

**Banking Taskforce**  
**Appeals Process**  
**Independent External Reviewer**  
**Quarterly Report**  
**April - June 2014**

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## **1. Introduction and Summary**

This is the first of my quarterly reports for year 4 and covers the period from 1<sup>st</sup> April until the end of June 2014 and while it comes reasonably soon after the publishing of my third Annual Report in June this year, I am pleased to report that a lot has happened since then of a positive nature.

In my Annual Report I listed 11 specific issues that I would be following up or focussing on across this year and real progress has been made on a number of those already.

Also the first quarter has shown again, as I stated in my Annual Report, how the banks are now using the Appeals Process to continually assess and look at their decision systems. In the first quarter there were 2 particularly large overturns which is why the 'amount overturned' number increased sharply. The bank that had those has looked at what caused those in what should be, and generally is, a well-managed part of their judgemental decision making. Those two overturns were as a result of the bank taking a fresh look at the application which included assessment of new information introduced by the respective customer on appeal. I would not expect to see any more overturns of that size now from that bank as the change put into place should reduce the number of declines and therefore appeals. This highlights how the Appeals Process has become a positive driver of change across all the banks.

I am pleased also that I have made progress over the last quarter in a number of issues around awareness both in terms of looking at ways of increasing awareness and also in putting in place metrics that will allow me to judge how many customers are aware of the Appeals Process as well as ensuring that there is not a large group of SMEs who could have appealed that did not.

In my Annual Report I detailed the introduction of an additional process that myself and my team now carry out which is sampling a significant number of SMEs that each bank had declined but who had not appealed. We have conducted that process on 3 of the main banks and will do it on more throughout this year as well as repeating the check for those we have already done. To date we are happy that the number of SMEs that might have had a case to appeal but did not is not significant.

I am, though, extending that process further to work with each bank to put in place a process with each to ensure that they sample, at some time during the year, SMEs who have been recently declined and check with those customers that they were made aware of the Appeals Process. The one bank that has done this to date found awareness levels of over 75% but also gleaned information on why they had not

appealed. The delivery of this by each bank is already in the Action Plans I have with each for this year.

In terms of more general awareness of the Appeals Process amongst all SMEs whether they borrow or not – and we all have to remember that, according to the recently published Finance Monitor statistics only 20%, averaged over a 12 month period, of the SMEs surveyed were looking either to borrow or renew existing facilities at any one time and many never borrow at all – I am still working to finalise an appropriate metric but think one based on reach i.e. how many customers each bank has reached with a message on the Appeals Process, and how often, may be better than an awareness metric. Getting people to recall if they can remember something they might not be interested in is always difficult and while I agree that knowing about the Appeals Process may encourage a few more SMEs to apply for funding in the first place I am of the belief that this would be better done by getting the message to them succinctly and in the right way. Therefore, again as part of this year's Action Plan, I am working with each bank to agree a reach target for all their SME customers that will ensure that most, if not all, are aware of it. I will report in my next quarterly report progress specifically on this issue.

In terms of the more general awareness raising of the Appeals Process each of the banks has their own internal programme of awareness raising both with their customers and their own internal staff. Also the generic campaign, which I highlighted in detail in my Annual Report, is also continuing to the end of this calendar year and Annexe 1 gives a summary of what has happened in the first quarter of this year in that. You will see that 7.4 million people have seen the campaign since it started at the beginning of this calendar year and there have been significant increases of those visiting key web pages. All these metrics appear to show that more SMEs are being made aware of the Appeals Process.

I have also started a discussion with all the banks on trying to establish a common vocabulary across all the banks for SMEs. This does not mean that they should all do the same but it would be good if each bank meant the same when they related that to a customer. Adverse Data would be a good example where currently that can mean different things to different banks. There seems to be no reason why that should be the case and it would be most useful if SMEs understood that this means the same thing from all banks. I will continue to work with the banks to see if a common vocabulary can be achieved in key areas.

