

# 7. The build-up to applications for overdrafts and loans



## **This chapter is**

the first of four covering Type 1 borrowing events in more detail and looks at the 'build-up' to the loan or overdraft application, why funds were required and whether advice was sought.



## Key findings

Overdraft applications were more likely than loan applications to involve the renewal of an existing facility (48% v 7% of loans).

A similar proportion of overdraft (24%) and loan (29%) applications came from first time applicants, with first time loan applicants more likely to also be a Start-up (46% v 31% of first time overdraft applicants).

6 in 10 overdraft applicants (60%) were looking for £10,000 or less with most, 8 in 10, looking to fund working capital.

- Just under half, 44%, were looking for a safety net
- Almost all, 98%, applied to their main bank and 97% only applied to this one bank. 9% sought advice before they applied.

Loan applicants were typically looking for larger sums (35% sought £10,000 or less) with 7 in 10 loan applicants seeking all the funding required from the bank

- The most common purposes for the funding were UK expansion (32%), buying fixed assets (29%) or buying vehicles (25%).
- Loan applicants were slightly less likely than overdraft applicants to go to their main bank, although most did (87%). 1 in 5 loan applicants considered approaching more than one bank, but in the event 12% did. 18% of loan applicants sought advice.



The data presented thus far in this report has reflected events that had happened to the SME in the 12 months before they were interviewed, analysed by the date of interview. This chapter is the first of four covering Type 1 borrowing events in more detail. Type 1 events are those where the SME approached the bank looking for new or renewed overdraft or loan facilities. The first of these chapters looks at the build-up to the application, why funds were required and whether advice was sought. Subsequent chapters then detail the bank's response, the resultant loan/overdraft granted, the effect of the process on the SME and the security and fees relating to these facilities.

As these chapters examine overdraft and loan events specifically, it makes sense for the analysis to be based on when the event occurred, rather than when it was reported, and this approach has been adopted for these chapters since the Q2 2013 report.

Each chapter includes analysis, as far as is possible, on the extent to which loan and overdraft applications are changing over time. For the most recent quarters (especially those in 2016) this is only **interim** data, which is liable to change and which will be updated in subsequent reports.

However, for some sub-group analysis, such as by size or risk rating, sample sizes preclude analysis at the individual quarter level and the data needs to be grouped over time to provide a more robust sample size. In order to ensure a suitable sample size, a period of 18 months has been selected. This means that rather than reporting on applications for YEQ4 2016 (i.e. all interviews conducted in the 4 quarters to Q4 2016, irrespective of when the borrowing event occurred), data is now reported on the basis of 'Applications occurring in the 18 months to Q4 2016' (i.e. applications known to have been made between Q3 2015 and Q4 2016 and reported to date, irrespective of when the SME was actually interviewed).



## Why were they applying?

### Overdraft applications

This analysis is based on SMEs that made an application for a new or renewed overdraft facility during the most recent 18 month period, which for this report is Q3 2015 to Q4 2016. Within this 18 month time period, final data is now available for applications made up to the end of Q4 2015. Data on more recent applications (notably Q3 and Q4 2016) is still being gathered and will be updated in future waves, and so the figures quoted will be liable to change over time. All percentages quoted are therefore just of this group of applicants.

For context, in Q4 2016 this was the equivalent of 3% of all SMEs or around 150,000 businesses. Note that this does not include SMEs who had an overdraft automatically renewed.

Half of those reporting a Type 1 overdraft event that occurred between Q3 2015 and Q4 2016 said that they had been looking to renew an existing overdraft for the same amount (48%), and this remained more common amongst applicants with employees:

<b>Nature of overdraft event</b>		<b>0</b>	<b>1-9</b>	<b>10-49</b>	<b>50-249</b>
<b><u>Sought</u> new/renewed facility Q3 15-Q4 16</b>	<b>Total</b>	<b>emp</b>	<b>emps</b>	<b>emps</b>	<b>emps</b>
<b><i>Unweighted base:</i></b>	<b>926</b>	<b>104</b>	<b>319</b>	<b>349</b>	<b>154</b>
Renewing overdraft for same amount	48%	44%	54%	62%	56%
Applied for first ever overdraft facility	24%	29%	18%	6%	3%
Seeking to increase existing overdraft	12%	10%	15%	14%	22%
Seeking new overdraft but not first	6%	5%	7%	6%	4%
Seeking additional overdraft on another account	6%	9%	2%	5%	6%
Setting up facility at new bank	2%	2%	2%	4%	4%
Seeking to reduce existing facility	1%	1%	2%	2%	4%

