

Press release issued on behalf of BCR

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Banking Competition Remedies Ltd (BCR) update on Capability and Innovation Fund Pool E

Banking Competition Remedies Ltd (BCR), the independent body established to implement the £775 million Royal Bank of Scotland (RBS) State Aid Alternative Remedies Package (ARP), today confirms the grant sizes for the Capability and Innovation Fund (CIF) Pool E and outlines the process and timeline for applications.

The purpose of BCR is to implement the ARP such that the UK's State Aid commitments are met, coupled with an ambition that seeks to increase and expand competition among providers of financial services to SMEs.

Pool E application process

Under Pool E, BCR will be offering £100m of grant funds to eligible bodies over two application periods, with the eligibility criteria, grant sizes and key dates as set out below.

BCR held a consultation this month to gather views of the size of grants under Pool E. BCR contacted 238 organisations directly, while also publicising the consultation via relevant industry trade bodies, associations and the media. Over 100 organisations responded.

Responses for Pool D eligible bodies (total £20m available) were consistently in favour of grants in the £2.5m-£5m range. Responses from Pool A, B and C eligible bodies (total £80m available) show larger challengers advocating awards above £20m and smaller challengers advocating awards £20m or less. Taking into consideration these responses, the BCR board has now decided on the grant sizes available under Pool E and these are shown below.

Pool E: application round one (Pool D eligible bodies)

- Grants sizes: 2 x £5m / 4 x £2.5m
- Applicant eligibility: organisations that are eligible under previous Pool D criteria (more information can be found [here](#))
- Key dates:
 - Application window opens: 1 June 2020 09:00
 - Query deadline: 19 June 2020 17:00
 - Application window closes: 26 June 2020 17:00
 - Public announcement: Expected w/c 17 August 2020

Pool E: application round two (A/B/C eligible bodies)

- Grant sizes: 1 x £35m / 1 x £25m / 2 x £10m
- Eligibility: banks and organisations that are eligible under previous Pool A, B and C criteria (more information can be found [here](#))
- Key dates:
 - Application window opens: 22 June 2020 09:00
 - Query deadline: 17 July 2020 17:00

- Application window closes: 31 July 2020 17:00
- Public announcement: Expected w/c 21 September 2020

Further information regarding Pool E, including application forms and how to submit queries, can be found [here](#).

It is important to note:

1. All potential applicants will **need to register** with BCR by sending details of a named point of contact and the application period(s) being applied for to bcradmin@bcr-ltd.com.
2. To assist applicants in familiarisation with the Scout tool which will be used to manage the application process, the **Scout Test event** launches Tuesday 26 May 09:00 and will remain open until 19 June 17:00, ahead of the Application Period Two window opening.

As with each previous Pool of the Capability and Innovation Fund, BCR has engaged business and technology consultancy Baringa, to receive and analyse the applications via a rigorous and detailed process. BCR's evaluation team will discuss the output of this process and present a set of supported applications to the full Board, for consideration and final decision. For further details of how BCR makes CIF decisions please see [here](#).

BCR retains a robust focus on monitoring and compliance of all funding recipients once funds have been awarded. Each awardee will make a series of public commitments against which they will report quarterly, and awardees will be required to report and/or meet BCR as requested

Aidene Walsh, BCR Lead Director on CIF said: *"We look forward to welcoming a diverse range of applications, across the two funding rounds. The redeployment of £100m to potential applicants provides a further opportunity to enable greater competition in challenger provision of financial services to UK SMEs – a resilient and vibrant sector that will play a crucial role in Britain's recovery especially in light of the coronavirus pandemic."*

Background to the ARP and previous funding rounds

The ARP was designed and agreed between HM Treasury, the European Commission and RBS. It prescribes in detail the design of the eligibility criteria for applicants, the timelines for delivery, the legal agreements to be entered into, the sums to be disbursed and the associated processes for those engaging with the two workstreams. The ability of BCR to alter or revise these details is extremely limited.