Also, I am continuing to look at the input systems of the individual banks both to see that they deliver a good part of the customer conversation that we are all striving for as well as to ensure that we are not missing any declines that have not been captured in the Appeals Process.

Finally, in this first quarter the two new banks (TSB and Clydesdale) that I said would be joining the Appeals Process are now firmly engaging themselves in the process.

TSB, who had much of what was needed in place anyway as part of the Lloyds group have started the process with customers and we are working with Clydesdale now to see that they have in place the systems which will allow them to commence offering Appeals to their customers in the early part of the coming quarter.

Professor Russel Griggs OBE  
Independent External Reviewer  
SME Banking Appeals Process

September 2014

## 2. Comments on Numbers

Year 3 of the Appeals Process has been a year of consolidation and further learning for all those involved in the process including myself.

**Chart 1: Appeals Table Years 1-4 to End June Appeals**

Appeals - April 2011 to June 2014	Apr 2011 - Mar 2012	Apr 2012 - Mar 2013	Apr 2013 - Mar 2014	Apr 2014 - June 2014	Total
Total No. of Appeals Received (ALL BANKS)	2177	3311	3518	965	9971
Total No. of Appeals Overturned (ALL BANKS)	860	1298	1116	254	3528
Overturn rate (based on Appeals Received - ALL BANKS)	39.5%	39.2%	31.7%	26.3%	35.4%
Total Value of Appeals Overturned = £ millions	£10.0	£18.5	£13.1	£4.7	£46.3
Total No. of Appeals Received (Excluding Credit Cards)	1587	2146	2581	538	6852
Total No. of Appeals Overturned (Excluding Credit Cards)	518	634	730	127	2009
Overturn rate (based on Appeals Received - Excluding Credit Cards)	32.6%	29.5%	28.3%	23.6%	29.3%
Total Value of Appeals Overturned (Excl. Credit Cards) - £ millions	£9.7	£17.7	£12.7	£4.4	£44.5
Total No. of Cases Reviewed	946	1777	1759	422	4904
Total No. of Cases Reviewed/Total No. of Appeals (as %)	43.5%	53.7%	50.0%	43.7%	49.2%
Total No. of Overturn Cases Reviewed/Total No. of Overturn Cases (as %)	49.5%	62.9%	65.7%	70.1%	61.0%

NB: Cases Reviewed and Overturn values based on data captured to end of June 2014

It can be seen from Chart 1 above that numbers in the first quarter of this year are up on the previous year. This is a positive sign and I think is a mixture of awareness raising by not only the banks but other stakeholders as well, plus the bringing in of some declines that were not there before. I highlighted in my Annual Report that I had discovered that there were some anomalies about SMEs being allowed to appeal for some declines when they were refused limit increases in overdrafts or credit cards in some banks. This was rectified late last year and part of this increase will come now from the fact that I and my team are still focussing on ensuring that no declines are missed by banks where an appeal should be allowed.

There has also been a significant drop this quarter in the overturn rate overall which is caused by a drop in both credit card overturns and non-credit card overturns. I need to wait and see if this continues into the next quarter to ensure that this is just not a statistical blip but I am hopeful that this is the start of us all beginning to see the positive outcome of the process changes I and my team have been working with all the banks to make their decision making process better both for the SME and importantly themselves.