Q52 All SMEs seeking new/renewed overdraft facility

A quarter of applicants (24%) were seeking an overdraft for the very first time:

- 31% of these first time applicants were Starts
- Over time the proportion of first time overdraft applicants that were Starts has declined somewhat. In the 18 months to Q4 2012, 48% of FTAs were Starts falling to 37% for the 18 months to Q4 2015 and now 31% for the most recent period.



Amongst applicants with employees, the proportion renewing an existing facility was 55% and the proportion of first time applicants was 16% of applications made.

Analysis in previous reports showed that the application process for an overdraft, as well as the eventual outcome, varied by the reason for application. The table below shows the proportion of applications made for each reason over recent

quarters. There have been too few applications reported to date for Q3 or Q4 2016 to include in the table, but an initial assessment of the purpose of overdraft in this post Brexit period suggests the majority were renewing an existing facility (60%), while most of the rest were applying for the first time (29%).

Renewals have consistently been the most common reason for an overdraft event:

### Nature of overdraft event

SMEs seeking new/ renewed facility	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1*	Q2*
By application date	13	14	14	14	14	15	15	15	15	16	16
<b>Unweighted base:</b>	<b>390</b>	<b>377</b>	<b>375</b>	<b>295</b>	<b>356</b>	<b>334</b>	<b>295</b>	<b>259</b>	<b>247</b>	<b>226</b>	<b>108</b>
Renewing overdraft for same amount	44%	47%	50%	51%	49%	53%	53%	53%	37%	53%	36%
Applied for first ever overdraft facility	28%	19%	18%	27%	27%	20%	14%	21%	32%	20%	18%
Seeking to increase existing overdraft	17%	21%	17%	10%	10%	5%	7%	8%	15%	14%	19%
Setting up facility at new bank	4%	6%	2%	1%	5%	6%	1%	3%	5%	1%	1%
Seeking additional overdraft on another account	2%	3%	7%	4%	4%	3%	12%	7%	6%	7%	9%
Seeking to reduce existing facility	3%	3%	3%	1%	1%	4%	5%	2%	2%	1%	*
A new overdraft but not first (from Q314)	-	-	-	6%	5%	9%	9%	6%	3%	5%	17%

Q52 All SMEs seeking new/renewed overdraft facility. \* indicates interim results as data is still being gathered on events in these quarters



Over a third of overdrafts sought were for £5,000 or less, with considerable variation by size of applicant. The median amount sought as an overdraft facility has changed relatively little over time and is currently just under £5,000, ranging from £4,000 amongst 0 employee SMEs seeking a facility to £88,000 for those with 50-249 employees:

<b>Amount initially sought, where stated</b>		<b>0</b>	<b>1-9</b>	<b>10-49</b>	<b>50-249</b>
<b>Sought new/renewed facility Q3 15-Q4 16</b>	<b>Total</b>	<b>emp</b>	<b>emps</b>	<b>emps</b>	<b>emps</b>
<b>Unweighted base:</b>	<b>796</b>	<b>92*</b>	<b>292</b>	<b>286</b>	<b>126</b>
Less than £5,000	39%	51%	25%	3%	2%
£5,000 – £9,999	21%	26%	15%	9%	4%
£10,000 – £24,999	20%	13%	33%	21%	20%
£25,000 – £99,999	16%	9%	24%	39%	22%
£100,000+	4%	1%	2%	27%	52%
<b>Median amount sought</b>	<b>£5k</b>	<b>£4k</b>	<b>£10k</b>	<b>£37k</b>	<b>£88k</b>

