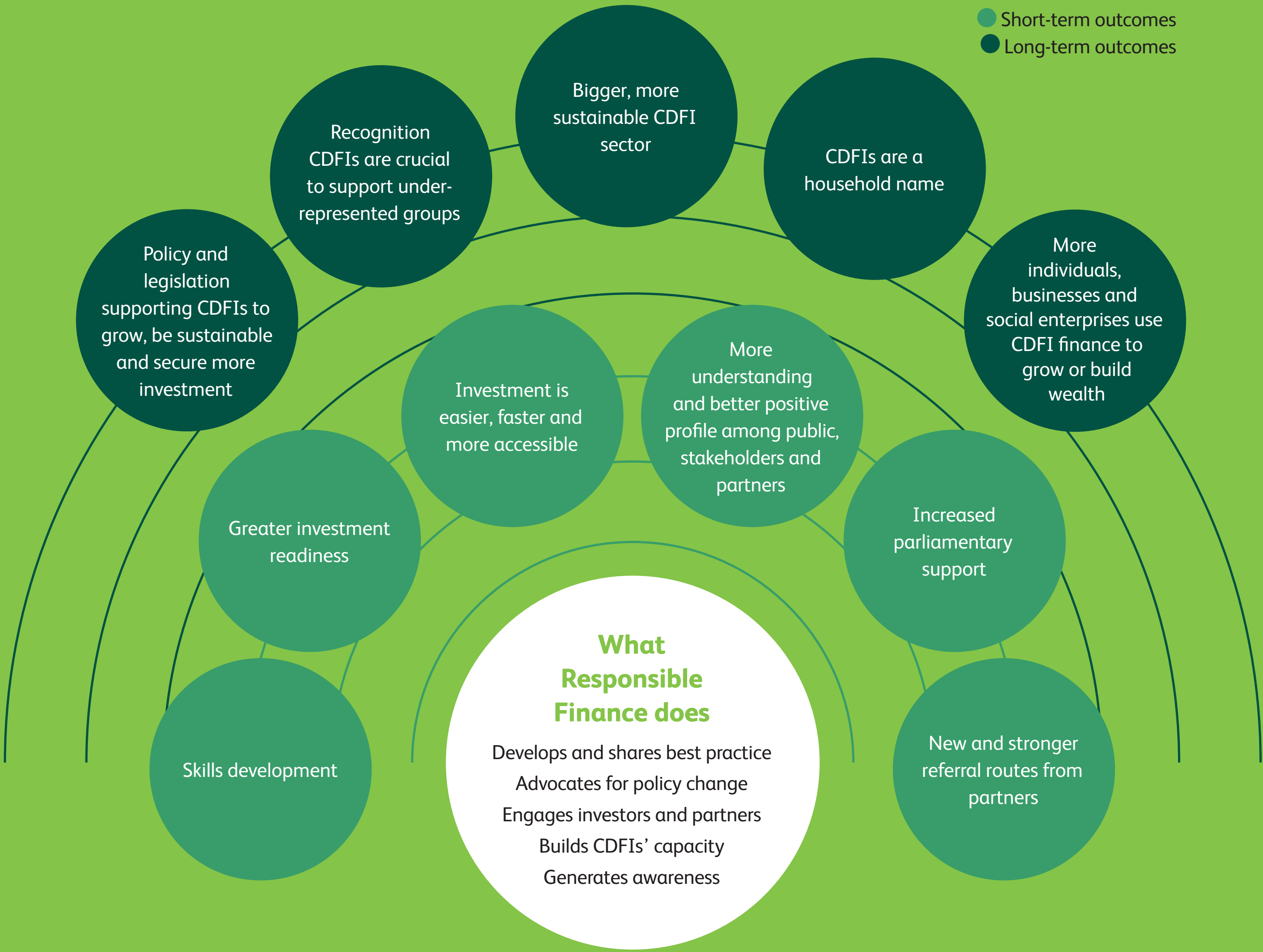
These changes could not have been possible without the support of stakeholders including:

- The Access Foundation for Social Investment
- Better Society Capital
- The British Business Bank
- City Bridge Foundation
- The Department for Business and Trade
- The Department for Culture, Media and Sport
- The England Illegal Moneylending Team
- Fair4All Finance
- The FCA
- The FSB
- HM Treasury
- The Impact Investing Institute
- Lloyds Bank
- The NACFB
- NatWest Group
- Many civil servants, policymakers, ministers and shadows ministers, and politicians across parties
- Shawbrook Bank
- Triodos Bank
- Unity Trust Bank

The waves are building. On behalf of Responsible Finance, CDFIs and the people and places we serve: thank you.

Tides of transformation: how CDFIs make change

Driving waves: how Responsible Finance makes change



Key achievements – in 2023, Responsible Finance:

- Influenced legislative change on Community Investment Tax Relief to enable it to raise more capital for CDFIs
- Gave evidence to the Treasury Select Committee; represented CDFIs at 10 Downing Street; co-hosted an event at the House of Lords; met Ministers, shadow Ministers, MPs and members of the House of Lords, advisers and civil servants
- Generated over 77 pieces of national media coverage with calls from journalists for more investment into CDFIs
- Worked with the England Illegal Money Lending Team to raise public awareness of CDFIs
- Secured more than £1.5 million in grants to personal lenders from NatWest Group and City Bridge Foundation
- Provided leadership development and capacity building to enterprise-lending CDFIs through support from the Impact Investing Institute and the Department for Culture, Media and Sport

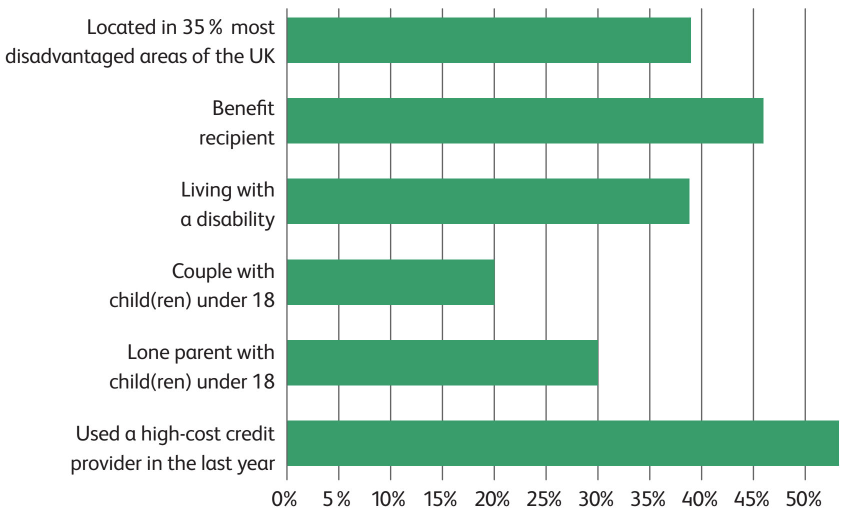
Sustainable Development Goals (SDGs) Spotlight

This year we're focusing on four United Nations SDGs (1, 5, 8 and 10) to showcase how CDFIs support under-represented groups and communities, and deliver economic growth.

Personal lending CDFIs' contribution:

SDG	Contribution
SDG1 (No Poverty)	• CDFIs supported over 17,000 individuals via loans and 2,000 individuals via NatWest Group and Responsible Finance hardship grants to buy food and cover essential bills and expenses • They helped increase disposable income for individuals by saving customers £29 million in interest, compared to using high-cost lenders, in 2023, an average of £340 per customer • 76% of personal lending CDFIs' customers had incomes below £30,000. A recent report by JRF showed a single person requires £29,500 to reach a minimum acceptable standard of living in 2023.[i] CDFIs are helping people on low incomes keep more money in their households if they need and choose to borrow • CDFIs signposted over 660,000 applicants to additional support – including over 143,000 individuals who had unclaimed benefits of £601 million. This provided on average £350 per month of additional income (£4,200 per year) per individual • Since 2003 personal lenders have lent nearly £450 million to over 750,000 customers
SDG5 (Gender Equality)	• Personal lending CDFIs supported a higher proportion of women than men with 67% of loans to women
SDG8 (Decent Work and Economic Growth)	• The £29 million of interest saved through using CDFIs rather than high-cost alternatives could be spent on other items, helping to stimulate the local economy and economic growth • Many CDFI customers and hardship grant recipients used their loans and grants to help remain in work by paying for car repairs or transport costs • By reducing financial pressures and money-related stress, CDFIs enable better health, increase productivity, enable saving and help people manage life shocks. By building households' resilience CDFIs also reduce pressure on public services

SDG	Contribution
SDG10 (Reduced Inequalities)	• CDFIs support individuals with one or more characteristic that makes them vulnerable to being impacted by inequalities and poverty:



Enterprise and social enterprise lending CDFIs' contribution:

SDG	Contribution
SDG1 (No Poverty)	• CDFIs contributed to reducing poverty by creating jobs for 6,411 people and safeguarding jobs for a further 5,402 people • By investing £26 million in disadvantaged communities, CDFIs helped stimulate economic growth and reduce poverty through an economic multiplier effect. 60 % of SME loans are in the 35 % most deprived communities. Across enterprise and social enterprise lending on average 26 % of loans are in these areas (based on the index of multiple deprivation and equivalents in Wales and Scotland) • CDFIs supported 353 businesses to scale up. This growth can increase incomes and reduce vulnerability to economic downturns
SDG5 (Gender Equality)	• CDFIs excel in supporting women and ethnic minority entrepreneurs who often facing additional challenges accessing finance • The British Business Bank[ii] highlights worse business outcomes due to the intersection of gender, ethnicity, and location. CDFIs address this; 41 % of their loans were to women entrepreneurs and 24 % to Black, Asian or Other Ethnic Minority entrepreneurs • Ethnic minority-led businesses are more likely to be denied finance, with 15 % facing rejections compared to 4 % of White-led businesses[iii], often without a provided reason[iv]. CDFIs foster relationships and offer pre-investment support to improve these businesses' loan success rates, making 24 % of their loans to Black, Asian and other ethnic minority entrepreneurs and 32 % to women since 2003 • For social enterprise lenders 47 % of loans were to women, 49 % to men. Social enterprises typically have a higher percentage of women in leadership with 58 % of leadership teams being at least half female. Since 2003, 45 % of all social enterprise loans have been to women, 20 % to minorities and 39 % in deprived areas • Over 40 % of social enterprise loans in 2023 were made in sectors that traditionally have higher proportions of women workers – health and social care, community services, childcare and arts and creative
SDG8 (Decent Work and Economic Growth)	• CDFIs created 6,411 jobs and safeguarded a further 5,402 jobs. The estimated gross value added (GVA) for local economies is £44,600 to £78,700 per job, potentially generating in excess of £159 million of GVA. 3,829 businesses/organisations were created, including 3,725 start-ups, stimulating local economies, increasing households' financial stability and developing community projects • 309 businesses/organisations were safeguarded, and 353 businesses/organisations were supported to scale • 680 individuals were unemployed prior to receiving a start-up loan from a CDFI
SDG10 (Reduced Inequalities)	• Investments into businesses qualifying for Community Investment Tax Relief (CITR) of £26 million targeted UK in-country inequalities, with 50 % directed to disadvantaged areas and 26 % addressing disadvantages based on various socioeconomic factors. Additionally, 24 % of these investments supported businesses serving or owned by individuals disadvantaged due to ethnicity, gender, age, religion, or other characteristics • 38 % of social enterprise loans were in the 35 % most disadvantaged areas in the UK

Diversity, equity and inclusivity in CDFIs also contributes to SDGs 5 and 10:

SDG	Social enterprise sector	CDFIs
At least one woman on board	**88%**[v]	**100%**
At least one board member from Black, Asian or Other Ethnic Minority groups	**43%**[vi]	**52%**

	CDFI board make up	Management team make up	CDFIs with ≥1 person in management team
Black, Asian or other ethnic minority	**12%**	**21%**	**50%**
Women	**40%**	**42%**	**87%**

CDFIs contribute to SDGs 1 and 8 by directly providing over 700 good jobs within their CDFI for people local to the communities they serve, supporting household incomes and economic growth in communities.

Customer story

H.E.R Bodywear addresses need for post-surgery bra

Alexandra Perry has faced breast cancer twice in her life and endured 12 gruelling surgeries vital to her recovery.

The determination she developed on her path to wellness is now being channelled into providing post-surgery women with something she had searched in vain for.

The Nottingham mum of two set up lingerie brand H.E.R Bodywear in 2022 and has spent two years developing a unique post-surgery bra for the 55,000 British women who are diagnosed with breast cancer every year.

H.E.R stands for Heal-Empower-Revive and Alex's first product, the Hero Bra, will be launching online in summer 2024. It is being developed with £30,000 Alex was awarded in 2023 as a national winner of the Innovate UK Creative Capitalist awards. A loan from Responsible Finance member, First Enterprise, is supporting its first production run.

"I interviewed other breast cancer patients, industry experts, designers and medical professionals," says Alex. "I discovered that, at a time when women are feeling their worst, the lingerie industry is letting them down.

"Only 110 out of almost 64,000 bra styles sold in the UK were specifically designed for post-surgery or mastectomy, representing only 0.2 % of the market, despite 15 % of British adult females being diagnosed with breast cancer in their lifetime.

"I wanted to design and develop better underwear options for them, but I had limited capital and no prototype or sales evidence to attract investors or secure funding. Luckily, I won a £2,000 grant from Nottingham Trent University as the runner-up in a business plan competition, which stemmed from my dissertation study. This helped me get started."

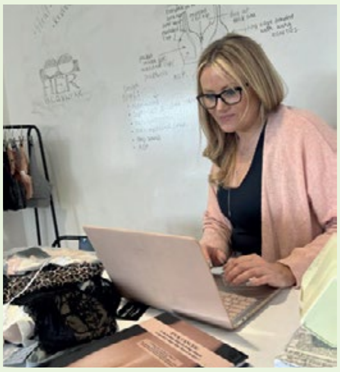
Subsequently, Alex won a University of Nottingham Ingenuity Impact award, winning a £2,500 prize and the chance to pitch for additional funding a year later, resulting in a further £5,000 win.

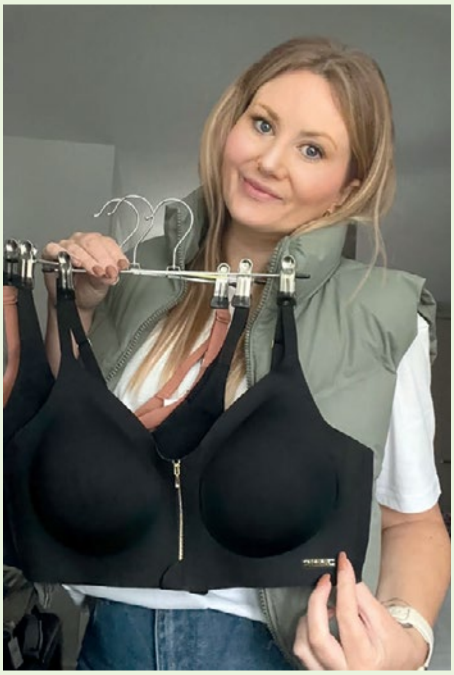
When she eventually needed to finance a production run, she turned to First Enterprise.

"Being unemployed and having had breast cancer for the past ten years, I was worried the loan would be out of my reach," said Alex.

"But I secured £14,500, which financed the start of the production process. Simon, the Investment Manager, supported me through the application and gave me budgeting advice, which helped me cut unnecessary expenses.

"The loan enabled me to get started quickly, and it has been perceived positively in funding applications, because assessors see that I am personally invested in my business."





Enterprise Lending in 2023

4,546 loans – 41% increase compared with 2022 (3,234 loans)

Total lent **£102M** – 26% increase (2022: £81.2m lent)

6,411 jobs created

5,402 jobs safeguarded

24% of loans to Black, Asian and Other Ethnic Minority entrepreneurs

41% of loans to women/**59%** men

29% to entrepreneurs aged 30 and under

Start-up Loans:

3,725 loans – up by 50% on 2022

£42.2M lent – up by 46% on 2022

Average loan size **£11,354** (2022: £11,704)

25% Black, Asian and Other Ethnic Minority entrepreneurs

44% women/**56%** men

91% of loans outside London

18% were unemployed before applying for a Start Up loan

3,003 jobs created

927 jobs safeguarded

3,742 hours of investment readiness support

634 hours of post-investment support

SME Loans:

821 loans – up by 9% on 2022

£59.8M lent – up by 14% on 2022

Average loan size **£72,883** (2022: £69,325)

17% Black, Asian and Other Ethnic Minority entrepreneurs

30% women/**70%** men

98% outside London

69% 0-9 employees

99% rejected by bank

89% of loans are repaid (with an average interest rate of 13.9%)

97 new businesses created

267 businesses safeguarded

265 businesses helped to scale-up

3,408 Jobs created

4,475 Jobs safeguarded

4,470 hours of investment readiness support

657 hours of post-investment support

74% of loans were backed by government guarantees

75% of loans were eligible for Community Investment Tax Relief

Unleashing new waves of entrepreneurial potential

Despite ongoing effects of the pandemic, a UK recession in the latter half of 2023, and global economic uncertainty, CDFI lending to startups and SMEs reached the second highest level ever at £102 million in 2023, just shy of 2016's £103 million.