In 2019, the Board, assisted by Baringa, awarded 15 grants under the CIF fund across four Pools (A, B, C and D). The process and decisions were monitored by Mazars, who have been appointed by HM Treasury. The process attracted 165 applications from a diverse range of applicants showcasing real ambition to provide more choice for UK SMEs across a breadth of financial services.

13 awardees, across the four Pools, are making traction on delivering against their public commitments, despite the challenging economic and business environment. BCR is now actively engaged in monitoring awardees performance, with regular meetings to discuss delivery and progress towards implementation of their business strategies.

In 2020, two awardees, Metro Bank and Nationwide returned £50m each to BCR after their own internal strategic reviews. This scenario was foreseen in the design of the ARP and as a result, £100m is being redeployed through Pool E.

Delivery in a context of challenge

COVID-19 is impacting everyone, including BCR awardees and the many SMEs they work with. The earlier run-up to Brexit and the associated uncertainties ahead are also factors.

The Incentivised Switching Scheme has already made a difference in doubling the switching rate of CASS. However, we now expect to see an inevitable decline in SMEs switching banks given the current circumstances.

Brendan Peilow, BCR Lead Director on ISS commented *“It’s understandably not top of an SME’s ‘must do’ list at the moment. BCR nevertheless recently enhanced the scheme for those looking to switch and is looking at ways to extend (current expiry date end August 2020) for those who are considering transferring their accounts in the months ahead but have more pressing priorities right now.”*

In relation to CIF, as with the rest of the market, it is likely that COVID-19 will have an impact on awardees but the pandemic has also provided opportunities for some awardees to accelerate their offerings to assist SMEs.

Aidene Walsh BCR Lead Director on CIF said *“Despite the difficult circumstances, some challengers have in fact come into their own. The “younger” more digital companies seem to have adapted to this shift quickly and some are using new technologies to assist SMEs in areas such as lending. BCR funding is enabling delivery that creates longer-term opportunities for SMEs and which otherwise might never had had the chance to develop. “*

Several awardees have also been very positively engaging with the COVID-19 lending initiatives. Nevertheless, outside the government schemes – and this applies to both non-awardees and BCR CIF awardees alike - there is a low appetite for lending given the substantially increased risk of business failure and bad debt. While short-term targets may be met through these schemes, at this stage long-term lending is posing difficulties for all lenders to SMEs.

Inevitably some commitments are going to take longer to achieve than originally envisaged and BCR processes allow for revised business cases. Where possible, awardees have been sensibly reprioritising to ensure they continue to build capability that will make a difference to SMEs both now and in the future.

Despite current and future challenges for SMEs and for those who provide them with financial services, BCR will continue to support the build-out of competition whatever the external environment. While tightly controlled by its terms of reference agreed between HM Government and European Commission, BCR seeks a pragmatic and transparent approach to addressing these contextual factors.

BCR remains in close liaison with awardees and, at this challenging time for SMEs, has also gained HM Treasury and RBS agreement to implement the £100m Pool E funding earlier than originally foreseen.

What has been achieved by CIF awardees so far?

As part of supporting competition within the SME banking sector, CIF funding is enabling awardees to take forward a diversity of innovative ways to make financial services more wide-ranging and more effective for SMEs. Achievements span branch openings to digital technologies, sourcing lending to FX services, cash delivery to cyber security and client onboarding to new business services. A selection of achievements, by awardees, has been provided below. A fuller picture will be published on 29th May alongside the public commitments quarterly update.

Godfrey Cromwell, BCR's Chairman said: "Throughout this project, we have sought under CIF to fund initiatives which, if successful, will 'move the dial' on competition in the SME banking services sector. We chose a diversity of awardee strategies in part to optimise the chances of success across a range. As one would expect, some initiatives are rapidly successful, while others are longer term initiatives.