Q58/59 All SMEs seeking new/renewed overdraft facility, excluding DK/refused

As the table below shows, 8 out of 10 overdraft applicants said that the overdraft was needed for day-to-day cash flow, with little variation by size. Just under half (44%) wanted it as a safety net and this was slightly more likely to be the case for smaller applicants. As in previous quarters, overdrafts were much more likely to have been sought to support UK expansion (22%) than expansion overseas (1%):

<b>Purpose of overdraft sought</b>		<b>0</b>	<b>1-9</b>	<b>10-49</b>	<b>50-249</b>
<b>Sought new/renewed facility Q3 15-Q4 16</b>	<b>Total</b>	<b>emp</b>	<b>emps</b>	<b>emps</b>	<b>emps</b>
<b>Unweighted base:</b>	<b>926</b>	<b>104</b>	<b>319</b>	<b>349</b>	<b>154</b>
Working capital for day to day cash flow	84%	86%	81%	81%	81%
Safety net – just in case	44%	45%	44%	39%	40%
Short term funding gap	33%	34%	32%	25%	28%
Fund expansion in UK	22%	24%	18%	16%	23%
Buy fixed assets	13%	13%	14%	10%	11%
Fund expansion overseas	1%	1%	1%	1%	4%

Q55 All SMEs seeking new/renewed overdraft facility



Analysis by risk rating showed that:

- Working capital remained the main reason for seeking an overdraft across all external risk ratings. It was mentioned by 87-92% of those with a minimal to average external risk rating and 83% of those with a worse than average rating.
- A safety net was mentioned more by those with an average risk rating (55%).
- Those with a minimal risk rating were less likely to mention a short term funding gap (15% compared to 32-40% of those with other ratings) or UK growth (6% compared to 17-22% for other ratings).

Looking at the purpose of the overdraft sought over recent quarters, working capital was consistently the most mentioned purpose, followed by a safety net or to fill a short term funding gap:

#### Purpose of overdraft

SMEs seeking new/ renewed facility – by application date	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1*	Q2*
<b>Unweighted base:</b>	<b>390</b>	<b>377</b>	<b>375</b>	<b>295</b>	<b>356</b>	<b>334</b>	<b>295</b>	<b>259</b>	<b>247</b>	<b>226</b>	<b>108</b>
Working capital for day to day cash flow	76%	87%	80%	78%	83%	85%	85%	83%	89%	78%	86%
Safety net – just in case	42%	48%	40%	38%	47%	42%	53%	60%	38%	34%	28%
Short term funding gap	40%	38%	31%	27%	26%	27%	34%	38%	34%	19%	31%
Fund growth in UK	22%	25%	17%	21%	17%	16%	22%	27%	23%	19%	22%
Buy fixed assets	7%	10%	19%	17%	22%	7%	14%	20%	8%	8%	14%
Fund growth overseas	2%	4%	1%	5%	3%	4%	3%	*	3%	*	1%

Q55 All SMEs seeking new/renewed overdraft facility. Q315\* indicates interim results for that period as data is still being gathered on events in these quarters. NB 'Growth' replaced expansion in Q2 2013

There are currently too few applications in the second half of 2016 to report as individual quarters, but the current interim data suggests that the most common purpose of an overdraft post Brexit was for cash flow (90%), with slightly higher mentions of a safety net (55%) or to fill a short term funding gap (48%).



Looking longer term, most applications have been made for working capital (8 in 10 in recent 18 month periods and 84% in the latest period to Q4 2016). The proportion looking for a safety net has also been stable at around 4 in 10 (currently 44%), but there has been an increase in applicants looking to fund expansion in the UK (from 12% to 22%).