This demonstrates CDFIs' trust in business owners, particularly those from under-represented groups who encounter extra hurdles in securing finance.

In 2023 high street banks continued to apply more cautious affordability tests and lend predominantly to businesses in strong financial positions. Banks rejected many businesses requiring finance:

- Quarter 2's success rate of just 45 % for SMEs applying to the seven largest banks[vii] was a record low point
- Overall bank lending to SMEs was down by 9 % compared to 2022[viii]
- The 'big five' banks provided just 41 % of new SME lending[ix]

CDFIs and banks are complementary. CDFIs lend to businesses banks are unable to, fill gaps in access to finance and create banks' future customers. In 2023, CDFIs increased their business lending volumes. 16 CDFIs provided 4,546 loans – a 41 % increase on 2022 (3,234 loans), creating and safeguarding 11,813 jobs.

CDFIs' power unlocking entrepreneurs' potential has been backed by investors' confidence; in 2023:

- The British Business Bank made over £47 million of investment into CDFIs through regional programmes
- Dormant Assets bodies invested over £17.5 million
- US tech company, Block Inc. made its first investment in the UK[x], backing ART Business Loans alongside Unity Trust Bank
- Ceniarth, a family office, made its first investment into enterprise lending CDFIs, with a £1 million loan to Business Enterprise Fund
- Responsible Finance and members worked with Lloyds Bank, Better Society Capital and the Impact Investing Institute throughout 2023 to pave the way for the second phase of Community Investment Enterprise Facility (CIEF), which launched in early 2024. CIEF 2 is backed by £42 million from Lloyds Bank, alongside investments from Better Society Capital and the participating CDFIs; it is notable as the first wholesale investment into enterprise lending CDFIs by a high street bank

CDFIs lend to businesses banks are unable to, fill gaps in access to finance and create banks' future customers.

These investments will enable CDFIs to support more viable, under-served businesses. They have attracted significant interest and will give more banks and investors the confidence to work with CDFIs to catalyse sustainable economic growth.

Customer story

Manufacturer's worldwide growth backed by CDFI with vision

"Mighty oaks grow from little acorns" says Martin Riddett, MD of the UK's largest manufacturer of temperature sensors for the pressure industry, Labfacility.

He should know: the firm has grown its workforce and customer base, backed by several waves of finance from Responsible Finance member, Finance For Enterprise.

Martin's parents launched the firm in 1971, originally working from their London home; Martin joined in 1984. In 1991 they purchased a small business based in Dinnington, a former mining town between Sheffield, Rotherham and Worksop.

As the business expanded it moved its Dinnington operations. Grant and loan finance from British Steel, the rural development fund and Donbac (which later became Finance For Enterprise) enabled the move.

Further expansion in 2005 saw the firm move again, buying premises on the site of the old colliery, again with Donbac's support. Seven years later it nearly doubled the size of this facility – in the old pit bath – by adding a mezzanine floor; then in 2019 added several thousand more square feet. Finance For Enterprise investment, in a "cocktail" with other lenders, enabled both developments.

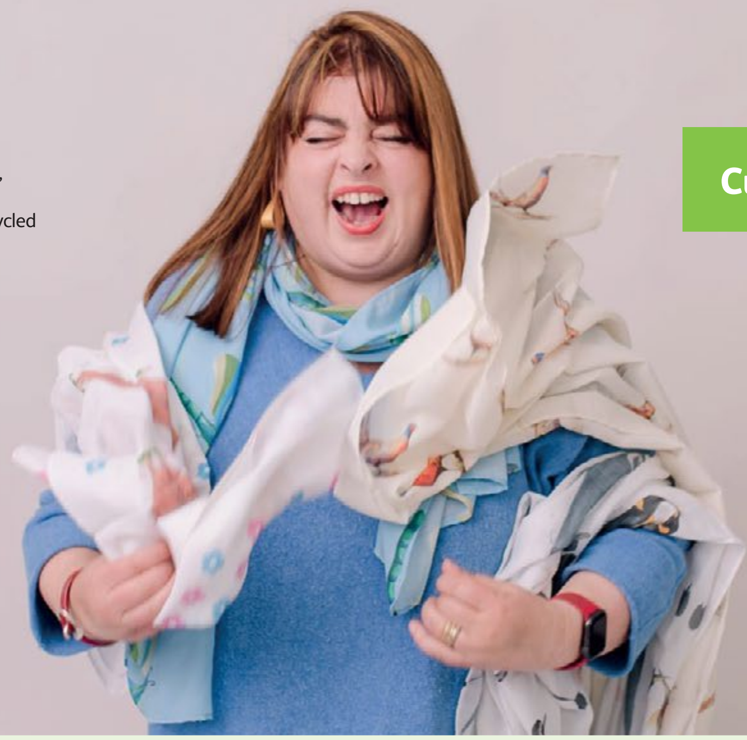
Dinnington is Labfacility's largest site, says Martin. The firm originally had 3 staff there but now employs 40 in a variety of roles including highly skilled engineers, research and development, and quality assurance personnel. Finance For Enterprise's "bigger picture" approach was key to this growth:

"We have ten people in Bognor Regis, two in Twickenham and 40 in Dinnington, largely due to the help we've received from flexible funders in the region who see the big picture. It's a classic: when you need banks they're not there. We have even moved some borrowing from other lenders to Finance For Enterprise because of their approach and long term vision for our business.

"FFE is a supportive lender and has been instrumental in enabling us to develop our premises, invest in equipment and increase our capacity. I have found its application process easier: they ask searching questions but appreciate the need for speed when there's a business opportunity. They also understand that even businesses with long track records experience ups and downs."

Around 80 % of Labfacility's products, which include temperature sensors, thermocouple connectors, cables and instruments are bought by customers outside the UK: 30 % by direct sale to customers in 85 countries and 50 % through worldwide distributors. It introduces 500 new products per year. Martin says this will continue as Labfacility expands its inventory of cutting-edge products made at its Dinnington site:

"Investment enables growth," he says, "and whenever anyone in business in the area asks about funding I tell them to try Finance For Enterprise."



▶ Lucy Hay, MD of Art On Scarves, is pictured with some of her Eco collection, scarves made from recycled plastic bottles.

Customer story

Entrepreneur develops green range with Purple Shoots

Entrepreneur Lucy Hay secured a £4,000 loan from Responsible Finance member, Purple Shoots, so her North Wales-based company Art On Scarves could develop an environmentally-friendly new product line.

The ultra-fine, printed scarves in Lucy's Eco collection are made from recycled PET Plastic Bottles. The full-circle sustainability range launched in 2023 after a year of research, development and trials funded by the Purple Shoots loan. It became an instant success and now accounts for 20 per cent of the company's sales.

"Art on Scarves had been running successfully since 2021. We recognised the demand for more ecological accessories, so we developed these lovely, light and silky scarves," said Lucy, 55.

"They are made entirely from recycled plastic bottles. At the end of their fashion life, they can be fully-recycled instead of going to landfill, unlike many fast-fashion items made from man-made fibres. We can also use old or reject scarves to make hair accessories, giving them an even longer life."

The company has gone from strength to strength, selling over 15,000 scarves across ten countries. But Lucy had not set out to create a fashion brand. She was an unemployed mum when she sought to rekindle the artistic ability a negative comment from a teacher had crushed many years before.

"I loved art as a child, but I was told: 'Don't choose O Level Art; you're not good enough'. So I didn't and I'd regretted that," she recalls.

She forged a successful career as a corporate trainer, teaching hospitality teams at some of the top hotels in Dubai. But on returning to her native North Wales in 2014 with her family, she found there wasn't much call for her consultancy skills.

"I'd settled my son in school and had time on my hands, so I signed up for painting classes to find out if I had any ability.

> *"I didn't approach a bank because I didn't think I would have the right kind of paperwork or track record."*

"In Dubai I'd enjoyed making mosaics. Back in Wales, I'd started making and selling mosaic-ed jewellery and pots at church hall craft fairs, but I wanted to see if I could draw and paint. When I found out I could, my confidence grew. I used my art class drawings to make cards at my kitchen table and was stunned when Abergele Post Office wanted to stock them.

"My card sales kept increasing, but I was spending more money on materials than I was earning and hadn't thought it could make a proper business. But my inner ambition sparked and I transferred my designs onto mugs, bags, prints and posters."

They sold faster than her mosaics, so she decided to try printing a scarf printed with her sunflower design. It sold immediately. She printed more, customers clamoured for them and by 2018, she was trading as An Unexpected Artist, printing scarves all week and selling them in their hundreds at weekend makers' markets in Manchester, Cheshire and Chester.