**Chart 2: Total Appeals - 3 Month Rolling Average**

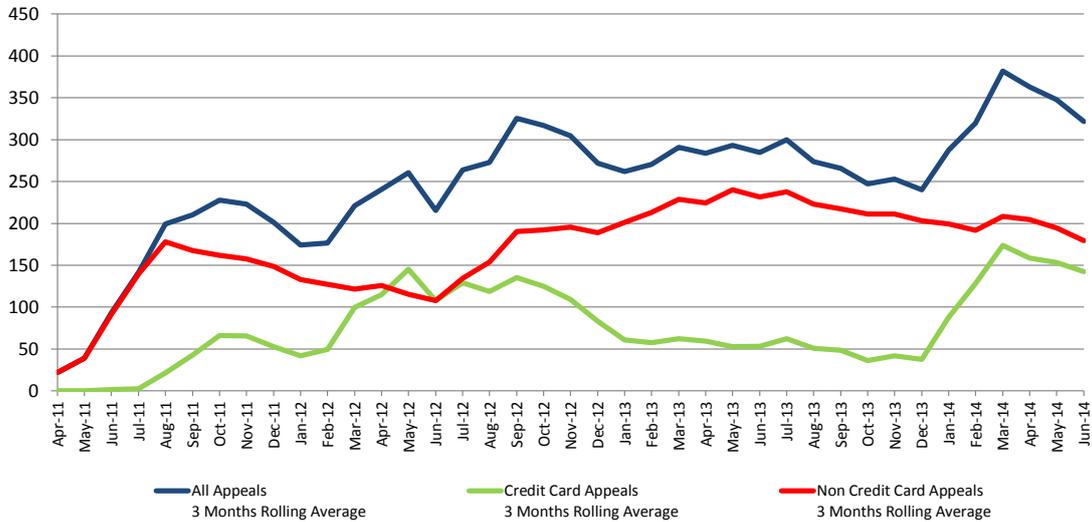


Chart 2 above illustrates the continuing positive decline in credit card appeals as more decisions are referred before final decisions are made.

**Chart 3: Overturned % - 3 Month Rolling Average**

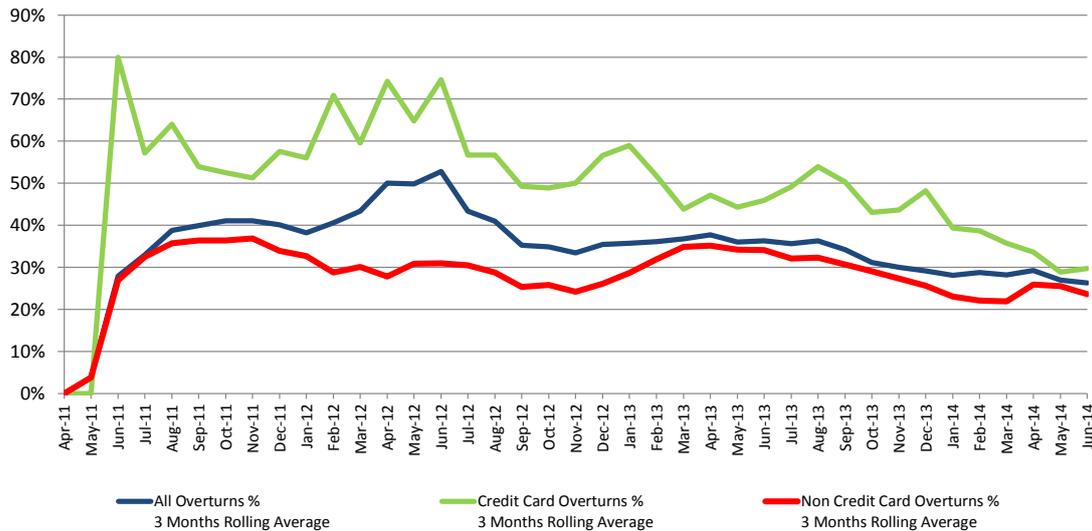
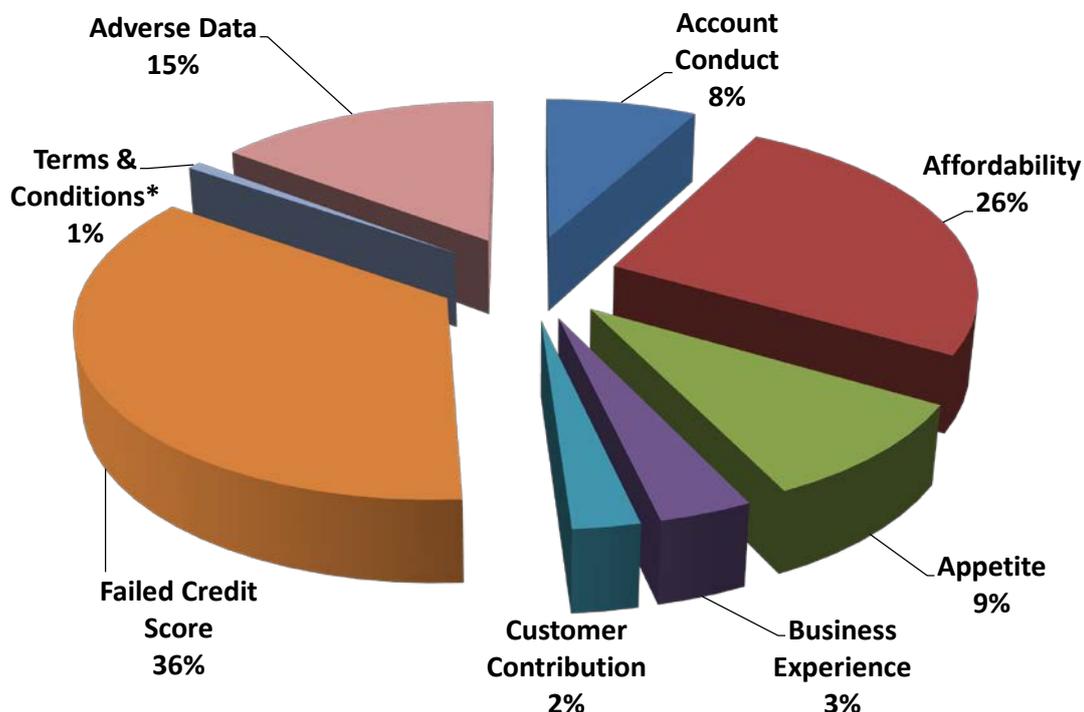