More details around recent overdraft applications are provided below. Most SMEs applied to only one bank (their main bank) and few sought advice:

### **Overdraft applicants**    Sought new/renewed overdraft facility Q3 15-Q4 16

Applied to main bank	Almost all overdraft applications (98% in the 18 months to Q4 2016) were made to the SME's main bank. This varied little by size of applicant (97-99%).
Application made in a personal name	15% of overdraft applications made in the 18 months to Q4 2016 were in a personal name. This was much more common amongst smaller applicants (22% of applicants with 0 employees, compared to 5% of applicants with 1-9 employees, 2% of applicants with 10-49 and 1% of applicants with 50-249 employees).  Overdraft applications remained less likely to be made in a personal name than loan applications (where 22% were in a personal name for the 18 months to Q4 2016).
How many banks were applied to	97% of those who had applied in the 18 months to Q4 2016 said that they had applied to one bank, with little variation by size (97-99%).
Advice sought	The proportion of SMEs seeking advice before they applied for an overdraft has remained consistently low (9% amongst those applying in the 18 months to Q4 2016), and this has changed relatively little over time (it was 10% for 2013 as a whole). Larger SMEs that applied for an overdraft were more likely to have sought advice (14% of those with 10-49 employees and 26% of those with 50-249 employees).
Analysis by size of facility	Previously, advice has been more likely to have been sought for larger overdraft facilities. In the current period there was relatively little difference—8% sought advice for an overdraft of £5,000 or less, 8% for an overdraft of £5-100,000, and 12% sought advice for overdrafts of more than £100,000. Those applying for larger overdrafts were no more likely to apply to several banks, or to apply anywhere other than their main bank.



## Overdraft applications – a sector summary

On limited sample sizes, an analysis by sector showed that those in the Construction sector remained more likely to be seeking their first ever overdraft (36%), while 28% of those in Agriculture were looking to increase an existing overdraft:

### Overdraft activity

<u>Sought new/ renewed facility Q3 15-Q4 16</u>	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
<b>Unweighted base:</b>	<b>93*</b>	<b>93*</b>	<b>170</b>	<b>114</b>	<b>56*</b>	<b>84*</b>	<b>156</b>	<b>60*</b>	<b>100</b>
Renewing overdraft for same amount	64%	58%	30%	53%	52%	52%	48%	35%	53%
Applied for first ever overdraft	3%	22%	36%	20%	30%	18%	21%	28%	24%
Seeking to increase existing overdraft	28%	9%	20%	13%	12%	7%	14%	7%	3%

#### Q52 All SMEs seeking new/renewed overdraft facility

Most SMEs approached their main bank (98%). The least likely to do so were applicants in the Health sector, but even here almost all applied to their main bank (83%).

15% of all overdraft applicants said that the facility was applied for in their personal name. This was more likely to be the case for applicants from the Property/Business Services sector (25%), compared to 3% in Health. Overall, 97% of applications were made to one provider, with only those in Construction (7%) or Manufacturing (5%) showing much evidence of approaching more than one provider.

Those in Agriculture were seeking the highest median overdraft amount at £38,000. Across

the other sectors the median amount sought ranged from £2-9,000.

The main purpose of the overdraft for all sectors was working capital, ranging from 89% of applicants in the Property/Business Services sector to 73% of those in Transport. 67% of those in the Manufacturing sector and 66% in Wholesale/Retail wanted their facility as a safety net, compared to 28% of applicants in Health and 27% of those in Agriculture.

Those in Transport were the most likely to have sought advice (18%) compared to 7-12% in other sectors.



## Loan applications

This analysis is based on SMEs that had made an application for a new or renewed loan facility during the most recent 18 month period, which for this report is Q3 2015 to Q4 2016. Within this period, final data is now available for applications made up to Q4 2015. Data on applications in the more recent quarters (especially the second half of 2016) is still being gathered and will be updated in future waves, and so the figures quoted will be liable to change over time. All percentages quoted are therefore just of this group of applicants. For context, in Q4 2016 this was the equivalent of 2% of all SMEs or around 100,000 businesses.

There have been fewer loan events reported than overdraft events. As a result, even for applications across 18 months to Q4 2016, the same granularity of analysis is not always possible as for other areas of the report and the smaller base sizes mean the results should be treated with some caution.