Exhibiting at major trade shows in North Wales and Scotland in 2019 and the NEC in 2020 brought in retail orders from the likes of Chatsworth House Farm Shop, Bodnant Welsh Food, Highland Wildlife Park and two U.S. retailers, Celtic Crossroads and Anna's Attic.

Lucy survived the Covid pandemic by selling mainly via online markets. By 2021, the business was growing so fast, Lucy rebranded as Art on Scarves and took on freelance print workers so she could concentrate on expansion.

She now creates scarves in three different fabrics using 70 per cent of her own designs plus images from other artists, and creates bespoke collections for organisations including a trust running a historic mansion in Rhode Island, USA.

Turnover is now close to £100,000. "In my church hall days I was lucky if I was taking 20 quid," says Lucy, who is particularly proud of the Eco collection. "I'd long wanted to develop an eco-friendly line. Producers need to give people alternatives to fast fashion items which can't be recycled. So many fabrics include a form of plastic and this ends up in landfill or our oceans, creating more and more problems."

She started exploring how to get funding in May 2022. "I didn't approach a bank because I didn't think I would have the right kind of paperwork or track record," she says. "I saw an ad for Purple Shoots and liked the fact that it was an ethical lender and a small organisation. I built a good relationship with an advisor over several phone calls and was given information to ensure I understood everything."

Lucy was approved for a £4,000 loan over three years: "a modest amount, but it felt huge to me". She finds her monthly Direct Debit payments easily affordable and hopes to pay off the loan before it concludes in spring 2025.

The loan covered Lucy's product development costs. She explains: "Initially I worked with a small manufacturer in India. Getting the fabric texture right and solving printing and stitching issues was a lengthy process. But then I discovered shipping was going to be problematic.

"I took the idea to the Chinese artisans who make my cashmere-blend scarves. They mastered the manufacturing technique and we were finally able to receive our first delivery a year after the journey began. Immediately after launching, it won Best New Product for Homeware and Accessories at the Birmingham NEC's Glee Trade Show."

The business expansion has created work for four freelancers, who print in their own home workshops using equipment supplied by Art On Scarves. Inmates at a women's prison in Staffordshire are also part of the workforce.

"The prison asked us to offer training and employment," says Lucy. "We pay the prison organisation the same rate we pay our freelancers and we teach the women how to print, fold and pack, and business skills from inventory and quality control to time management.

These are things which could help them to set up their own scarf-making businesses when they are released and we hope to run a similar scheme with a prison in Scotland.

"Every day I am amazed at how far I've come – from sales in church halls to New York City and beyond. I'm incredibly grateful for the opportunities I've been given to grow a successful business and would have been hard-pressed to expand without help from Purple Shoots."

Fiona

"I'm Fiona, a staff nurse in Surrey. I joined the NHS after working as staff nurse in Guyana for 16 years. Caring for patients makes a real difference and I love working in a team to look after people.

"I came to the UK in 2018 and two years later the COVID-19 pandemic struck. It was horrible to see patients and their families suffer, and terribly hard for all my colleagues.

"After the pandemic I was planning my dream wedding. Although I had saved as much as I could, I needed to borrow £1,000. I applied to a bank and knew I could afford the repayments so I was shocked when they turned me down.

"I found Salad Money and it seemed to make sense – if they could look at my income and outgoings, they should be able to see I could afford to borrow what I needed. It helped pay for the wedding of our dreams. We'll always remember it. It was easy to manage my repayments, and I realised I could pay it off early, which saved me a bit of money too."

Kerry

"I'm Kerry, a Care Manager from Stoke-on-Trent. I've faced financial struggles in my life and used to rely on high-interest loans to get by.

"Fair for You was a game-changer for me. It helped me cope during a tough breakup. I've bought a washing machine and an oven and paid back at an affordable rate.

"Fair for You gave me options. It saved me from going to a loan shark or a high-cost lender. It meant I could feed my children healthy meals, rather than microwave ones, and not have to pay the extra costs involved with travelling to and using a laundrette."

Personal lending in 2023

85,208 LOANS

406 HOME IMPROVEMENT LOANS
(**55%** for general repairs and **34%** for energy efficiency upgrades)

£66M LENT
(**23%** increase on 2022)

£726 AVERAGE LOAN

660,127
applicants signposted to additional support

£601M
of unclaimed benefits identified

£4,200
average unclaimed benefit per applicant (£350 per month)

£29M
interest saved compared to borrowing from high-cost lenders

£340
average interest saved for each customer on a £500 loan over 6 months

Who CDFIs lent to:

67% women

9% Black, Asian or Other Ethnic Minority

30% aged 34 or under

89% outside London

55% Used a high-cost credit provider in the last year

30% Lone parent with child(ren) under 18

20% Couple with a child(ren) under 18

39% Living with a disability

46% Benefit recipients

39% Located in the **35%** most disadvantaged areas of the UK

Top three ways the loans were used:

27% for furniture and electrical items

26% paying for essential bills and expenses

21% paying for an appliance/ white goods

A better today and a better tomorrow for vulnerable households

Credit is not the solution to poverty or living costs which exceed wages or benefits for millions.

These are systemic issues our entire society must address. But the cost-of-living crisis has "upped the stakes" when it comes to the "damage that poor access to credit or access to irresponsible credit can do," (Demos, The Good Credit Index, August 2023).

Shortly before this report was published, PwC and Totally Money revealed one in three UK adults may have difficulty accessing credit from mainstream lenders, a 50 % increase since 2016. Around 20.2 million adults in the UK are now defined as financially under-served, and an **additional** 8.9m adults exhibit signs of financial fragility. The same research showed there has been a 29 % increase in the number of people with no credit history in the last six years.

Many doorstep lenders and high-cost providers have closed, facing a tsunami of upheld complaints for poor practices including granting unaffordable loans. We don't lament the loss of irresponsible firms, but we do understand that a reduction in choice risks driving more people to illegal or very expensive lenders.

Many mainstream lenders are exercising more caution when lending. Most use credit reference agency data and credit scoring as the basis for the lending decision making. But – as the Financial Conduct Authority acknowledged in its Credit Information Market Study interim report – the traditional approach to credit information doesn't work well for many under-served and vulnerable consumers.

All of this leaves many individuals with limited options for accessing finance to cope with emergencies. The consequences include:

- Significant growth in individuals using Buy Now Pay Later (BNPL): up to 50 % [xi] from 36 % of the UK population. Since BNPL remains unregulated and some providers do not undertake proper affordability checks, more people are building up commitments they can't meet. Many don't understand the long-term impact of missed BNPL payments
- Up to three million people[xii] using illegal money lenders, with a commensurate impact on physical and mental health and wellbeing, ability to work, and economic activity

Scaling-up CDFI personal lending could help more than 150,000 customers annually to save £90 million in interest...boosting the economy and reducing poverty.

In 2023 CDFIs supported vulnerable households with signposting, referrals, access to benefits calculators and provided loans if they were truly affordable and the right option for applicants.

- They saved their customers £29 million in interest compared to using a high-cost credit provider[xiii]. These savings free up money to be spent elsewhere, supporting the local economy and increasing economic activity
- CDFIs have pioneered the use of in-application benefit calculators and in 2023 they identified £601 million in unclaimed benefits which 143,050 applicants were entitled to – an average of £4,200 per applicant per year
- They signposted over 660,000 applicants to further support
- They distributed £416,600 in grants to 4,049 households who did not qualify for a CDFI loan through the NatWest Group and Responsible Finance Hardship Grant Programme
- Two CDFIs, Lendology CIC and Robert Owen Community Banking, specialise in home improvement loans and lent £4.3 million to 406 households to make repairs, energy efficiency upgrades/retrofitting and adaptations possible

As Demos, PwC, and financial inclusion campaigners all agree: access to responsible and fair credit has never been more important.

20 years ago, personal lending by CDFIs was tiny: £1 million to fewer than 2,000 individuals. This year their lending reached a new record, exceeding £66 million to nearly 86,000 individuals through nine CDFIs. Scaling personal lending to £200 million by 2027[xiv] was an impossible target four years ago but now seems achievable. This could help more than 150,000 customers annually to save £90 million in interest compared to high-cost alternatives, boosting the economy and reducing poverty. CDFIs' financial education and signposting to applicants they decline would also expand.

Supporting individuals declined by CDFIs: a rapid response to urgent need

CDFIs cannot lend to everyone who applies. But with the cost of living crisis impacting many more individuals – including 8.1 million[xv] individuals in in-work poverty – being able to provide alternative solutions to these individuals is essential, so they do not turn to illegal money lenders.

