

## **ClearBank – £60m Grant**

### **CIF Key Achievements to Date**

- (1) Being fully on track with all public commitments
- (2) Most efficient awardee (in terms of Businesses acquired per £1 grant)
- (3) Now with over 150,000 members; 1 in 40 UK SMEs
- (4) Now third largest business banking challenger (after Virgin Money, Metro); creating a true SME-first alternative to high street banks
- (5) Significant awareness increase of the Tide brand; now known to 30% of SME population
- (6) Major push in supporting start-out delivered ahead of schedule; launching the first one-stop company formation and account opening process in the UK, possibly globally
- (7) Launch of our cutting edge solution for making tax digital; with full accreditation to HMRC
- (8) Roll out of a highly innovative solution to ensure invoices real-time; when the invoice is created on the Tide platform
- (9) Opportunities created for seven SME partners with more rapidly coming onstream
- (10) Strong governance with independent Grant Steering Committee Chair (Lord Lindsay), quarterly auditing (EY) and a strict grant for results release schedule (for every 1% market share gained)

### **Assessment Period 4 (January 1<sup>st</sup>, 2020 – March 31<sup>st</sup>, 2020)**

UK SMEs have been underserved by the established banks for too long. The BCR is proving a powerful force for change providing a once-in-a-generation opportunity to unleash the full potential of the SME sector. More recently, the COVID-19 crisis has started causing unprecedented hardship for SMEs, making the BCR more critical than ever. CTBB is fully committed to being at the forefront of delivering better propositions for SMEs and to mitigating the impact of COVID-19 on our SME community.

We are pleased to report that CTBB had another quarter of strong progress and is fully on track to achieving its public commitments. We have reviewed our BCR plans in the context of the COVID-19 and both Tide and ClearBank remain fully operational, servicing our customers remotely. Whilst it is still early to assess the full impact of COVID-19, at this stage we fully expect to continue to deliver on our public commitments in full by the end of the 5-year period.

### **COMMITMENT TO OWN FUNDS CONTRIBUTION**

**CTBB is committed to supplementing the BCR award using our own funds to a value of at least 100% of the BCR grant, throughout the lifespan of the business plan.**

The phasing of the own funds contribution varies by business plan year and we project to be fully on track to achieve the proportionate contribution of own funds to BCR funds utilised for this year. ClearBank continues to show some of the strongest capital adequacy ratios. Its partner Tide has

raised one of the largest Series B FinTech funding rounds in the UK of around £60m and is continuing to deploy some of these funds to several BCR initiatives as well as to grow the member base in line with the market share targets.

## **COMMITMENT TO MARKET SHARE**

**Building on its state-of-the-art business banking account, leveraging the SME-only Tide brand and building its current 1% market share, CTBB commits to implementing a powerful transformation initiative to:**

**ACHIEVE AT LEAST AN 8% BUSINESS CURRENT ACCOUNT MARKET SHARE BY 2023, thereby introducing much needed competition and contributing to breaking up the current oligopoly of the Big 4 banks.**

SMEs are showing that they are ready for a change with large numbers signing up to CTBB and whilst COVID-19 has led to some slow down across the market, CTBB is continuing to see strong traction. CTBB has seen strong growth and now has 150,796 members and a market penetration of 2.57%.

## **COMMITMENT TO THE TRANSFORMATION INITIATIVE**

**Transformation will require a concerted effort. More of the same business current account offers will not lead to the necessary shifts in market share, even if they are supported by better switching solutions. Recognising this need for a different approach to succeed, CTBB will achieve its market share objective through a set of powerful propositions to remove friction to switching, provide compelling attractors, and raise awareness of the superior CTBB business current account. CTBB will deliver full functionality under all grant**

Our implementation is continuing to progress as planned.

### **(1) REMOVE FRICTION to selection of, and switching to, CTBB**

- **CTBB already offers a fast onboarding process that allows, for the majority of applicants, the opening of a business current account within minutes.**

Following thorough research amongst the SME community, we have now enhanced this process to allow onboarding not only through the app but also through the web.