Loan applications were more likely than overdraft applications to be for new funding (the first two rows of the table below), with 72% of loan applicants seeking a new loan (compared to 42% for overdrafts), including 29% saying this was their first ever loan (compared to 24% for overdrafts):

<b>Nature of loan event</b>		<b>0</b>	<b>1-9</b>	<b>10-49</b>	<b>50-249</b>
<u>Sought</u> new/renewed facility Q3 15-Q4 16	<b>Total</b>	<b>emp</b>	<b>emps</b>	<b>emps</b>	<b>emps</b>
<b>Unweighted base:</b>	<b>531</b>	<b>57*</b>	<b>165</b>	<b>226</b>	<b>83*</b>
New loan but not our first	43%	46%	37%	40%	34%
Applied for first ever loan	29%	27%	35%	24%	18%
Renewing loan for same amount	7%	6%	9%	9%	17%
Topping up existing loan	9%	10%	7%	10%	6%
Refinancing onto a cheaper deal	9%	9%	9%	11%	13%
Consolidating existing borrowing	3%	3%	2%	5%	8%
New loan facility after switching bank	1%	-	2%	2%	4%

Q149 All SMEs seeking new/renewed loan facility. 'New loan but not first' combination of codes 'New loan for new purchase' and 'New loan as hadn't had one recently'



As the table above shows, a first loan was more likely to be the case for smaller SMEs that had applied, and 46% of first time applicants were Starts. The proportion of first time loan applicants who were Starts has varied over time, dropping from 46% for the 18 months to Q4 2013 to 34% for the 18 months to Q4 2015 before returning to 46% in the current 18 month period.

Excluding applicants with 0 employees increases the proportion of first time applications slightly from 29% to 32%.

Analysis in previous reports has shown that the application process for a loan, and the eventual outcome, varied by the reason for application. The table below shows the proportion of applications made for each reason over recent quarters where sufficiently robust sample sizes exist (insufficient data currently exists for applications made from Q2 2016). Most applications were for new facilities, shown in the first two rows of the table, but over time fewer applications have been for a *first* facility:

#### Nature of loan event

SMEs seeking new/  
renewed facility –  
By application date

	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1* 16
<b>Unweighted base:</b>	<b>193</b>	<b>217</b>	<b>196</b>	<b>224</b>	<b>167</b>	<b>202</b>	<b>191</b>	<b>158</b>	<b>142</b>	<b>160</b>	<b>103</b>
New loan but not our first	32%	39%	33%	45%	41%	43%	38%	39%	46%	38%	56%
Applied for first ever loan	42%	41%	43%	28%	30%	28%	28%	32%	25%	20%	34%
Renewing loan for same amount	16%	5%	9%	13%	5%	7%	25%	10%	8%	8%	4%
Topping up existing loan	3%	7%	12%	11%	11%	6%	2%	11%	2%	20%	1%
Refinancing onto a cheaper deal	4%	5%	2%	2%	4%	15%	3%	5%	15%	12%	4%
Consolidating existing borrowing	*	2%	*	1%	3%	*	2%	2%	1%	1%	*
New facility after switching banks (new)	2%	1%	1%	*	7%	1%	1%	*	1%	1%	*

Q149 All SMEs seeking new/renewed loan facility. Q315\* indicates interim results for that period as data is still being gathered on events in these quarters



The initial amount sought for a loan was typically higher than for an overdraft (15% of loans sought were for less than £5,000 compared to 39% of overdrafts sought). The median loan amount sought was £15,000. Sample sizes limit the amount of analysis possible over time, but overall the majority of loans sought were for less than £100,000:

<b>Amount initially sought, where stated</b>		<b>0</b>	<b>1-9</b>	<b>10-49</b>	<b>50-249</b>
<b>Sought new/renewed facility Q3 15-Q4 16</b>	<b>Total</b>	<b>emps</b>	<b>emps</b>	<b>emps</b>	<b>emps</b>
<b>Unweighted base:</b>	<b>449</b>	<b>52*</b>	<b>140</b>	<b>188</b>	<b>69*</b>
Less than £5,000	15%	20%	9%	1%	1%
£5,000 – £9,999	20%	27%	10%	4%	6%
£10,000 – £24,999	34%	37%	32%	17%	5%
£25,000 – £99,999	18%	12%	30%	29%	17%
£100,000+	12%	4%	19%	49%	72%
<b>Median amount sought</b>	<b>£15k</b>	<b>£8k</b>	<b>£20k</b>	<b>£85k</b>	<b>£244k</b>