The NatWest Group and Responsible Finance Hardship Grant Programme was designed to help financially vulnerable households. We distributed no-strings-attached grants of £50 to £100 to people who had applied to a CDFI for a small-sum loan but were turned down.

The grants helped people feed their children, pay their energy bills, replace broken appliances, and carry on getting to work. They were an immediate lifeline for more than 4,000 households. Some recipients told us that without the grant they would have resorted to borrowing from loan sharks.

NatWest Group and Responsible Finance Hardship Grants Programme

4,049
individuals received grants of **£50-100**

£416,600
of grants were distributed by six CDFIs (Adage Credit, Conduit, Fair Finance, Lancashire Community Finance, Moneyline and Salad Money).

What the grants were used for:

- **27%** for food
- **23%** bills and utilities
- **10%** appliances and furniture
- **8%** housing costs
- **5%** to repay existing debt
- **27%** other purposes

Who the grants helped:

62% women

25% Black, Asian and Other Minority Ethnic

33% living in social housing

33% living in private rental

16% living with family and friends

50% benefit recipients

66% employed

72% with an income under £21,301

20% living with a disability

32% lone parents with dependents

73% outside London and the South-east

Hospital taxi costs stretched Zadie to limit

"My baby was born nine weeks premature so we had to get to four hospital appointments every week for a while. You can't get there on the bus. Taxis are £10 each way, which left us really short for food and essentials," says Zadie (name changed). "I applied for a loan of £150 but was turned down and it was such a relief to get this grant."

Fridge essential for medication and food

"My fridge-freezer broke and I lost loads of food," says Charlie (name changed), who receives Universal Credit and PIP and lives with underlying medical conditions. "My medication has to be kept cold too, so I was storing it in my neighbour's fridge." The grant meant Charlie could get a second-hand fridge-freezer.

"I just want to thank-you from the bottom of my heart."

"I never expected this or knew it existed. I work the equivalent of two full-time jobs but as a single mother I still struggle with bills being so high. I am overwhelmed you were able to offer me this payment, it will really help me until I get paid."

Social enterprise lending in 2023

£119M LENT
to **371 social enterprises** including lending by social banks

219% GROWTH
in lending by CDFIs to **social enterprises** compared to 2022 (£36m/£11m)

63%
of lending to **social enterprises** with 0-9 employees

47%
of loans to women, **4%** other and **49%** men

93%
of loans **outside** London

38%
of loans in the **35%** most disadvantaged areas in the UK

7 NEW
organisations **created**

42
organisations **safeguarded**

88
organisations **supported** to scale

160
jobs **created**

162
jobs **safeguarded**

1,190
hours of Investment readiness **support**

5,502
hours of post-loan **support**

Top sectors supported:

Community services

Employment, education and training

Arts, creative and digital services

Strengthening communities

Customer story

Finance enables income boost for homelessness charity

Four Square is an Edinburgh-based charity and social enterprise supporting people who are homeless or at risk of homelessness.

It provides support, advice, accommodation, and learning and training opportunities. Four Square also runs a large social enterprise, Edinburgh Furniture Initiative, which collects donated furniture and sells it to the public to help fund its initiatives, supporting people who are homeless. Responsible Finance member, Social Investment Scotland (SIS), supported Four Square with a £290,000 funding package to refurbish a warehouse.

"We realised to grow our business we needed to be able to receive large donations of furniture from hotels or house clearances so we had enough stock to service organisations with a bigger demand than the public. To take bigger donations we needed a warehouse that was fit for purpose. That's where SIS came in," says Jane Devine, Four Square's chief executive.

"Once the refurb of our warehouse was completed, we were able to gather more and more stock and began supplying several housing associations and other businesses. That led to a huge upturn in our income which allowed us to refurbish two buildings for 28 people experiencing homelessness and refit a new larger retail space which in turn led to over 100 % increase in income.

"Working with SIS was a game-changer for us. They have been there for whatever issue we have. One of the best days of my career ever was opening the accommodation service for young people. It was made possible by the increased income we had as a result of being able to take in bulk donations and supply bulk contracts."

The new store also became Four Square's head office, with additional spaces for counselling and delivering workshops. Profits from the store maintain and support Four Square's activities.

As well as receiving investment from SIS through the Scottish Social Growth Fund, Four Square also participated in SIS' Ambitions and SIS Associate support programmes, which Devine says resulted in "better informed plans" for the future. "As a social enterprise, the services we provide can offer a lifeline to people in need and we're grateful to have the ongoing support of SIS."

As social enterprises themselves, CDFIs understand what makes social enterprises tick, their operating models and finance needs.

The UK's 131,000 social enterprises generated more than £1.2bn in profits in 2023, most of which was reinvested into their social and environmental missions, according to Social Enterprise UK (SEUK) research[xvi].

SEUK also found 65 % of social enterprises grew their turnover in 2023; 70 % of social enterprises made a profit or broke even; social enterprises are optimistic about economic growth but only 54 % of social enterprises were successful with their external finance applications[xvii], with just 18 % of funding coming from banks.

Just like enterprise-lending CDFIs, social enterprise lending CDFIs are filling a void and providing the finance social enterprises need. Social enterprise lending by CDFIs increased by nearly 220 % in 2023; 11 CDFIs and social banks lent a total of £119 million to 371 social enterprises.

The social and community enterprises CDFIs lent to include community interest companies, the trading arms of charities, cooperatives, societies for community benefit and other asset-locked and for-purpose organisations.

They operate across a diverse range of sectors including retail, hospitality, the arts, housing, education and employability, health, the provision of varied public services, and supporting people with complex needs and people in vulnerable circumstances.

Social enterprise lending by CDFIs increased by nearly 220 % in 2023.

Customer story

How Key Fund helped Rotherham domestic abuse charity to secure its own safe place

Security, stability and a stronger future: that's what a loan from Key Fund gave a Rotherham charity which supports survivors of domestic violence.

Since launching in 1976, the core aim of the charity which became Rotherham Rise has been to provide safe refuge for those in need. It now has several long-established refuges at confidential locations across the borough. But Rise's central office team and community support services have led a nomadic existence.

"We have had to move premises numerous times – rental buildings come to the end of their lease, or you outgrow them, or find they are not suiting your needs," explained Sue Wynne, Chief Executive. "It has been expensive and disruptive for us."

After a number of moves, the town's spacious former Post Office provided the perfect rental space. In 2015 they moved in and spent months redesigning and decorating the interior spaces. It was popular with staff and clients, but in 2018 the building was bought by a developer and the charity was again facing the huge challenge of finding another home.

▲ RISE staff hold a team meeting in their cosy breakout area on the building's top floor, with a view of Rotherham Minster beyond. LtoR: Francine Else, Helen Royal, Helen Hardwick, Courtney Radford, Stacey Oliver, Lisa Fearn.

After much searching, they came across a Grade II listed building in the town's conservation area. With entrances on High Street and the Minster, it had been the popular department store John Speed's.

The 11,500 sq ft building housed a number of tenants and its owners had gone into receivership. Rise saw the fact that the building would eventually be sold as an opportunity to buy it themselves and find stability for the charity.

Rise moved in on a long-term lease in 2018, developing the spaces for staff, one-to-one counselling and group therapy and opening a cafe on the ground floor to provide income.

"We had found our home. We were invested in the place and were keen to buy it," said Sue. "Becoming the owners would give us security and long-term sustainability, and rent from the tenants would provide further income. But we didn't have a lot of capital.

"We started to scope out the possibility of bank loans and grants, but found both avenues were likely to end at closed doors."

It wasn't looking promising, until Rise went along to an E3M Alchemy event hosted by Rotherham Council.

"It was a catalyst," said Sue. "That's where we met Key Fund. Its knowledge around social investment and support helped us find a way forward. Key Fund went on to lend us £300,000 on a ten-year mortgage at a far better rate than the markets would have given us. It also helped us secure an additional £150,000 from the Co-op Loan Fund, and Co-operative & Community Finance. By November 2019, we were property owners and also landlords."

The charity renamed the building Rise House and uses about two-thirds of the accommodation. It receives rent from two commercial tenants in the building, which goes towards its loan payments. When rental spaces become vacant, the charity now has the option to re-let, or convert them into income-generating or community spaces.

Added Sue: "Becoming the custodian of a prominent building in a conservation area, which has sentimental memories for a lot of people, was also a big learning curve.

"To bring the building up to standard, funding from the Architectural Heritage Fund to secure the services of a Heritage Project Manager, and a grant from The Clothworkers Foundation is enabling us to repair and clean the exterior masonry and repair leaking roofs and will be continuing our conservation work.

"Thanks to Key Fund, we have security. We walk into OUR building now. The charity is more sustainable. We can plan long-term and that includes looking at ways in which the building can generate more income for us."

