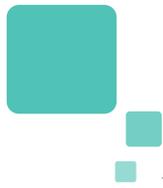


6. An initial summary of all overdraft and loan events



This chapter provides

the full definition of each borrowing event together with summary tables of their occurrence. Subsequent chapters then investigate in more detail, and over time. The chapter covers the individual waves of interviews conducted to date. In each wave, SMEs have been asked about borrowing events in the previous 12 months, so overall, borrowing events may have occurred from Q2 2010 to Q4 2016. Where year-ending data is provided this is YEQ4 2016.



Key findings

Demand for new or renewed loans or overdrafts continued to decrease. In 2016, 5% of SMEs reported such an event, down from 11% in 2012.

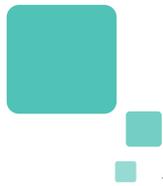
- Excluding the PNBs with no apparent appetite for finance increases the proportion that have applied to 9% for 2016 but this too has declined over time (it was 16% in 2012).
- The decline has been seen across size band, risk rating and sector.

3% of all SMEs had applied for a new/renewed overdraft facility (down from 8% in 2012) while 2% had applied for a new or renewed loan (down from 4%). A further 7% of SMEs reported the automatic renewal of an overdraft.

10% of SMEs had applied for another form of finance (leasing, credit cards etc) increasing by size of SME to 1 in 5 of those with 10-249 employees. The proportion applying for such funding has also declined somewhat over time, from 15% in 2012.

Overall, in 2016, 80% of SMEs had neither had a loan or overdraft event (including an automatic renewal of an overdraft) nor had they applied for any of the other forms of finance. This is up from the 68% reporting no activity in 2012.

- The proportion reporting either a loan/overdraft event or an application for one of the other forms of finance declined from 26% in 2012 to 17% in 2016.
- The proportion reporting both a loan/overdraft event and an application for one of the other forms of finance declined from 6% in 2012 to 3% in 2016.



All SMEs reported on activities occurring in the 12 months prior to interview concerning borrowing on loan or overdraft. These borrowing events have been split into three types, defined as follows:

- Type 1, where the SME had applied for a new facility or to renew/roll over an existing facility
- Type 2, where the bank had sought to cancel an existing borrowing facility or renegotiate an existing facility
- Type 3, where the SME had sought to reduce an existing borrowing facility or pay off an existing facility.

This chapter provides analysis on loan and overdraft events reported in interviews conducted to YE Q4 2016. This provides bigger base sizes and more granularity for sub-group analysis, such as by employee size band. Where possible, analysis has also been shown over time. This chapter also now includes the analysis of applications made for other forms of finance, previously reported in Chapter 5.

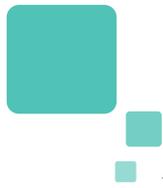
The rolling aggregate of demand/activity

The table below shows the percentage of all SMEs interviewed in recent quarters that reported a loan or overdraft borrowing event in the 12 months prior to interview. Type 1 events remained the most common. In the second half of 2016 SMEs have been somewhat less likely to report a borrowing event:

Borrowing events in the previous 12 months

All SMEs– over time	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By date of interview	2014	2015	2015	2015	2015	2016	2016	2016	2016
Unweighted base:	5024	5038	5001	5004	5003	4500	4500	4500	4500
Type 1: New application/renewal	7%	8%	7%	8%	7%	6%	6%	4%	4%
Applied for new facility (any)	4%	5%	3%	4%	4%	3%	3%	2%	3%
Renewed facility (any)	4%	4%	4%	4%	4%	3%	3%	2%	2%
Type 2: Cancel/renegotiate by bank	3%	4%	3%	3%	3%	2%	2%	1%	2%
Type 3: Chose to reduce/pay off facility	1%	3%	2%	2%	2%	1%	1%	*	1%

Q25/26 All SMEs



In the previous chapter of this report it was noted that almost half of SMEs met the definition of a Permanent non-borrower and therefore appeared disinclined to use external finance. The table below excludes these PNBs from the sample, and shows the higher proportion of remaining SMEs that have had an event as a result.

