

## **Funding Options Limited - £5M Grant**

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

- Funding Options has used BCR funding in line with its pledges to facilitate more than £100m of new lending (debt) overall to UK SMEs. In doing so we have exceeded all targets for new alternative lending to date and we remain on target to deliver almost £0.5bn of alternative lending by end-2022 to an additional 10,000 UK SMEs.
- In the process of delivering the above, and in response to some of the challenges presented by COVID-19, Funding Options has onboarded selected new alternative lenders to expand its panel beyond the pledge target to maximise opportunities to find finance for our customers.
- Funding Options has raised £4.2m in matched investment to date to enable us to deliver at pace against our strategy.
- Since launching Open Banking in Q1 2020, Funding Options has championed the benefits of Open Banking infrastructure for both its business customers and lender partners alike. Adoption rates have been strong and we are confident that Open Banking will prove a key enabler in delivering significantly greater efficiency in SME lending to UK businesses going forward.
- Funding Options has made great progress in empowering accountancy firms and other professional companies to provide vital support to their local SMEs. Onboarding of new relationships has already commenced ahead of the new technology being delivered, putting us ahead of plan.

### **Assessment Period 3 (January 1<sup>st</sup>, 2020 – March 31<sup>st</sup>, 2020)**

#### **COMMITMENT 1: WE WILL POWER THE ALTERNATIVE SME LENDING SEGMENT**

**Funding Options will fund an additional 10,000 UK SMEs with almost £0.5 billion in alternative lending by end-2022 and will deliver £100 million in new loan volumes for alternative lenders without them having to pay any cost of acquisition. In addition, Funding Options will grow the number of alternative lenders on its platform from the current 50 to 100, helping more to achieve scale to compete with the major banks. Funding Options will also deploy new free technology enabling at least 10 alternative SME lenders to adopt modern lending capabilities such as live pre-approvals and Open Banking, enabling them to better compete.**

Funding Options has had a strong start to 2020 with the deployment of funds provided by BCR helping to drive lending growth. Notwithstanding the coronavirus pandemic, the business has exceeded targets for the volume of funding arranged by end Q1 2020.

There has been a significant increase in the number of lenders and hence the number of available lending solutions on Funding Options' lender panel. In the face of the COVID-19 crisis, the size and depth of the lender panel has enabled us to continue to provide lending solutions to UK SMEs. In a rapidly changing market, we are engaging with new and existing lenders daily to maximise the opportunities we can provide to SMEs.

It should be noted that the rate of growth in lending Funding Options delivered in Q4 2019 and subsequently in Q1 2020, will be extremely difficult to sustain in Q2 2020 (and potentially beyond) due to the severe impact of the coronavirus pandemic on the entire SME lending ecosystem and the broader UK economy.

As at the time of writing the Government's stimulus package has failed to be deployed with anything like the speed and effectiveness it would have been envisaged when the programme was first devised. The non-bank lender community has effectively been excluded from the support framework with primary access being reserved for the Banks & Building Societies predominantly. The immediate impact on SME lending has been a huge mismatch between demand and supply, which has seen the volume & value of lending achieved in the latter part of March drop materially.

#### **COMMITMENT 2: WE WILL CHANGE SME BEHAVIOURS, FOR THEIR BENEFIT**

**Funding Options will double the number of SME visitors using its website to 1,000,000 p.a. by end-2022, in doing so transforming the number of UK SMEs that research and compare financial services providers online. Building on its current focus on alternative SME lending, Funding Options will get 30,000 SMEs to review their business current account (BCA) provider with an innovative new intelligent BCA comparison tool based on Open Banking data. Underpinning these commitments, Funding Options will grow its brand awareness to 10% of SMEs by 2022 (to be validated by a reputable external market research agency) to create a 'go to' online presence where SMEs can confidently access a diverse range of financial services providers. To support this - alongside £5 million of Pool D funding - Funding Options will raise £5 million in matched private sector capital to further stimulate UK based SME financial services competition, a fundraising strategy unanimously agreed by existing investor shareholders.**

Funding Options has specified the BCA tool and functionality in connection with Open Banking. The build is on schedule and will commence in Q2.

Brand awareness of Funding Options continues to grow in the UK, resulting in funding requests of £1.5bn in Q1 2020.

#### **COMMITMENT 3: WE WILL FILL THE GAP FROM CLOSING BANK BRANCHES**

**Funding Options will close the gap in local funding advice, by innovative new technology that will empower 1,000 accounting firms - from all corners of the UK - to act like traditional local bank managers in supporting SMEs. Funding Options will also run roadshows across the UK, to drive awareness and understanding of alternative SME finance. In addition, Funding Options will deploy a marketplace technology for banks, enabling them to offer alternative lending products to SME customers that do not fit their own lending criteria. This solution will be rolled out to banks representing one-quarter of SME banking market share.**

Through our dedicated team, Funding Options continues to onboard and provide support to accountants across the UK.

Our physical roadshows have been postponed due to COVID-19 measures, however we are exploring options to deliver support to the regions using technological solutions until current restrictions are reduced.

Funding Options is in the process of delivering further integrated digital solutions to pass data between it and its bank partners. This will help to drive further growth in the lead flow the business already receives from the banks and increase Funding Options' SME banking market share further in line with the targets envisaged.

#### **COMMITMENT 4: WE WILL GET OPEN BANKING FOR SMEs ON TRACK**

**By end-2022, Funding Options will use its presence to ensure that 50,000 SMEs use Open Banking data to achieve better comparison of loans, overdrafts, BCAs and other financial services products, driving crucial early market adoption of Open Banking, and putting more SMEs in control of their data. As part of delivering this commitment, by end-2022 we anticipate that more than a quarter of SMEs making a loan application through Funding Options will be using Open Banking technologies for enhanced ease, speed and personalisation.**

Funding Options successfully implemented Open Banking connectivity for SMEs in Q1, and we have been receiving positive feedback from both SME owners and alternative lenders. The expectation is that we will see increased traction from this new capability as we continue to refine the process and improve digital customer journeys. The signs are very positive.

By partnering with AccountScore for Open Banking and driving a strategy of API connectivity with our lender partners, Funding Options can minimise the amount of work SME applicants and lenders need to do to approve a credit application. For SME applicants, they will no longer need to send documentation to lenders. Instead, thanks to Open Banking APIs, Funding Options can immediately make their transaction history available to lenders, in a safe and secure manner. As all the data is standardised, it's easy to share with multiple lenders. The result is a considerably enhanced customer experience.