In Rotherham, a quarter of women and one in six men will experience domestic abuse in their lifetime, according to Rise. A third of the town's population live in the top 20 % most deprived areas across England.

"We believe the need for organisations like us is becoming even more critical. The pandemic made inequalities more acute and now the soaring cost of living is impacting," explained Sue. "For many people living with domestic abuse, financial stability is a barrier to leaving.

"Key Fund's support has put us in a much stronger position. We can now fully focus on helping people and developing our work so we can meet the growing need."

Key Fund, Co-operative & Community Finance and Architectural Heritage Fund are all Responsible Finance members.

In Rotherham, a quarter of women and one in six men will experience domestic abuse in their lifetime, according to Rise.

CDFI Investment

Since 2003 CDFIs have lent over £3.3 billion to nearly 850,000 customers. This includes £1.1 billion of enterprise lending, £1.8 billion of social enterprise lending and £0.4 billion of personal and home improvement lending.

In 2023 CDFIs raised £183 million, 87% of which was for on-lending, 1% for on-granting and the remainder for other purposes.

- **5.2%** Grant (£9.5m)
- **58.1%** Loan (£106.2m)
- **11.5%** Equity (£20.9m)
- **24.9%** Fund Management (£45.5m)
- **0.3%** Other/mixed (£0.6m)

Other investments secured during 2023:

Lloyds Bank: £42m for CIEF 2 through our members BCRS Business Loans, Business Enterprise Fund and Finance For Enterprise (launched in 2024, see page 16)

Block Inc. and ART Business Loans: £2m, plus match from Unity Trust Bank (see page 16)

Ceniarth and Business Enterprise Fund: £1m to support businesses and entrepreneurs in the North East

Ceniarth (with part-guarantee from Fair4All Finance) and Salad Money: £1.2m

City Bridge Foundation: £600,000 for a first loss pilot with personal lenders. The funding is split equally between three CDFIs (Fair Finance, Fair for You and Salad Money), and aims to evidence whether first loss funding can increase access to finance for individuals.

CITR Investment: over £13m raised and £26m deployed during the year

In 2023 75% of SME loans met at least one criteria to be eligible for CITR.
CDFIs raised over £13 million of Community Investment Tax Relief qualifying investment.

CDFIs made £26 million of investments into businesses meeting CITR requirements, which supported some of the UK's most disadvantaged areas, alongside businesses serving or owned by individuals disadvantaged due to ethnicity, gender, age, religion, or other characteristics.

Tax relief drives investment

Investor story

"Community Investment Tax Relief drove a much higher level of financial involvement from us than if it had been just strictly donations," says Tim Stumpff.

Stumpff spent about 25 years in financial services, moving from the US to London in 2014, before retirement in 2021. "My wife had worked in microfinance years ago, and both of us were well aware of the concept. One reason that drove our decision for me to retire from a career in investment management was we both felt an urge to do things that had more of an impact and felt like we wanted to help bring about more immediate positive change."

The couple discovered Purple Shoots and initially made donations in 2021 and 2022 in support of its work backing people with an entrepreneurial spirit. "People want to make their own path and to be able to support themselves. But some people have barriers that others don't and are locked out of the finance or banking system.

"Microfinance allows at least one obstacle to be overcome. Access to finance allows them to build a life and build a future, provide for their kids; it's an empowering way to help people and it's something that so many of us take for granted."

These donations were just the start. "We were not previously aware of CITR until we read about it on the Purple Shoots webpage. CITR was an important factor in deciding to get more involved and invest further. Coupled with the social impact that this is having, the tax deduction that you're able to take on an after-tax basis becomes pretty attractive. it really became compelling for us pretty quickly."

Thanks to CITR, Stumpff and his wife went on to invest £50,000 into Purple Shoots in the past 18 months, more than twice as much as their initial donations.

Investing their own money to do good has become "kind of a full-time job," says Tim. "My wife and I made a very conscious decision to transition our entire portfolio into an entirely impact type of structure over time."

Alongside microfinance they have provided community energy groups with short-term bridge financing, helping them progress before raises such as community share issues, "a fantastic model. I can only hope it continues to grow. Hopefully this or the next government will keep supporting it."

Which brings us back to CITR. Responsible Finance, CDFIs, social investors and other supporters successfully secured legislative change in 2023 to enable CITR to raise more capital for CDFIs.

It's an important tool through which CDFIs raised more than £13 million of qualifying investment in 2023. The changes could add a further £20mn of annual lending capacity to small businesses in deprived areas and enterprises led by individuals who face high barriers to finance. It's vital that more investors like Tim and his wife become aware of it.

What is CITR?

The Community Investment Tax Relief (CITR) scheme encourages investment in disadvantaged communities by giving tax relief to investors who back businesses and other enterprises in less advantaged areas by investing in accredited Community Development Finance Institutions (CDFIs).

CITR provides a tax relief which reduces the investor's income tax or corporation tax liability. The relief is worth up to 25% of the money invested, spread over five years (5% claimable each year), starting with the year in which the investment is made. Read more about CITR on the Responsible Finance website*.

Purple Shoots

A not-for-profit micro-finance organisation and registered charity, our member Purple Shoots is one of 33 CDFIs accredited for CITR and empowers ambitious entrepreneurs. Read about their customer Lucy on page 18.

*https://responsiblefinance.org.uk/the-community-investment-tax-relief-citr/

Surging forward: how to build bigger waves of change

Policymakers, banks, stakeholders, scale up the CDFI sector's impact:

We also want to work with the Government to:

INVEST IN CDFIS

1. A Fair Banking Act

In this General Election year we are calling on all political parties to champion access to affordable finance and commit to a Fair Banking Act in their manifestos.

The Fair Banking Act (FBA) is inspired by the Community Reinvestment Act (CRA) in the US which led to a massive increase in bank funding to institutions which invest in disadvantaged communities, including CDFIs. A Fair Banking Act in the UK would significantly address gaps in access to finance and enable inclusive economic growth.

The Act would make it mandatory for retail banks to report their performance on services to different communities, transparently and publicly.

It would include routes to help banks improve the ratings they were awarded for this performance, including expanding responsible, affordable lending to underserved communities and partnering with CDFIs. Such partnerships would enable CDFIs to scale, fill finance gaps and unlock more prosperity for communities.

We continue to engage with banks with the intention of securing large scale long-term investment.

2. Launch a new British Business Bank (BBB) scheme for community lenders

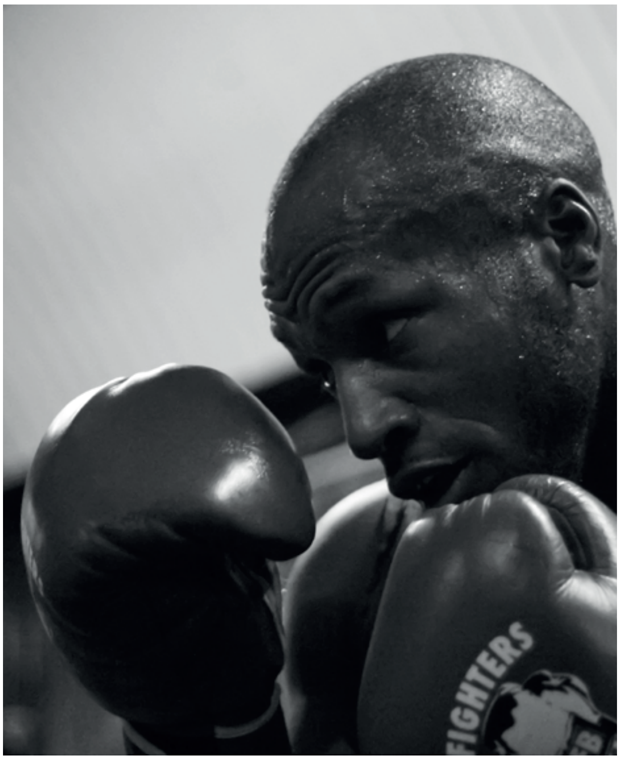
The BBB already provides valued support for CDFIs via a number of its programmes. However, some underserved and under-represented businesses are not able to benefit from these programmes and there remains much more to be done.

A new scheme specifically for CDFI enterprise lenders could be catalytic towards financing a greater proportion of underserved, but fundable, businesses. It will contribute to the BBB's mission to create better finance markets for small businesses.

3. Expand the Community Investment Tax Relief (CITR)

The CITR is designed to incentivise investment into CDFIs and so make more funding available for SME and social enterprise loans. It has been highly successful in achieving this aim. This success could be built on by:

- increasing the wholesale on-lending limit so more investment is covered by CITR
- expanding it to include personal lending, so more households have access to vital credit



4. Unlock legacy funds for CDFIs

Historic schemes such as the Regional Growth Fund (RGF) continue to provide capital for the sector, but they could do much more and at a lower cost to the government. If the remaining £15m of RGF legacy funds – which have already surpassed their targets and are still being lent out by the CDFIs – were endowed to the sector, then an additional £75m of lending capacity would be immediately unlocked. We recommend that government should accelerate this process.