"ISS has already made a difference in achieving switching rates above historic levels accounting for 32,773 SME customers moving from RBS to challenger banks in the 13-month period (beginning of March 2019 to end March 2020). That is some 50% of all non-personal switches and a significant achievement given that it was widely expected that very few SMEs would even consider moving banks. Switching is a matter of customer choice, and in the current environment, understandably, it is not a priority for many. Nevertheless, BCR continues to do everything possible within its terms of reference to streamline and support customer switching as well as exploring activity with RBS and HMT to enhance the scheme for those that do wish to switch.

"We have worked quickly to finalise Pool E to ensure that we can deliver the money into the market as soon as possible while abiding scrupulously by the requirements and tasks tightly defined by the Alternative Remedies Package agreement. We will also retain a robust focus on monitoring and compliance of all funding. There will be further challenges and difficulties along the way. Awardees and BCR will work together to address them."

-Ends-

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About BCR

Banking Competition Remedies Ltd (BCR) is the independent body established in 2018 to implement the £775 million Royal Bank of Scotland (RBS) State Aid Alternative Remedies Package. BCR is independent from RBS and the UK Government. It is governed by an independent board of directors. The Alternative Remedies Package was negotiated and agreed between HM Government and the European Commission and comprises two RBS funded measures amounting to £775m:

- The **Incentivised Switching Scheme** – to which up to £275m is allocated to assist SME customers within the Williams & Glyn business to move to 'challenger banks'. A further maximum sum of £75m has been set aside within RBS to cover customers' switching costs.
- The **Capability and Innovation Fund** – to which £425 million has been allocated to support the development of wider capabilities and competition in the SME banking market essentially through grants to eligible challenger institutions across four pools. A further funding round, Pool E, has been created to redeploy some £100m to eligible applicants, after two awardees,

Metro Bank and Nationwide, each returned £50m to BCR after their own internal strategic reviews indicated a change in business direction.

The next regular progress update for CIF will be published on Friday 29 May and will include an update on all the Pools. Future reporting dates can be found [here](#).

Details of CIF Achievements to date

Please note that this is a selection of achievements and not an exhaustive list. Further details will be published on Friday May 29th alongside an update on Public Commitments. Awardees are also able to provide further details.

Metro Bank plc

- October 2019: launch of artificial-intelligence-led 'Business Insights' capability into the Metro Bank mobile app – helping businesses manage their cash flow and make more data-driven decisions
- December 2019: launch of 'MCash' the new on-demand cash collection and delivery service to support the 4.2 million UK SMEs that rely on cash
- February 2020: became a direct participant of Bacs, the Pay.UK-operated payment system, helping enable Direct Debit origination for business customers through a new partnership with Bottomline Technologies
- March 2020: announcement of a new partnership with ezbob, an award-winning lending-as-a-service provider, to deliver a next-generation small business loans platform
- May 2020: first two of 15 new stores in the North of England have opened in Manchester and Liverpool. The third, in Sheffield, is ready to open at an appropriate time

Starling Bank Limited

- Starling's new lending products, including unsecured loans, are supporting businesses to gain access to credit.
- Starling has been accredited to lend through the Bounce Back Loan scheme and the Coronavirus Business Interruption Loan Scheme (CBILS)
- To date Starling has lent £300m to UK SMEs
- Starling has, alongside its own originations, signed an agreement with Funding Circle to lend a further £300m to UK SMEs under the CBILS programme
- Starling has built a range of new features in the Business Toolkit, which enables SMEs to estimate and save for their tax, record and submit their VAT to HMRC, create and match invoices, and manage their bills - all from their Starling account
- Starling has partnered and integrated with an additional 15 partners in their Marketplace, connecting customers to a broad suite of business products and services from accounting through to life insurance
- The value delivered by these initiatives has enabled Starling to attract over 120,000 SME customers