Chart 3 illustrates the other positive move in overturn rates which again highlights how the positive changes in process are having impact.

**Chart 4: Decline Reasons all Banks for all Lending Year 3 & Q1 Year 4 only**



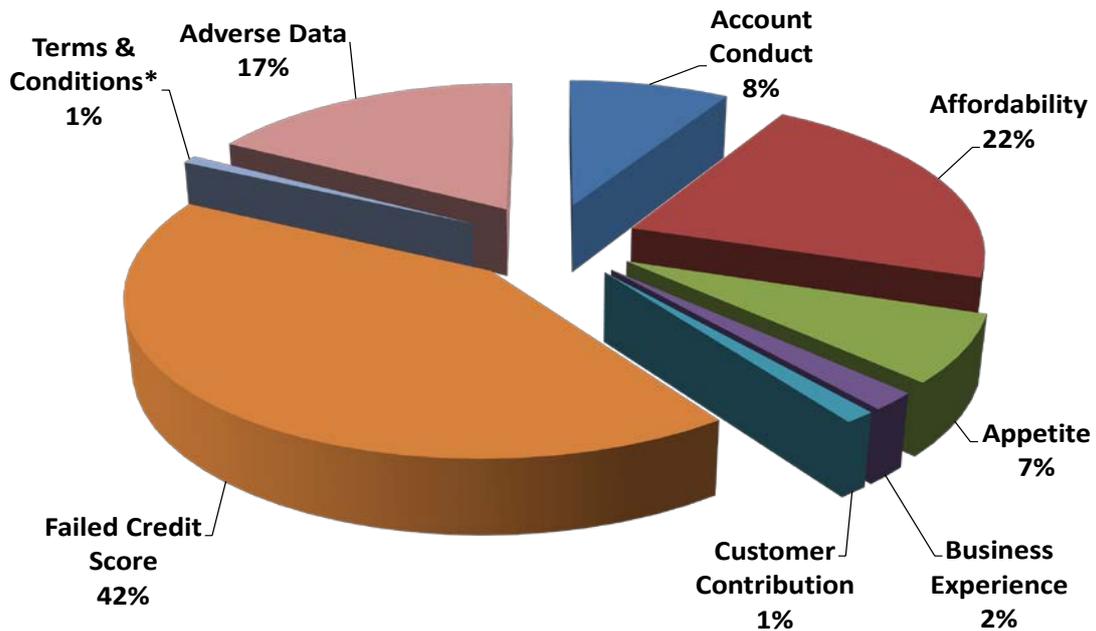
\*Terms & Conditions appeals do not involve new money