PROMOTE AWARENESS OF CDFIS

5. Improve the effectiveness of the bank referral programme

Given the volumes of small businesses and individual loan applicants that banks interface with, a sure way to ensure more fundable but underserved small businesses and people reach CDFIs is for banks to directly refer their declined customers to CDFIs. However, the current referral systems are not effective in facilitating this flow, and referral fees are often prohibitively high for CDFIs to afford to participate in the platforms. Government could play an important convening role to facilitate a revised referral and signposting scheme that connects declined or underserved bank customers to CDFIs.

6. Expand the credit broking exemptions

Exemptions currently apply to registered social landlords when they refer people in need of affordable credit towards CDFIs. These exemptions should be expanded to include all organisations when making fee free referrals, such as local and national charities which support low income and vulnerable communities, to reroute consumers away from high-cost and illegal lenders towards ethical lenders.

IMPROVE THE LONG-TERM SUSTAINABILITY OF CDFIs

7. Make the Growth Guarantee Scheme permanent

The current loan guarantee scheme has been effective at unlocking finance for SMEs who lack adequate security (which includes women, ethnic minorities, those located in disadvantaged areas and young people). It is now a crucial part of CDFIs' business models and how they manage the risk of lending to underserved businesses. 74% of loans in 2023 were guaranteed by the Recovery Loan Scheme.

Our recommendations for making it more effective are:

- Creating a permanent loan guarantee scheme, rather than the current 2-year commitment, will enable CDFIs to invest over the long term, creating long-term sustainability of their business models
- In addition, reducing the minimum loan size below £25,000, would enable more CDFIs to leverage the guarantee to reach more fundable but underserved businesses

8. Use Dormant Assets for CDFIs

Dormant Assets funding has been very effective in building the capacity of CDFIs to provide affordable lending for the long term. More funds from the dormant assets scheme could be allocated to provide capacity building grants, to provide equity or quasi-equity, as well as capital to CDFIs lending to individuals, small businesses and social enterprises. This use for Dormant Assets could be mirrored across all four nations.

9. Bad debt funding or guarantee for personal lenders

The Recovery Loan Scheme and Growth Guarantee Scheme have been very effective at promoting investment in enterprise-lending CDFIs. We recommend Government explores a similar guarantee or source of first loss funding for personal lenders. We are running a pilot first loss programme with City Bridge Foundation funding which seeks to demonstrate how this policy could be sustainable in the long-term.

CWRT makes Caribbean food dreams reality for Six Sigma entrepreneur

When Esmie Stewart left Vodafone after 12 years she "wanted to do something I love, hospitality. So I went to study for my degree and had to work in the kitchen for the first semester. And I absolutely loved it."

But Esmie was less enamoured by a lack of good quality, authentic Caribbean food in the UK:

"I knew what Caribbean food should be, and most of the food I tasted did not taste like it. It wasn't fresh. You'd go into a restaurant and hear the microwave pinging. I wanted to change that."

So that's what she did. During Esmie's degree at the Birmingham College of Food she worked for a community centre, turning its hospitality arm into a popular, tasty destination. Her cooking skills were backed up by her experience as a process development manager at Vodafone, where she had gained her Six Sigma Green Belt (a lean process qualification). "It's all about streamlining systems to ensure high quality," she says.

Esmie harnessed these skills when she launched her restaurant, Leave it to Esmie, in 2016. Everything went well until she became seriously ill in 2018. Just as she was recovering the pandemic struck:

"The restaurant was all about me, my dreams, everything I wanted people to have. So without me being there and having to rely on staff – who did everything they could – it was quite difficult watching my dream fade away. When we had Covid-19 we had to diversify to survive."

When the final lockdown finished Esmie and some of her team hatched a plan. "We wanted to go and educate people about Caribbean cuisine because some people think it's unhealthy. So we wanted to go out and teach kids and their families to cook on a budget."

Their vision was for a new food truck which could offer delicious street-food at festivals and run educational activities. But there was one problem. “We thought when we did our research, it would cost something like twenty or thirty thousand pounds to get a second-hand truck, fully equipped. But then something happened with Covid. Everybody was going into street food, so the prices just went through the roof.”

Esmie approached Coventry and Warwickshire Reinvestment Trust (CWRT) which was able to support her capital expenditure by providing a £48,000 loan with a 40% (£19,200) grant on top, through the Duplex Investment Fund. She had provided her business plan, financial projections and other information and says CWRT were easy to deal with:

“They asked lots of questions and went through everything with us to make sure it would work and the figures made sense. It was like getting free business consultancy. They want to get you the money, but they want to make sure you can afford it and that your business will survive.

“David was amazing. He didn't push me, he said ‘just take your time, go through it, talk through anything with me, and do not sign unless you understand.’ Which was really good.”

Esmie gave the food truck its first outing in June 2023. “Before the truck we had a catering trailer but it wasn’t fit for purpose, you couldn’t sell much from it. Thanks to the loan and grant, we could buy the truck which has allowed us to double our sales of street food. And with all the pressures on hospitality businesses, we sadly needed to close the restaurant in July 2023, but because we had the truck, we kept everyone in their jobs. And then I've recruited two new people on the truck because we are that busy.”

The truck also advertises Esmie’s catering offer. “People come and taste our food, and then I'm getting a lot of phone calls, can you do my wedding? Can you do my party? We’ve got events booked up for months ahead.”

She also plans to set up family cooking stations during the summer holidays at FarGo Village in Coventry city centre. Recipe boxes are also in development. And Esmie is back living her dream:

“Street food is my passion. I absolutely love it. Absolutely. Going to CWRT was the right move that we made there.”

“They asked lots of questions and went through everything with us to make sure it would work and the figures made sense. It was like getting free business consultancy.”

Appendix – Lending Data

Overall Lending Data

Percentages are calculated based on those that have reported against that category/criteria.

	2023	2022
Amount lent	**£286,930,824**	**£252,225,173**
Number of loans	**90,531**	**94,744**

Loan characteristics	Percentage
Loans to women	**66%**
Loans to Black, Asian and Other Ethnic Minority groups	**11%**
Lending outside London	**89%**

Impact	Number
Total jobs created	**6,571**
Total jobs safeguarded	**5,564**
Total businesses/organisations created	**3,829**
Total businesses/organisations safeguarded	**309**
Total businesses/organisations supported to scale	**353**
Unclaimed benefits identified	**£601,178,472**
Interest saved compared to a high-cost lender	**£28,976,928**

Enterprise Lending Data

	2023	2022
Amount lent	**£102,129,082**	**£81,296,068**
Number of loans	**4,546**	**3,234**

SME Lending

	2023	2022
Amount lent	**£59,837,057**	**£52,270,834**
Number of loans	**821**	**754**

Loan characteristics	2023	2022
Average loan size	**£72,883**	**£69,325**
Average loan term	**54 months**	**57 months**
Businesses rejected for external finance previously	**99%**	**99%**
Percentage of loans backed by government guarantees	**74%**	
Percentage of loans eligible for Community Investment Tax Relief	**75%**	
Percentage of loans made to borrowers in the 35% most disadvantaged areas in the UK	**60%**	

Impact	Number
New businesses created	**97**
Businesses safeguarded	**267**
Businesses helped to scale-up	**265**
New jobs created (Full Time Equivalent)	**3,408**
Jobs safeguarded (Full Time Equivalent)	**4,475**

Business characteristics

Number of employees	Percentage
0 - 9 employees	**69%**
10 - 49 employees	**28%**
50 - 249 employees	**3%**

Business age	Percentage
Less than 1 year old	**24%**
1 - 4 years old	**25%**
5 - 9 years old	**26%**
10 - 50 years old	**24%**
50+ years old	**1%**

Sector	Percentage
Manufacturing	11%
Construction	8%
Wholesale & Retail Trade And Repair	21%
Accommodation & Food Service Activities	10%
Information & Communication	4%
Financial & Insurance Activities	3%
Professional, Scientific & Technical Activities	6%
Admin & Support Service Activities	4%
Human Health & Social Work Activities	7%
Arts, Entertainment & Recreation	2%
Other Service Activities	16%
Other	8%

Region	Percentage
East Midlands	7%
East of England	2%
London	2%
North East	10%
North West	11%
South East	5%
South West	10%
West Midlands	21%
Yorkshire and the Humber	16%
Scotland	6%
Wales	10%