In Q4 2016, 7% of SMEs (excluding the PNBs) reported a Type 1 event in the 12 months prior to interview, unchanged from Q3 2016 but lower than has been seen in recent quarters:

Borrowing events in the previous 12 months

All SMEs, excluding PNBs over time	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By date of interview	2014	2015	2015	2015	2015	2016	2016	2016	2016
Unweighted base:	3153	3220	3195	3258	3338	2854	3008	2755	3017
Type 1: New application/renewal	13%	15%	13%	14%	12%	11%	10%	7%	7%
Applied for new facility (any)	8%	10%	6%	8%	6%	6%	6%	4%	5%
Renewed facility (any)	8%	7%	8%	8%	7%	6%	6%	4%	3%
Type 2: Cancel/reneegotiate by bank	6%	8%	6%	5%	5%	5%	5%	3%	4%
Type 3: Chose to reduce/pay off	2%	6%	3%	3%	3%	2%	2%	1%	2%

Q25/26 All SMEs



Events in the 12 months prior to interview, by key demographics

The remainder of this chapter looks in more detail at the types of SME that were more or less likely to report any of the loan or overdraft events specified. In order to provide robust sub-sample groups, these are reported below for YEQ4 2016, and, unless otherwise stated, are based on all SMEs.

The table below shows how SMEs with employees remained more likely to have experienced a Type 1 event:

Borrowing events in the previous 12 months		0	1-9	10-49	50-249
YEQ4 16 all SMEs	Total	emp	emps	emps	emps
Unweighted base:	18,000	3600	5800	5800	2800
Type 1: New application/renewal	5%	4%	7%	9%	8%
Applied for new facility (any)	3%	2%	4%	4%	3%
- applied for new loan	1%	1%	2%	3%	2%
- applied for new overdraft	2%	2%	2%	2%	1%
Renewed facility (any)	2%	2%	4%	6%	6%
- renewed existing loan	1%	*	1%	2%	2%
- renewed existing overdraft	2%	1%	4%	5%	4%
Type 2: Cancel/renege by bank	2%	2%	3%	4%	4%
Bank sought to renegotiate facility (any)	1%	1%	2%	3%	3%
- sought to renegotiate loan	1%	1%	1%	1%	2%
- sought to renegotiate overdraft	1%	1%	1%	2%	1%
Bank sought to cancel facility (any)	1%	1%	1%	1%	1%
- sought to cancel loan	1%	1%	1%	1%	1%
- sought to cancel overdraft	*	*	1%	1%	1%
Type 3: Chose to reduce/pay off facility	1%	1%	2%	2%	1%
- reduce/pay off loan	1%	*	1%	1%	1%
- reduce/pay off overdraft	*	*	1%	1%	1%

Q25/26 All SMEs – does not include automatic renewal of overdraft facilities



Excluding those SMEs with no employees increases the incidence of Type 1 events to 7% of SMEs with employees, of Type 2 events to 3% and of Type 3 events to 2%.

Experience of events varied relatively little by risk rating, albeit those with a better risk rating were somewhat more likely to report a Type 1 event:

Borrowing events in the previous 12 months

YEQ4 16 – all SMEs	Total	Min	Low	Avg	Worse/ Avg
Unweighted base:	18,000	2999	5535	4040	3877
Type 1: New application/renewal	5%	6%	7%	4%	4%
Applied for new facility (any)	3%	3%	3%	2%	3%
- applied for new loan	1%	1%	1%	1%	1%
- applied for new overdraft	2%	2%	2%	1%	2%
Renewed facility (any)	2%	4%	4%	3%	2%
- renewed existing loan	1%	1%	1%	1%	*
- renewed existing overdraft	2%	4%	3%	2%	1%
Type 2: Cancel/renege by bank	2%	3%	3%	2%	2%
Bank sought to renegotiate facility (any)	1%	2%	2%	2%	1%
- sought to renegotiate loan	1%	2%	1%	1%	1%
- sought to renegotiate overdraft	1%	1%	1%	1%	1%
Bank sought to cancel facility (any)	1%	1%	1%	1%	1%
- sought to cancel loan	1%	1%	1%	1%	1%
- sought to cancel overdraft	*	*	1%	*	*
Type 3: Chose to reduce/pay off facility	1%	1%	1%	1%	1%
- reduce/pay off loan	1%	1%	1%	1%	1%
- reduce/pay off overdraft	*	*	1%	*	*

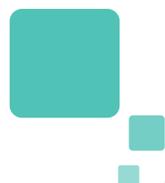
Q25/26 All SMEs with external risk rating



Those in Agriculture remained somewhat more likely to report a Type 1 event:

Borrowing events in last 12 months									
YEQ4 16 – all SMES	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	1200	1501	3199	1804	1203	1999	3597	1497	2000
Type 1: New application/ renewal	9%	5%	5%	8%	7%	3%	3%	4%	6%
Applied for new facility (any)	5%	3%	3%	4%	4%	1%	2%	1%	4%
- applied for new loan	3%	1%	2%	2%	3%	1%	1%	1%	1%
- applied for new overdraft	3%	2%	2%	2%	2%	1%	1%	1%	2%
Renewed facility (any)	6%	3%	2%	5%	3%	2%	1%	3%	3%
- renewed existing loan	2%	1%	*	1%	1%	1%	*	1%	*
- renewed existing overdraft	5%	3%	1%	4%	3%	1%	1%	2%	2%
Type 2: Cancel/ renegotiate by bank	6%	3%	2%	2%	3%	2%	1%	2%	3%
Bank sought to renegotiate facility (any)	4%	2%	1%	1%	2%	1%	1%	2%	2%
- sought to renegotiate loan	2%	1%	1%	1%	1%	1%	*	1%	1%
- sought to renegotiate overdraft	2%	1%	1%	1%	1%	*	*	1%	1%
Bank sought to cancel facility (any)	2%	1%	1%	1%	2%	1%	*	*	1%
- sought to cancel loan	1%	1%	1%	1%	1%	1%	*	*	1%
- sought to cancel overdraft	1%	1%	1%	*	*	*	*	*	*
Type 3: Chose to reduce/ pay off facility	1%	1%	1%	2%	1%	1%	1%	*	1%
- reduce/pay off loan	1%	*	1%	1%	1%	1%	1%	*	*
- reduce/pay off overdraft	*	1%	*	1%	*	*	*	*	*

Q25/26 All SMEs



The table below repeats this detailed analysis for all SMEs once the Permanent non-borrowers have been excluded from the SME population. The incidence of Type 1 events (applications/renewals) increases as a result from 5% to 9% of remaining SMEs:

Borrowing events in the previous 12 months		Total	All excl. PNBs
YEQ4 16 – all SMEs			
Unweighted base:		18,000	11,634
Type 1: New application/renewal		5%	9%
Applied for new facility (any)		3%	5%
- applied for new loan		1%	3%
- applied for new overdraft		2%	3%
Renewed facility (any)		2%	5%
- renewed existing loan		1%	1%
- renewed existing overdraft		2%	4%
Type 2: Cancel/renege by bank		2%	4%
Bank sought to renegotiate facility (any)		1%	3%
- sought to renegotiate loan		1%	1%
- sought to renegotiate overdraft		1%	1%
Bank sought to cancel facility (any)		1%	2%
- sought to cancel loan		1%	1%
- sought to cancel overdraft		*	1%
Type 3: Chose to reduce/pay off facility		1%	2%
- reduce/pay off loan		1%	1%
- reduce/pay off overdraft		*	1%

Q25/26 All SMEs/all excluding the Permanent non-borrowers



Other business demographics showed limited variation in incidence of a Type 1 event YEQ4 2016:

Demographic	Incidence of Type 1 events reported YEQ4 2016
Age of business	The incidence of Type 1 events varied only slightly by age of business (4-6%).
Profitable SMEs	Those who had made a loss were more likely to report a borrowing event (9%), compared to those who had made a profit (5%) or broken even (3%).
Growth	Those who had either grown by 20% or more or declined in size in the past year were slightly more likely to have had a Type 1 event: Grown 20%+ 8% Grown by less than this 5% Stayed the same size 4% Declined 7%.
Importers/exporters	Those engaged in international trade were slightly more likely to have had an event (7%) than those who were not (4%).

The next analysis focuses specifically on Type 1 events and on the SMEs more or less likely to report such an event over time.

The first table below shows the proportion reporting a Type 1 event over recent quarters, overall and by key demographics. This shows a broadly stable picture to Q4 2015 followed by declining levels of application in 2016 primarily due to SMEs with employees.

The subsequent table takes the longer term view from 2012. This shows that Type 1 borrowing events (a new or renewed loan or overdraft facility) have halved from 11% of all SMEs in 2012 to 5% in 2016, and across all size and risk rating bands. Since 2012, the proportion of PNBs (who by definition have not had a Type 1 event) has increased, but even amongst remaining SMEs the proportion reporting an event has declined from 16% to 9%.