**The SWITCHING PROPOSITION: MAKING BCA SWITCHING SIMPLE will build on Open Banking and CASS infrastructure to allow businesses to switch their current accounts easily. The switching proposition will allow even faster onboarding for existing businesses, trial switching, allowing closed account histories to be maintained, dedicated personal onboarding assistance and temporary pop-up onboarding stores.**

The foundations were put in place in 2019. We have started planning work on expedited onboarding features coming later in the year and active planning has started to develop the CASS infrastructure required.

### **(2) PROVIDE COMPELLING ATTRACTORS comprised of strong incentives to select and switch to CTBB**

- **CTBB already offers a strong set of solutions (CTBB Version 1) and, building on these, will develop four additional attractor propositions (CTBB Version 2) to make CTBB an even more compelling business current account partner for SMEs.**

- **The STARTING-OUT PROPOSITION: OPENING YOUR BCA AS PART OF SETTING UP YOUR BUSINESS will provide strong incentives for new businesses to set up their business current account with CTBB. The starting-out proposition will allow registrations (company registration, tax registration etc.) to be undertaken as part of the business current account opening process.**

Company registrations has been launched this quarter.

- **The ADMINISTRATION PROPOSITION: SAVING YOU TIME BY SEAMLESSLY INTEGRATING TOOLS WITH YOUR BCA will reduce the estimated 48 days p.a. that a small business spends on administration by seamlessly connecting (via API) the BCA to solutions for accounting, payroll, invoicing, expense management, tax and other filings. This is particularly helpful for smaller businesses, which typically operate without a Finance or HR function. As part of the administration proposition, CTBB will offer a range of Tide-branded solutions (Tide Tools) as well as provide highly usable integrations to popular third party solutions (Tide Connect) deeply integrated with the business current account, building on the strong base of its existing functionality.**

During Q1 2020, compliant VAT report generation and submission using HMRC's "Making Tax Digital" service has been delivered, using member VAT metadata available on the platform.

- **The CREDIT PROPOSITION: OPTIMISING YOUR CASHFLOW USING BCA DATA. According to the British Business Bank, lenders - while increasing net lending to medium-size businesses since Q3/14 - have actually reduced lending to smaller businesses despite unmet demand in excess of £5bn p.a. Much of the funding need of smaller businesses centres around cashflow. Recognising this need, the credit proposition will deliver a number of solutions tightly linked to the business current account to avoid cashflow issues (including invoice chasing, next-generation direct debit, and developing a Pay-On-Time rating), to protect against cashflow issues (by integrating with debtor insurance providers) and bridge cashflow (through working capital solutions, integrating the best providers and, with the SMEs' permission, providing lenders with transaction data available from the business current account)**

Q1 2020 saw the launch of Intermediated credit insurance for invoices issued on the Tide platform.

- **The ACQUIRING PROPOSITION: SAVING YOU MONEY BY OFFERING CARD ACCEPTANCE AS A BCA FEATURE. Smaller businesses are currently charged excessive amounts for their card acquiring and see their funds settle after substantial delay. With the acquiring proposition, CTBB will deeply integrate acquiring with business current account offerings, at significantly reduced rates and with fast settlement**

Scoping work has been kicked off. No implementation is planned for acquiring in Q1 2020 in line with the original plan.

**3) RAISE AWARENESS by extensively promoting the superior benefits of the CTBB business current account**

- **CTBB recognises that the best business current account will only be chosen by SMEs if the appropriate level of awareness is generated.**
- **CTBB is committed to spending a total of £70m to match the £60m in BCR grants – in addition to the planned current spend – to promote the business current account to achieve the target market share objective.**

Marketing activity has been scaled up and has already increased awareness to 30%.

#### **COMMITMENT TO OPPORTUNITIES FOR PARTNERS**

**CTBB operates as a platform deploying solutions from the best partners in the industry.**

**CTBB commits to integrate at least 25 SME solution partners by 2023.**

By the end of Q1 2020 this number stood at seven. We are actively engaged with a number of parties already and continue to expect to meet this commitment.