While there have only been small movements in the overall reasons for decline in this quarter our ability now to dissect the data further is highlighted above. In my Annual Report I stated that we were now able to split credit score declines and adverse data declines<sup>1</sup> and this has continued. Therefore, while the overall combined decline rate for credit score / adverse data (both of which come from credit scoring techniques within the banks) has changed little, by combining the data we have for Year 3 and Q1 Year 4 we can now highlight the significance of adverse data in the scorecard process. Adverse data declines are less likely to be overturned as they tend to be due to the existence of County Court Judgements, Debt defaults etc. whereas credit scoring declines tend to be more closely aligned to overall personal credit profile.

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<sup>1</sup> From the start of Year 3

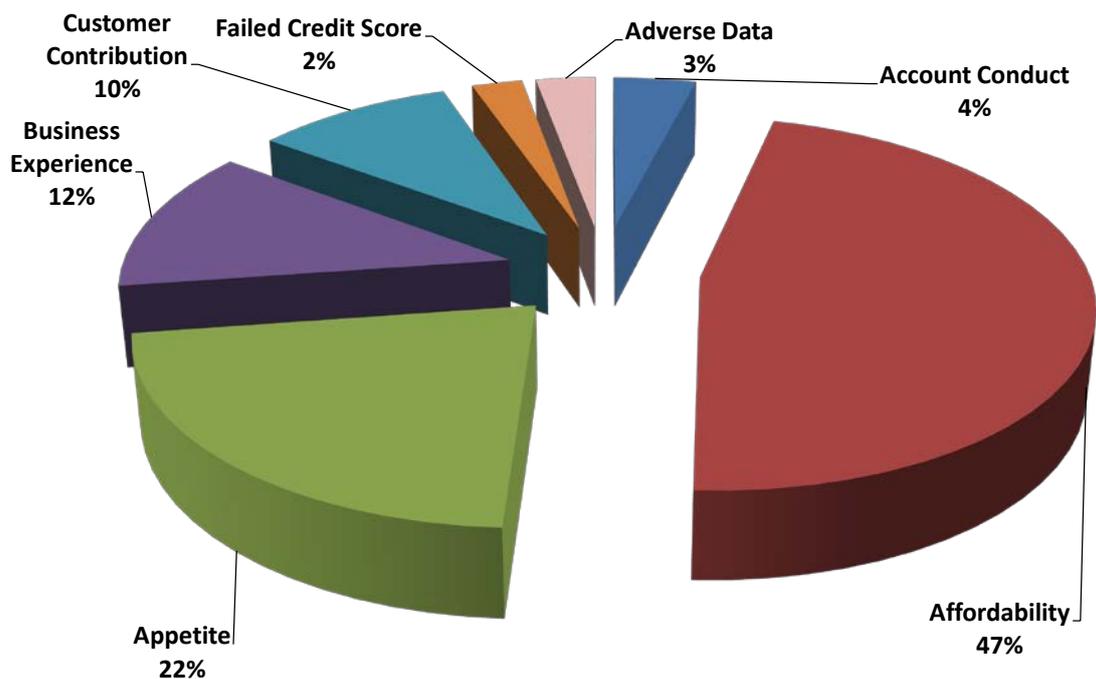
**Chart 5: Decline Reasons all Banks for Lending up to £25K Year 3 & Q1 Year 4 only**



\*Terms & Conditions appeals do not involve new money

There again, apart from the adverse data / credit scoring split highlighted in chart 4, there are no material changes in Chart 5 above and Chart 6 below that warrant any specific comment this quarter, that have not already been made elsewhere in this report.