Had any Type 1 event

New application/renewal

By date of interview	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Over time – row percentages	2014	2015	2015	2015	2015	2016	2016	2016	2016
All SMEs	7%	8%	7%	8%	7%	6%	6%	4%	4%
0 employee	5%	6%	4%	7%	5%	4%	5%	3%	4%
1-9 employees	12%	12%	13%	10%	12%	9%	8%	5%	6%
10-49 employees	12%	16%	12%	11%	13%	12%	10%	6%	9%
50-249 employees	12%	9%	10%	8%	13%	10%	8%	6%	6%
Minimal external risk rating	9%	5%	8%	7%	11%	6%	6%	6%	5%
Low external risk rating	8%	10%	10%	13%	9%	10%	7%	4%	6%
Average external risk rating	6%	6%	7%	8%	7%	6%	5%	4%	3%
Worse than average external risk rating	7%	8%	4%	5%	6%	5%	5%	3%	4%
Agriculture	14%	10%	13%	15%	10%	11%	5%	12%	7%
Manufacturing	11%	9%	6%	10%	12%	7%	7%	5%	3%
Construction	6%	4%	4%	6%	5%	6%	6%	2%	4%
Wholesale/Retail	10%	12%	8%	15%	6%	10%	7%	7%	7%
Hotels & Restaurants	8%	11%	8%	7%	16%	9%	9%	6%	5%
Transport	5%	7%	6%	6%	6%	5%	4%	2%	2%
Property/Business Services etc.	6%	7%	6%	5%	6%	2%	4%	2%	5%
Health	6%	6%	3%	5%	7%	4%	5%	2%	4%
Other Community	5%	8%	10%	9%	7%	7%	8%	5%	2%
All SMEs excluding Permanent non-borrowers	13%	15%	13%	14%	12%	11%	10%	7%	7%

Q26 All SMEs: base size varies by category



The longer term view shows the decline in Type 1 borrowing events (a new or renewed loan or overdraft facility) from 2012:

Type 1 borrowing events					
Over time – all SMEs					
Row percentages	2012	2013	2014	2015	2016
All	11%	8%	8%	7%	5%
0 emp	9%	6%	6%	5%	4%
1-9 emps	16%	13%	12%	12%	7%
10-49 emps	19%	15%	15%	13%	9%
50-249 emps	19%	14%	12%	10%	8%
Minimal external risk rating	13%	9%	10%	8%	6%
Low	13%	10%	9%	11%	7%
Average	10%	7%	7%	7%	4%
Worse than average	11%	7%	7%	6%	4%
Agriculture	18%	13%	14%	12%	9%
Manufacturing	11%	9%	10%	9%	5%
Construction	10%	7%	7%	5%	5%
Wholesale/Retail	14%	10%	10%	10%	8%
Hotels & Restaurants	16%	12%	9%	11%	7%
Transport	10%	9%	6%	6%	3%
Property/ Business Services	10%	6%	6%	6%	3%
Health	6%	5%	6%	5%	4%
Other	10%	5%	8%	8%	6%
All excl PNBs	16%	13%	13%	13%	9%

Q26 All SMEs



The remainder of this chapter provides some further information on the proportion of SMEs that reported a Type 1 new or renewed loan or overdraft event in the 12 months prior to interview, both over time and by key demographics. It also includes data on the proportion of overdrafts that have been ‘automatically renewed’ by the bank, rather than a formal review being conducted (something which has not been included in the data reported in the first part of this chapter).

Type 2 (bank cancellation or renegotiation) and Type 3 (SME reducing/repaying facility) events remained rare and at stable levels. No further detail is therefore provided on these events in this report, and from Q3 2014 no further questions were asked about the detail of these events. This will be reviewed should the proportion of SMEs reporting such events start to increase.

Subsequent chapters of this report investigate those SMEs that have applied for a new overdraft or loan facility or to renew an existing one (a Type 1 event), and the outcome of that application by application date.

- SMEs were only asked these follow up questions for a maximum of one loan and one overdraft event. Those that had experienced more than one event in a category were asked which had occurred most recently and were then questioned on this most recent event. Base sizes may therefore differ from the overall figures reported above.

While reflecting on these events, it is important to bear in mind that 37% of SMEs currently use external finance while less than 1 in 10 reported one of the Type 1 borrowing ‘events’ in the previous 12 months. Indeed, around half of SMEs might be considered to be outside the borrowing process – the Permanent non-borrowers described earlier.