Q153/154 All SMEs seeking new/renewed loan, excluding DK/refused

Loan applicants were also asked about the extent to which the funding applied for represented the total funding required and how much the business was contributing. The results for applications made in the 18 months to Q4 2016 are shown below, with most applicants (70%) seeking all the funding they required from the bank:

<b>Proportion of funding sought from bank</b>		<b>0</b>	<b>1-9</b>	<b>10-49</b>	<b>50-249</b>
<b>Sought new/renewed facility Q3 15-Q4 16</b>	<b>Total</b>	<b>emps</b>	<b>emps</b>	<b>emps</b>	<b>emps</b>
<b>Unweighted base:</b>	<b>509</b>	<b>54*</b>	<b>162</b>	<b>213</b>	<b>80</b>
Half or less of total sum required	12%	12%	11%	12%	13%
51-75% of sum required	9%	9%	8%	11%	6%
76-99% of sum required	9%	9%	9%	10%	10%
All of sum required sought from bank	70%	70%	72%	68%	71%

Q155 All SMEs seeking new/renewed loan, excluding DK/refused



There was relatively little difference in the proportion seeking all the funding from the bank by size of applicant or by risk rating.

More detailed analysis by date of loan application shows that in each period, the majority of applicants sought all the funding they required from the bank, with little difference by size of applicant:

#### Proportion seeking all funding from the bank

Over time – all seeking loan	H2	H1	H2	H1	H2	H1	H2	H1*
Row percentages	2012	2013	2013	2014	2014	2015	2015	2016
All loan applicants	69%	78%	75%	76%	75%	60%	67%	72%
All applicants with 0-9 employees	69%	78%	75%	77%	76%	60%	67%	72%
All applicants with 10-249 employees	70%	76%	74%	67%	68%	60%	66%	73%

Q155 All SMEs seeking new/renewed loan, excluding DK/refused

Overall, these funds were likely to have been sought either to fund expansion in the UK (32%) or to buy fixed assets (29%), with clear variation by size of applicant:

Purpose of loan		0	1-9	10-49	50-249
<u>Sought new/renewed facility</u> Q3 15-Q4 16	Total	emps	emps	emps	emps
<b>Unweighted base:</b>	<b>531</b>	<b>57*</b>	<b>165</b>	<b>226</b>	<b>83*</b>
Fund expansion in UK	32%	32%	32%	29%	43%
Buy fixed assets	29%	28%	31%	27%	27%
Buy motor vehicles	25%	32%	15%	11%	8%
Develop new products/services	22%	23%	22%	15%	11%
Buy premises	14%	7%	25%	27%	28%
Replace other funding	10%	8%	13%	17%	13%
Fund expansion overseas	1%	-	2%	2%	1%
Take over another business	1%	-	3%	3%	5%

Q150 All SMEs seeking new/renewed loan facility



The table below shows the most common reasons for seeking a new loan by application date up to Q1 2016 (the latest for which robust data is available). In the first quarter of 2016 a higher proportion of applications were for fixed assets:

<b>Purpose of loan</b>											
<b>SMEs seeking new/ renewed facility – by application date</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1*</b>
<b>Unweighted base:</b>	<b>193</b>	<b>217</b>	<b>196</b>	<b>224</b>	<b>167</b>	<b>202</b>	<b>191</b>	<b>158</b>	<b>142</b>	<b>160</b>	<b>103</b>
Fund expansion in UK	35%	39%	34%	35%	26%	13%	32%	21%	20%	28%	37%
Premises	19%	21%	29%	14%	21%	21%	29%	27%	12%	20%	14%
Buy fixed assets	20%	26%	25%	25%	20%	14%	11%	19%	18%	22%	40%
Develop new products/services	21%	24%	20%	17%	11%	17%	17%	20%	30%	12%	26%
Buy motor vehicles	9%	18%	5%	17%	19%	23%	13%	11%	29%	22%	25%
Fund expansion overseas	1%	2%	*	2%	3%	3%	1%	2%	1%	*	3%

Q150 All SMEs seeking new/renewed loan facility. \* indicates interim results as data is still being gathered on events in these quarters

Quarterly data can make it difficult to discern longer term trends over time. Analysis of a series of 18 month application periods shows that since the 18 months to Q4 2013:

- Typically a third of loans have been for UK expansion.
- There has been a slight increase in the proportion looking to innovate through developing new products and services (16% in the 18 months to Q4 2013 to 22% in the current 18 month period).
- The proportion looking to buy fixed assets declined from 27% in the 18 months to Q4 2013 to 17% in the 18 months to Q4 2015 but is currently 29%.