**Chart 6: Decline Reasons all Banks for Lending above £25K Year 3 & Q1 Year 4 only**



### **3. Action Plans**

I continue to meet quarterly with each of the banks in the Appeals Process and have nothing too specific to report at this time as all the banks are progressing well with the Action Plans we set them at the beginning of the year. We do add things to these plans throughout the year as issues arise which we have done this quarter and will progress those in line with the timescales we set for each. I will report more fully on the Action Plans in my Annual Report.

#### **4. Continuing or New Issues**

Apart from those issues highlighted above I do not think there are any material new issues to report this quarter.

However we continue to come across new ways of doing things which I have to take note of and sometimes alter the way we do things. This quarter has been no different.

We had agreed a definition on what an application was with all the banks last year which in essence said if the SME had, as part of a request for new or additional funding, given the bank a new piece of information then that was an application i.e. if you just rang up and made a general enquiry and there was no real conversation or request for new information then that was not an application. However, we had always assumed that this new information would be something that was sent to the bank so could be tracked. We are changing that now to include new information that was delivered as part of the conversation the SME has with their Relationship Manager as we have at least one bank where they conduct long and exact conversations with their customers routinely by telephone, and in a structured way that collects data as it progresses.

This shows yet again that each bank can and should have its own way of dealing with their customers which is part of what gives them their uniqueness and encourages competitiveness across the banks.

Credit scoring also remains an issue that continues to develop further both in terms of how it is used across all the banks and where it works well and where it does not and also in terms of better ways of getting an increased understanding of how it works to SMEs. In my second Annual Report I highlighted the fact that to help increase knowledge and understanding on credit scoring amongst SMEs the banks had jointly produced a helpful and simple leaflet (found here: [http://www.betterbusinessfinance.co.uk/images/fact\\_sheets/Credit\\_Scoring\\_Guide.pdf](http://www.betterbusinessfinance.co.uk/images/fact_sheets/Credit_Scoring_Guide.pdf).) This has since been widely distributed (either as hard copy or through the internet) by all the banks; so that is hopefully helping to build that understanding. To add to this, an Appeals Managers at one of the banks highlighted Martin Lewis's web site <http://www.moneysavingexpert.com/loans/credit-rating-credit-score> which provides much more advice and understanding for consumers on credit scoring much of which also can be applied to SMEs.

## 5. Appendices

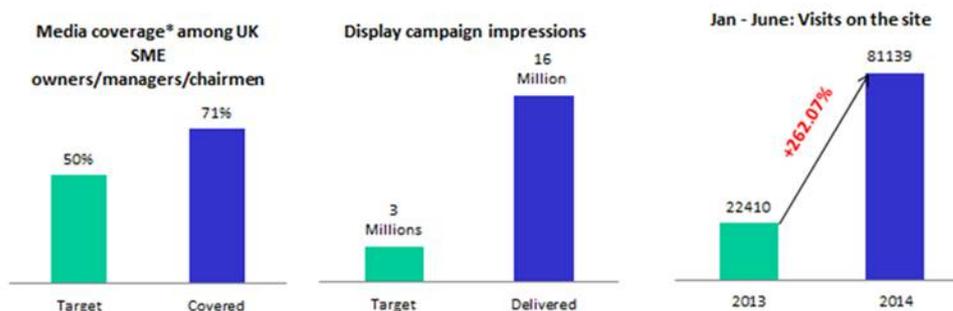
### 5.1 Annexe A – Awareness Campaign Summary

Launched at the end of January 2014, the Better Business Finance (BBF) campaign to raise awareness of the Appeals Process among SME owner/managers continued throughout Q2.