A later chapter reports on those SMEs that had not had a borrowing event in the 12 months prior to interview, and explores why this was the case.



Loan and overdraft applications

As the table below shows, the proportion of SMEs having had any Type 1 **overdraft** event in the 12 months prior to interview has been fairly stable over recent quarters, but with somewhat lower results for the second half of 2016. This was also true once the Permanent non-borrowers were excluded:

Overdraft events in previous 12 months

All SMEs– over time By date of interview	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Unweighted base:	5024	5038	5001	5004	5003	4500	4500	4500	4500
Applied for a new overdraft	2%	3%	2%	2%	2%	2%	2%	1%	2%
Renewed an existing overdraft	3%	3%	3%	4%	3%	3%	3%	2%	1%
Any Type 1 overdraft event	5%	5%	4%	5%	5%	4%	4%	2%	3%
Any Type 1 overdraft event excluding PNBs	9%	10%	9%	10%	9%	8%	8%	5%	5%

Q26 All SMEs



The incidence of Type 1 **loan** events in the 12 months prior to interview was lower in all four quarters of 2016 than in 2015:

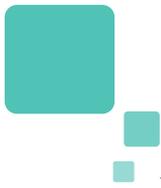
Loan events in previous 12 months

All SMEs – over time By date of interview	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Unweighted base:	5024	5038	5001	5004	5003	4500	4500	4500	4500
Applied for a new loan	2%	3%	2%	2%	2%	1%	2%	1%	1%
Renewed an existing loan	1%	1%	1%	2%	1%	1%	1%	*	1%
Any Type 1 loan event	3%	4%	3%	4%	3%	2%	2%	2%	2%
Any Type 1 loan event excl PNBs	6%	7%	5%	7%	5%	4%	4%	3%	3%

Q26 All SMEs

Looking at the longer term picture, since 2012 there has been a decline in Type 1 applications for both loans and overdrafts, both overall and once the PNBs were excluded:

Type 1 borrowing events					
Over time – all SMEs	2012	2013	2014	2015	2016
Any Type 1 overdraft event	8%	6%	5%	5%	3%
Any Type 1 loan event	4%	3%	3%	3%	2%
Any Type 1 overdraft (excl PNBs)	12%	10%	9%	9%	6%
Any Type 1 loan (excl PNBs)	6%	5%	6%	6%	4%



Further analysis was undertaken to explore the proportion of applications being made in each quarter, in order to establish whether any change in demand for Type 1 loan/overdraft finance can be identified. Respondents have had fewer opportunities to nominate a Type 1 borrowing event that occurred in Q4 2016 (which has only appeared as an option in one quarter of the SME Finance Monitor), compared to other quarters like Q4 2015 which has appeared as an option in 5 quarters (the maximum number possible).

If all applications made and reported from Q3 2014 to Q4 2016 had been distributed evenly over that period then a quarter of them should have been made in H2 2014, half of them in 2015 and a quarter of them in 2016. Both loans and overdrafts were somewhat more prevalent in 2014 and 2015 than in 2016 to date:

- 26% of relevant overdraft applications occurred in H2 2014, 54% in 2015 but 21% in 2016 to date (v 25% for an even distribution).
- 28% of relevant loan applications occurred in H2 2014, 50% in 2015 and 22% in 2016 to date (v 25% for an even distribution).

Those that reported a Type 1 event were asked whether the application was made in the name of the business or a personal name. For YEQ4 2016:

- 13% of overdraft applications reported were made in a personal name, while for loans the figure was 21% (excluding DK answers).
- In both instances applicants with 0 employees were much more likely to have applied in a personal name (19% for overdrafts and 30% for loans) and more than 8 in 10 of all applications in a personal name were from 0 employee SMEs.
- For context, this means that for YEQ4 2016, the equivalent of less than 1% of **all** SMEs reported making an overdraft or loan application in their personal name, in the 12 months prior to interview.



Overdraft events – definition and further clarification

Overdrafts are usually granted for a period of 12 months or less, but it was apparent in early Monitor reports that not all overdraft users reported having had an overdraft ‘event’ in the 12 months prior to interview.

To explore this further, SMEs that had reported having an overdraft facility but that had *not* subsequently mentioned any overdraft event were asked whether, in the previous 12 months, their bank had automatically renewed their overdraft facility at the same level, for a

further period, without their having to do anything.