Customer characteristics

Gender	Percentage
Women	30%
Men	70%

Ethnicity	Percentage
White	**83%**
Mixed/Multiple ethnic groups	**2%**
Asian/Asian British	**9%**
Black/African/Caribbean/Black British	**4%**
Any other ethnic group	**2%**

Age	Percentage
18 – 24	**2%**
25 – 30	**8%**
31 – 49	**55%**
50+	**35%**

Start-Up Lending

	2023	2022
Amount lent	**£42,292,025**	**£29,025,234**
Number of loans	**3,725**	**2,480**

Loan characteristics	2023	2022
Average loan size	**£11,354**	**£11,704**
Average loan term	**34 months**	**57 months**
Percentage of loans made to borrowers in the 35% most disadvantaged areas in in the UK	**16%**	
Percentage of loans made to borrowers who were unemployed before applying for a start-up loan	**18%**	

Impact	Number
New businesses created	**3,725**
New jobs created (Full Time Equivalent)	**3,003**
Jobs safeguarded (Full Time Equivalent)	**927**

Customer characteristics

Gender	Percentage
Women	**43.8%**
Men	**55.6%**
Non-binary	**0.2%**
Other	**0.3%**

Ethnicity	Percentage
White	**75%**
Mixed/Multiple ethnic groups	**6%**
Asian/Asian British	**10%**
Black/African/Caribbean/Black British	**7%**
Any other ethnic group	**2%**

Age	Percentage
18 – 24	**9%**
25 – 30	**24%**
31 – 49	**56%**
50+	**11%**

Personal Lending Data

	2023	2022
Amount lent	**£61,898,291**	**£49,460,024**
Number of loans	**85,208**	**90,629**

Loan characteristics	2023	2022
Average loan size	**£726**	**£546**
Number of loan applications	**1,010,594**	**1,016,628**
Number of declined loan applications	**855,617**	**784,807**
Total value of loan applications	**£761,102,612**	**£433,469,298**
Total value of declined loan applications	**£686,773,075**	**£165,920,654**
Percentage of declined applications	**85%**	**77%**
Percentage of loans less than £1,000	**80%**	**72%**

Impact	Number
Number of customers signposted	**660,127**
Amount of unclaimed benefits identified	**£601,178,472**
Percentage of applicants with unclaimed benefits	**59%**
Average unclaimed benefits	**£4,203**
Average monthly unclaimed benefits	**£350**
Number of individuals with unclaimed benefits	**143,050**
Total interest saved compared to a high-cost lender	**£28,976,928**
Average interest saved on a £500 loan over six months	**£340**

Loan purpose	Percentage
Paying essential bills and expenses	**25.8%**
Paying for an appliance/white goods	**20.8%**
Paying for furniture and electrical items	**26.9%**
Paying off/consolidating other debts	**1.4%**
Paying for transportation	**4.1%**
Paying for special occasions	**8.5%**
Paying a rental deposit or moving house	**0.5%**
Paying for home improvements	**9.2%**
Other	**2.9%**

Customer characteristics

Gender	Percentage
Women	**67%**
Men	**33%**

Ethnicity	Percentage
White	**91%**
Mixed/Multiple ethnic groups	**2%**
Asian/Asian British	**1%**
Black/African/Caribbean/Black British	**5%**
Any other ethnic group	**2%**

Age	Percentage
18 - 24	**4%**
25 - 34	**26%**
35 - 44	**36%**
45 - 64	**32%**
65 - 74	**2%**
75+	**1%**

Housing type	Percentage
Social housing tenants	**49%**
Private rental tenants	**30%**
Owner occupiers	**10%**
Living with friends/family	**9%**
Other	**3%**

Employment status	Percentage
Unemployed	**24.1%**
Self-employed	**1.8%**
Employed	**72.9%**
Of those employed, those that received benefits (as well as employment income)	**31.2%**
Of those employed, those in part-time work (if recorded)	**17.9%**
Of those employed, those full-time work (if recorded)	**23.3%**
Of those employed, status not recorded	**27.6%**
Student	**0.0%**
Retired	**0.7%**
Other	**0.4%**

Income level	Percentage
< £13,900	**8%**
£13,901 - £16,200	**7%**
£16,201 - £18,600	**10%**
£18,601 - £21,300	**14%**
£21,301 - £25,000	**19%**
£25,001 - £30,000	**18%**
£30,010 - £31,000	**2%**
£31,000 +	**22%**

Other borrower characteristics	Percentage
Used a high-cost credit provider in the last year	**55%**
Lone parent with child(ren) under 18	**30%**
Couple with a child(ren) under 18	**20%**
Living with a disability	**39%**
Benefit recipient	**46%**
Located in 35% most disadvantaged areas of the UK	**39%**

Region	Percentage
East Midlands	**7%**
East of England	**6%**
London	**11%**
North East	**10%**
North West	**16%**
South East	**11%**
South West	**6%**
West Midlands	**10%**
Yorkshire and the Humber	**4%**
Scotland	**9%**
Wales	**8%**
Northern Ireland	**2%**

Home Improvement Lending Data

	2023	2022
Amount lent	**£4,367,889**	**£4,333,586**
Number of loans	**406**	**465**

Loan purpose	Percentage
Making general repairs	**55%**
Converting an empty property	**4%**
Making energy efficiency upgrades/retrofitting	**34%**
Making adaptations (eg. for a disability)	**1%**
Other	**6%**

Region	Percentage
South West	**53%**
Wales	**47%**

Social Enterprise Lending

	2023	2022
Amount lent (CDFIs only)	**£35,802,123**	**£11,235,495**
Number of loans (CDFIs only)	**236**	**200**
Amount lent (including social banks)	**£118,535,562**	**£117,135,495**
Number of loans (including social banks)	**371**	**416**

Loan characteristics	2023	2022
Average loan size (CDFIs only)	**£151,704**	**£56,177**
Average loan size (including social banks)	**£319,503**	**£281,576**
Percentage of loans made to borrowers in the 35% most disadvantaged areas in the UK	**38%**	

Impact	Number
New organisations created	**7**
Organisations safeguarded	**42**
Organisations helped to scale-up	**88**
New jobs created (Full Time Equivalent)	**160**
Jobs safeguarded (Full Time Equivalent)	**162**

Organisation characteristics

Number of employees	Percentage
0 - 9 employees	**63%**
10 - 49 employees	**34%**
50 - 249 employees	**3%**

Organisation age	Percentage
Less than 1 year old	**16%**
1 - 4 years old	**33%**
5 - 9 years old	**18%**
10 - 50 years old	**31%**
50+ years old	**2%**

Sector	Percentage
Employment, education and training	**14%**
Community services	**16%**
Access to finance	**7%**
Health, care and social care	**10%**
Leisure, tourism and sport	**11%**
Housing and accommodation	**2%**
Arts, creative and digital services	**13%**
Childcare	**1%**
Advisory services	**3%**
Physical health	**2%**
Environment and recycling	**4%**
Other	**17%**

Region	Percentage
East Midlands	2%
East of England	2%
London	7%
North East	6%
North West	9%
South East	3%
South West	4%
West Midlands	3%
Yorkshire and the Humber	17%
Scotland	33%
Wales	13%
Northern Ireland	0.4%

Customer characteristics

Gender	Percentage
Women	47%
Men	49%
Other	4%

Ethnicity	Percentage
White	98%
Asian/Asian British	1%
Black/African/Caribbean/Black British	1%

CDFIs:

Type of funding	Amount	Percentage
Grant	£9,544,846	5.2%
Loan	£106,289,875	58.1%
Equity	£20,981,292	11.5%
Fund management	£45,500,000	24.9%
Other/mixed	£590,134	0.3%

Source of funding	Amount	Percentage
Social bank	£20,800,000	11.4%
Trust/foundation	£5,065,000	2.8%
Local authority	£9,571,534	5.2%
Challenger bank/fintech	£20,000,000	10.9%
Dormant asset body	£17,838,875	9.8%
Business development bank	£47,500,000	26.0%
High street bank	£17,048,000	9.3%
Other CDFI	£21,338,000	11.7%
Devolved government	£3,000,000	1.6%
Individual	£48,000	0.0%
Central government	£2,875,000	1.6%
Other	£17,821,738	9.7%

Purpose of funding	Percentage
On-lending	87%
On-granting	1%
Capacity building of CDFI	1%
Other	11%

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Thank You

Thank you to the CDFIs who contributed to Responsible Finance's annual impact survey:

Three ways you can continue to build the CDFI waves of change

ENGAGE

Engage with members of parliament to advocate for policy changes.

INVEST

Invest in CDFIs so they can achieve more impact in local communities.

PROMOTE

Promote CDFIs so more people and enterprises know they are an option.

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