ClearBank Ltd

- Now over 150,000 members - 1 in 40 UK SMEs - and the third largest business banking challenger (after Virgin Money, Metro); creating a true SME-first alternative to high street banks
- Significant awareness increase of the Tide brand; now known to 30% of SME population
Launched a cutting-edge solution for making tax digital; with full accreditation to HMRC
- Created opportunities for seven SME partners with more rapidly coming onstream

Investec Bank plc

- Investec has been formally accredited by the British Business Bank (BBB) into the Coronavirus Business Interruption Loan Scheme (CBILS) and will be working closely with the BBB to fully operationalise the scheme and help businesses through this tough time
- Investec has provided businesses with greater flexibility and choice to manage their surplus cash with the launch of a new Business Savings Account in Q1 2020, with the following benefits - 800 businesses have already signed up since launching the account:
 - Clear & transparent; simple savings product for SMEs with no hidden rates
 - Trust & security; along with FSCS protection, Investec Bank has a long-term deposit rating of A1 with Moody's
 - Quick & easy; digital on-boarding journey to enable companies to apply and start saving in just 10-minutes
- Significant enhancements to Investec's digital platform to make it easier for clients to take control; access their deposits, payments and FX transactions on their own terms, whenever and wherever they like
- Soft-launched the first version of new online FX platform which makes it easier for businesses to trade internationally and manage the risks associated with that

The Co-operative Bank plc

- Completed substantial contracts agreements and started implementation of Salesforce capability – currently, more than half-way through onboarding delivery plan.
- This digital capability will deliver same-day onboarding for SMEs and act as the foundation for future digital enhancements for SME customers
- Mobile app build is progressing well and customer testing milestones have been completed to date. With FinTech partner Bankifi, Co-op remain on track to launch their first SME-specific mobile app.
- Moving into delivery of Credit Card, having agreed contract with Visa

Atom Bank PLC

- Since receiving the BCR grant Atom has built the underlying infrastructure for its small business app in partnership with their strategic partner Thought Machine
- Built a radically enhanced pricing engine and quote tool that enables Atom to give a quote on a secured lending application, often the hardest to quote on quickly, within 60 seconds
- Imminent launch of a closed online community for SMEs - 'The Kitchen' - allowing small businesses to offer feedback and be actively involved in prioritising Atom's product roadmap
- Atom is creating high quality jobs in the North East of England, including roles in Data Science and Engineering. To date 15 people have joined Atom, including 6 graduates

iwoca Ltd

- Following additional market research with customers and distribution partners on No PG loan offering, iwoca has now built an MVP to enable offering of CBILS loans, ensuring support for more small businesses affected by the Covid-19 pandemic
- Rapid progress on the development of iwocaPay product and launched a pilot version ahead of schedule in early Q1. Onboarded five sellers to trial the new product, to test systems and processes. Successfully funded their first seller on 28th February and continuing to make iwocaPay available to a growing list of sellers, offering more than £60,000 to small businesses to date
- Established a joint iwoca and Xero team applying a robust and customer-led approach to investigate how best to connect small businesses who require finance to the right solutions within the Xero software
- Opened regional office in Leeds in February and hired 14 new employees to date, across Leeds and London offices

Modulr Finance Ltd

- Secured £10 million of matched funds successfully as part of their latest round of growth funding
- A team of 47 has been recruited since Q3 2019 (42 brand new highly skilled jobs in Edinburgh and 5 across other UK regions)
- Payment Innovation commitment highlights:
 - Payment Initiation Service Provider: the prototype is complete and due to go-live by Q3 2020 immediately with a large group of SME customers through partnership with Sage Plc, with further partners planned for 2020
 - Confirmation of Payee Outbound functionality: the prototype complete and due to go-live by Q3 2020, inbound to be completed immediately afterwards
 - The Request to Pay prototype completed in Q4 2019
- Payment as a Service commitment highlights:
 - Visa principal membership secured as part of journey to implement physical cards
 - An additional 24 SME-serving partners have signed up for Modulr services since Q4 2019, with the top partner representing an aggregated reach of 50,000 SMEs