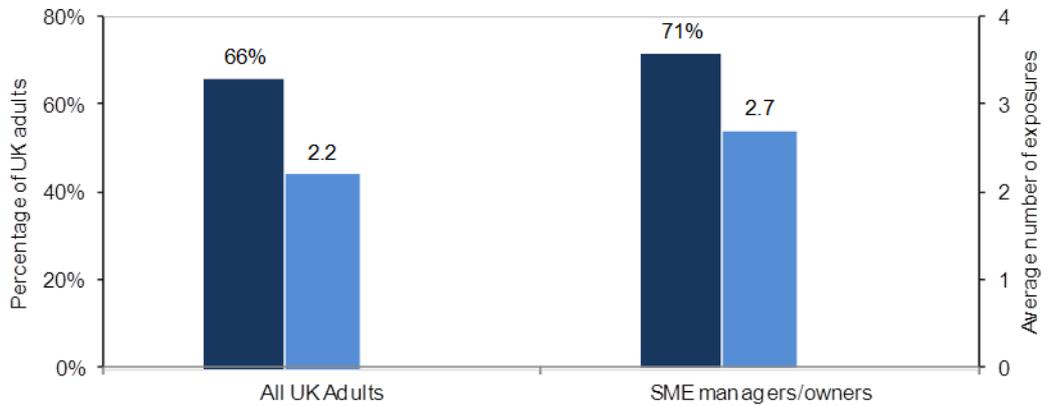
The campaign includes an accessible website with information on how to launch an appeal as well as guidance related to finding finance, with over 500 finance providers represented. It also includes an online advertising campaign, social media engagement, a public relations campaign, as well as information provided via bank websites, directly to customers and via third party business groups.

The campaign continues to perform beyond expectations:

The new website and associate advertising campaign are performing better than expected.



- 7.4 million people (estimated unique users) have seen the campaign since it started, which is above our initial target of 3 million.
- 731,000 PPC impressions (the number of times our Pay Per Click advertising has been seen) targeting small business owners with help, support and advice messages.
- 239.93% increase in visits to the Better Business Finance website compared to the same period last year.
- 284.67% increase in page views. The site continues to perform better than its previous incarnation, across all metrics.
- Eightfold increase in visits to the Appeals page compared to last year
- The Appeals advertising is the most successful of the campaign executions, reflecting its strong call to action.
- Both Twitter and LinkedIn continue to perform better than their own industry-standard benchmarks



Media coverage of the campaign has now reached 71% of the key audience of SME owner/managers (see table above) – an increase of three percentage points since the release of my annual report. Frequency of exposure to the campaign message has increased from 2.4 to 2.7 times each, a result above the minimum recommended to ensure retention of campaign messages. Media coverage has included a total of 97 articles to date – a 23% increase since the annual report.

A particular focus in the quarter was the launch of the third annual Appeals report which generated 10 pieces of national print and online coverage, a significant increase in reach on previous years.

On the day of launch, a series of radio interviews were arranged, reaching more than 1.2 million listeners.

Social media content was also produced for the day, with posts on LinkedIn and Twitter, linking back to the relevant pages of the website, supported by banks' social media teams.

The collage displays a variety of media coverage for the appeals process. Key elements include:

- This is Money:** Article titled "Small businesses prevented from borrowing turn to appeals process to secure loans of £42m".
- FT Financial Times:** Article titled "UK banks improve lending practices to small businesses" by Andrew South, Enterprise Editor.
- CityA.M.:** News article titled "Small firms win appeals".
- The Times:** Article titled "Reluctant lenders lend tiddlers £42m on appeal".
- realbusiness:** Article titled "Small firms win appeals".
- is4profit:** Logo for the radio network.
- Good Morning Scotland:** Radio program logo.
- STAR 107.1 FM:** Radio program logo.
- Q Radio Network:** Radio program logo.
- WAVES radio 101.2 FM:** Radio program logo.
- BRfm:** Radio program logo.
- SUNRISE RADIO:** Radio program logo.
- 102.5 THE BRIDGE:** Radio program logo.
- The Independent:** Article titled "Small talk: As more small companies appeal against rejected applications for credit, banks need to try harder to get their lending decisions right".
- London Evening Standard:** Article titled "Business Connections" featuring David Prosser: "Have you been rejected for a bank loan?".