The results for YEQ4 2016 are reported below and show that almost half of overdraft holders (45%) reported that they had had such an automatic renewal, the equivalent of 7% of all SMEs. The analysis also shows a third of SMEs with an overdraft reporting neither an overdraft event nor an automatic overdraft renewal in the past 12 months:

Any overdraft activity	All with overdraft	All SMEs
YEQ4 16		
<i>Unweighted base:</i>	3803	18,000
Had an overdraft ‘event’	20%	3%
Had automatic renewal	45%	7%
Neither of these but have overdraft	36%	6%
No overdraft	-	84%

Q15/ 26/26a All SMEs who now have an overdraft/all SMEs

Additional questions provide some further detail on these automatic renewals:

- For YEQ4 2016, 19% of those reporting an automatic renewal said that the facility was in a personal name (slightly higher than for other overdraft applications, where 13% were in a personal name).
- The proportion of automatic renewals that were in a personal name has varied over time. Analysis by when the automatic renewal took place (rather than when it was reported) shows that in 2013, 21% of renewals that took place were in a personal name, but that since then the proportion has been somewhat lower (it was 13% for 2014, 15% for 2015 and 12% for those occurring in 2016 to date).



Back in 2012, 50% of SMEs with an overdraft said that it had been automatically renewed, the equivalent of 11% of all SMEs. During 2013 and 2014 the proportion experiencing an automatic renewal was somewhat lower, but in 2015 the proportion reporting an automatic renewal increased to 48% for the year as a whole. It was somewhat lower for 2016 (45%):

Experienced an automatic renewal in previous 12 mths

By date of interview – over time	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Row percentages	2014	2015	2015	2015	2015	2016	2016	2016	2016
SMEs with overdraft	39%	46%	50%	44%	49%	44%	48%	52%	38%
‘All SMEs’ equivalent	6%	8%	8%	7%	9%	6%	8%	8%	8%

Q15/ 26/26a All SMEs who now have an overdraft/all SMEs

Over time, with fewer SMEs having an overdraft facility at all, the proportion of total overdraft *activity* (i.e. an event or a renewal) which was accounted for by a borrowing event has declined somewhat. In both 2012 and 2013, 40% of overdraft activity was an ‘event’. In 2015 the proportion was 37% and for 2016 it was 31%.



The analysis below looks at which types of business with an overdraft were more likely to have an overdraft ‘event’, based on YEQ4 2016 data to ensure robust base sizes.

For SMEs with an overdraft facility, overdraft ‘events’ made up a higher proportion of overdraft ‘activity’ if they had employees:

Overdraft activity		0	1-9	10-49	50-249
YEQ4 16 – All with overdraft	Total	emp	emps	emps	emps
Unweighted base:	3803	547	1183	1394	679
Had an overdraft ‘event’	20%	17%	26%	26%	21%
Had automatic renewal	45%	45%	47%	41%	31%
% of overdraft activity that was ‘event’	31%	27%	36%	39%	40%
Neither of these but have overdraft	36%	39%	28%	32%	48%

Q15/ 26/26a All SMEs

Analysis by external risk rating shows the proportion of activity that was an ‘event’ was higher for those with a better risk rating:

Overdraft activity					Worse/
YEQ4 16 – All with overdraft	Total	Min	Low	Avge	Avge
Unweighted base:	3803	593	1288	957	667
Had an overdraft ‘event’	20%	25%	26%	18%	17%
Had automatic renewal	45%	37%	47%	47%	41%
% of overdraft activity that was ‘event’	31%	40%	36%	28%	29%
Neither of these but have overdraft	36%	38%	27%	35%	42%

Q15/ 26/26a All SMEs



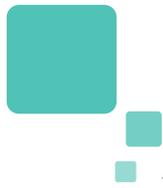
Analysis by sector showed that the proportion of overdraft ‘activity’ made up by an ‘event’ varied from 40% of those with an overdraft in Wholesale/Retail or Hotels & Restaurants to 24% in Transport:

Overdraft activity									
YEQ4 16 – All with overdraft	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	363	323	740	422	205	396	687	292	375
Had an overdraft ‘event’	25%	20%	18%	30%	29%	12%	17%	17%	21%
Had automatic renewal	40%	51%	46%	45%	44%	38%	47%	38%	47%
% of overdraft activity that was ‘event’	38%	28%	28%	40%	40%	24%	27%	31%	31%
Neither of these but have overdraft	35%	29%	37%	26%	27%	50%	36%	45%	32%

Q15/ 26/26a All SMEs

The answers to these questions reflect the SME’s perception of how their business overdraft facility had been managed by their bank. Given the low level of ‘events’ reported generally, these SMEs with an automatic renewal form a substantial group and, from Q2 2012, they have answered further questions about this automatic renewal.