The CurrencyCloud Group Ltd

- Launched Currencycloud Spark, a solution enabling banks and Fintechs to provide multi-currency accounts to their business customers to collect, store, convert and pay in more than 35 currencies
- Significantly improved the speed of international wires processed through the platform as a result of SWIFT gpi membership and product integration
- At launch, 38% of international wires sent through platform were completed (i.e. payments credited the beneficiary account) in five minutes. Completion rates increase to 55% within 60 minutes and 93% within 24 hours
- Became one of the first non-banks to introduce self-service payment tracking via API in partnership with SWIFT. The solution will enable customers to track a payment as it moves around the world in real time, much like an Amazon parcel

Funding Options Limited

- Facilitated more than £100m of new lending (debt) overall to UK SMEs
- Has exceeded all targets for new alternative lending to date and remain on target to deliver almost £0.5bn of alternative lending by end-2022 to an additional 10,000 UK SMEs

- Raised £4.2m in matched investment to date to enable delivery at pace against strategy
- Great progress in empowering accountancy firms and other professional companies to provide vital support to their local SMEs
- Onboarding of new relationships has already started, ahead of the new technology being delivered, putting FS ahead of plan

Fluidly Limited

- Launched actions/products to help SMEs manage their cashflow: this has included an updated 'Chase' feature which allows SMEs to chase their debtors easily, and a new 'Plan' feature which supports financial decision making
- Launched funding journey (financial services marketplace): this allows SMEs instantly to access pre-qualified funding offers from a range of lenders, by inputting just their company name
- Now working with more than 35 of the Top 100 Accounting Firms in the UK to reach as many SMEs as possible at scale

Swoop Finance Limited

- Launched new virtual CFO offering, enabling SMEs to access loans, grants, and investment as well as cut costs across utilities, banking, and FX. This has resulted in £62m in finance raised and saved for UK SMEs
- 585 funding providers have been onboarded within Swoop's integrated marketplace
- 26,000 SMEs signed up to Swoop Virtual CFO with over 15% integrating their bank accounts via Open Banking

Form3 Ltd

- Several leading Financial Institution customers are now live with domestic payments processing for Faster Payments, Bacs and SEPA. This is providing direct benefit to tens of thousands of SME customers in the UK
- Extending the above success, now rolling out advanced features for International Payments with FX services to support SMEs with Export and Import. Early adopter Financial Institutions have made commitments for these services and project delivery is in progress
- Launched a number of online initiatives to act as a catalyst to the bettering of the SME community in UK and Europe
 - Podcasts (6 episodes under the banner of "Future of Banking"; 3 episodes of "Pioneering Payments"; 4 episodes of Money2020's MoneyPot)
 - Fireside Online Chats with Service Providers to SME community in UK (with emphasis on those who provides financial services to aide international trade)

Codat Limited

- Codat's platform has been used by banks, alternative lenders, insurers, payments/point of sale providers, cash flow forecasting tools and many more to accelerate development of new and improved integrated products for SMEs
- Codat's platform now enables financial products to integrate with Xero, Quickbooks Online, Quickbooks Desktop, Sage Business Cloud, Sage 50, Kashflow, FreeAgent, Freshbooks, Clearbooks, Exact, Wave and Zoho Books all via a single, developer friendly API
- Codat's CIF Funded Development has taken on greater significance in the wake of COVID-19
- Leveraged development already completed to build and deliver a solution for the Coronavirus Business Interruption Loan Scheme (CBILS) and Bounce Back Loan Scheme (BBLs) which has been deployed by UK Tier 1 & 2 lenders

- Enabled c.£1bn of funding applications with 100% uptime on day 1 of the BBLS and to date c£9bn of funding applications across all schemes, demonstrating the value of scalable data infrastructure to avoid some of the well- publicised challenges other lenders experienced in the early weeks of CBILS and BBLS