Further details about the loan applications made are summarised in the table below. Loan applicants remained somewhat more likely than overdraft applicants to approach a bank other than their own (although most didn't):

<b>Loan applicants</b>	<b><u>Sought new/renewed loan facility Q3 15-Q4 16</u></b>
Applied to main bank	87% of loan applications were made to the SME's main bank, compared to 98% of overdraft applications, with little difference by size of applicant.
Application made in a personal name	22% of loan applications made in the 18 months to Q4 2016 were in a personal rather than a business name. This was more common amongst smaller applicants (29% of applicants with 0 employees applied in a personal name and 8 in 10 of those applying in a personal name were 0 employee SMEs).  Personal applications were also more common overall for loans than for overdrafts (where 15% of applications were in a personal name).
How many banks were considered	In a new question from Q1 2016, loan applicants were asked how many banks they <i>considered</i> applying to. 21% of applicants asked had considered applying to more than one bank but, as reported below, 12% actually did so.
How many banks were applied to	88% of those who applied in the 18 months to Q4 2016 said that they had applied to one bank, with limited variation by size (81-90%). This is somewhat lower than the 97% of overdraft applicants who only applied to one bank.
Advice sought	A minority of loan applicants in the 18 months to Q4 2016 had sought external advice before applying (18%) but they remained more likely to have done so than overdraft applicants (9%). 0 employee applicants were less likely to have sought advice (13%) compared to around a quarter of those with 10-49 employees and a third of those with 50-249 employees.
Analysis by size of loan facility	Those seeking funding of £100,000 or more were much less likely to be applying in a personal name (2% v 23% of those seeking less than £100k) and more likely to apply to more than one bank (22% v 11%). They were also more likely to seek advice (24% v 17%).



## Loan applications – a sector summary

Analysis by sector is somewhat limited as currently no sectors have more than 100 applicants for the most recent period. These results should therefore be treated with caution and as indicative:

### Loan activity

<u>Sought new/renewed facility</u> Q3 15-Q4 16	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
<b>Unweighted base:</b>	<b>57*</b>	<b>52*</b>	<b>74*</b>	<b>63*</b>	<b>52*</b>	<b>54*</b>	<b>78*</b>	<b>52*</b>	<b>49*</b>
Applied for first ever loan	5%	43%	31%	32%	29%	18%	37%	12%	27%
New loan (other)	63%	49%	36%	45%	31%	32%	39%	66%	46%
Renewing loan for same amount	10%	2%	3%	9%	13%	24%	3%	1%	*

#### Q149 All SMEs seeking new/renewed loan facility

Most SMEs approached their main bank (87%). The least likely to do so were applicants in the Health sector (where 60% of applications were made to the main bank). 22% of all loan applicants said that the facility was applied for in their personal name and this was less likely to be the case for applicants in Agriculture (6%).

Those in Agriculture sought the highest median loan amount (£92k) compared to £6-12k for other sectors. Those in Agriculture were also more likely to be seeking all the funding required from the bank (86%) while applicants from Manufacturing were less likely (43%). 12% overall applied initially to more than one bank and this was more likely to be the case for those in the Hotel & Restaurant (22%),

Transport (21%) and Manufacturing sectors (20%).

For most sectors, the main purpose of the loan was either UK expansion or the purchase of fixed assets. Those in Property/Business Services (48%) and Health (44%) were more likely to be seeking funds for UK expansion. Those in Health were also more likely to be purchasing fixed assets (68%).

Advice was sought by 18% of loan applicants overall with variation across sectors (albeit on limited base sizes). 32% in the Hotel & Restaurant sector and 28% in Manufacturing sought advice compared to 11% in the Property/Business Services sector.