The definition of ‘having a borrowing event’ has been adjusted to include these automatic renewals (see Chapter 11) and data is available on the security and fees relating to these automatically renewed overdraft facilities (see Chapter 10).



Recent applications for other forms of finance

The majority of this report focuses on activity around loans and overdrafts. For a complete picture of external finance applications in the 12 months prior to interview, an overview is provided below of applications for other forms of funding and the extent to which these were successful.

Overall a small minority of SMEs had applied for other forms of finance, with larger SMEs more likely to have applied, notably for leasing:

Other finance applied for	Total		Applied for			
	Applied	% success	0 emp	1-9 emps	10-49 emps	50-249 emps
YEQ4 16 – all SMEs	18,000	varies	3600	5800	5800	2800
<i>Unweighted base:</i>						
Leasing/Hire purchase/vehicle finance	4%	84%	3%	7%	11%	11%
Credit cards	3%	81%	3%	4%	6%	6%
Loans from family/friends or directors	3%	78%	2%	4%	4%	2%
Grants	2%	53%	2%	3%	5%	4%
Equity from family/friends or directors	1%	53%	1%	2%	2%	2%
Invoice finance	1%	56%	1%	2%	4%	5%
Loans from other 3 rd parties	1%	51%	1%	2%	2%	2%
Any of these	10%		8%	15%	21%	19%

Q222 All SMEs

The proportion of SMEs applying for any of these forms of finance has declined somewhat over time – in 2012, 15% had applied, dropping to 13% for 2014 and 2015 and then 10% for 2016.

Half or more of applicants for these types of funding were successful, with larger SMEs (10-249 employees) that applied generally more likely to be successful. Success rates in 2016 have typically been somewhat lower than in 2015.

SMEs that are companies were also asked about equity from other third parties. 1% had applied for such finance.



In a series of questions asked for the first time in 2015, respondents were asked in more detail about these other forms of finance:

Applications for other forms of finance YEQ4 2016

Net applications for facilities	<p>10% reported an application for one or more of these other forms of finance. As reported above, 5% of SMEs interviewed YEQ4 2016 reported that they had made an application for a new or renewed loan or overdraft facility (not including any automatically renewed facility).</p> <p>Putting the two together increases the proportion making any application to 13% (25% when the PNBs are excluded).</p> <p>This has declined from 21% in 2012 due primarily to fewer loan and overdraft applications – applications for these other forms of finance have also declined but by a smaller amount (14% in 2013, 13% in both 2014 and 2015, but 10% in 2016).</p>
Other applications	<p>For YEQ4 2016, 1% of SMEs said that they had applied for some other form of finance not listed, half successfully and half unsuccessfully. The type of finance applied for is not recorded.</p>
Identifying additional Would-be seekers of other forms of finance	<p>SMEs who had <u>not</u> sought any of these forms of finance (whether from the list specified or any other source as above) were asked whether they had wanted to apply for any of them but had felt that something had stopped them.</p> <p>89% of SMEs <i>qualified</i> for this question for YEQ4 2016 because they had not applied for any additional form of external finance.</p>
Would-be seekers of other forms of finance	<p>2% of these SMEs went on to say that something had stopped them applying for an additional form of finance, with no difference by size of SME.</p> <p>This is the equivalent of 2% of <u>all</u> SMEs – the potential impact on the proportion of Would-be seekers overall is explored in Chapter 11.</p>
Net users of finance	<p>Taking all loan/overdraft events (including automatic renewal of overdrafts) and the applications for these other types of finance together for YEQ4 2016 showed that:</p> <ul style="list-style-type: none"> - Most SMEs (80%), reported neither a loan/overdraft ‘event’ nor an application for any of the types of finance listed above - 10% reported a loan/overdraft event, but had not applied for other forms of finance - 7% had applied for other forms of finance but did not report a loan/overdraft event - 3% reported both a loan/overdraft event <u>and</u> applying for one of these forms of finance. <p>By comparison, in 2012, 6% of SMEs had applied for both types of finance, 26% had applied for one form or the other and 68% had not applied for either.</p>