

Funding Options Limited - £5M Award

CIF Key Achievements to Date

- Funding Options has used BCR funding in line with its pledges to facilitate more than £140m+ 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 the ongoing challenges presented by COVID-19, the Funding Options team continues to manage its lender panel dynamically to ensure we can offer appropriate funding options from across the prevailing lender landscape to our customers, while at the same time navigating the HMG schemes diligently. Outside of the HMG schemes, the team's activity in onboarding selected new alternative lenders has seen the panel expand further beyond the pledge target.
- Funding Options has now raised the full £5m in matched investment for our Pool D grant to enable us to deliver 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. Further enhancements to our customer journey have been implemented to embed Open Banking seamlessly into the application process and the business has outperformed versus our pledged usage volume target for 2020.
- Funding Options continues to make great progress in empowering accountancy firms and other professional companies to provide vital support to their local SMEs. Onboarding of new relationships continues at pace ahead of the new platform technology being delivered early in Q4 2020.
- We have continued to submit applications for new loans without any cost of acquisition to a growing number of lender partners, delivering ahead of time on our 2020 target and arranging just under £24M cumulatively in new lending at nil cost of acquisition this year to end Q3.
- Funding Options has doubled the number of SME visitors using its website on a quarterly basis for 2020 and we are tracking on target to exceed 1,000,000 SME visitors already this year. We will reach the milestone well ahead of our commitment and in doing so, we are helping to transform the number of UK SMEs that research and compare financial services providers online.

Assessment Period 5 (July 1st, 2020 – September 30th, 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.

Under continuing challenging circumstances as a result of the ongoing coronavirus restrictions, the Funding Options team continues to demonstrate its strength as the UK's leading marketplace for SME finance, more than doubling the value of vital new funding it has helped introduce into the economy through UK SMEs from Q2 2020 to Q3 2020.

In contrast to the previous reporting period, for Q3 the SME finance sector has been able to settle into a 'new norm' state and rhythm, defined primarily by the parameters of the Government loan schemes but, importantly, with lenders that have access to the requisite liquidity starting to re-commence lending to UK SMEs via their traditional products. This has resulted in greater success for UK SMEs in gaining access to finance than was possible during Q2.

In May, Funding Options advised BCR it would be changing the overall status with respect to achieving the planned lending targets for 2020, from green to amber. The justification at the time was clearly the ongoing uncertainty in the economy and the potential for a more sustained impact from Covid-19. As a result of an incredible effort on behalf of the entire Funding Options team, we are on track to now exceed our original pledged lending target for 2020, with more than £24m of vital funding introduced into the economy this quarter.

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.

Given the unprecedented demand from businesses applying for finance this year-to-date, the Funding Options team will potentially exceed its overall Pool D target of 1,000,000 UK SMEs utilising the Funding Options website on an annual basis. Performance is currently tracking at just under 150% of the 2020 target.

Customer feedback, as captured through the Trustpilot rating platform, remains Excellent and the team has garnered more than 7 times as many 5-star reviews as its nearest competitor. Dynamic management of our lender panel by the commercial team throughout the coronavirus pandemic, has

seen more than 30 new lenders added to bolster the competitive choice we offer UK SMEs through our platform. We now work with more than 100 active lenders, a number that already exceeds our overall pledge for Pool D.

Brand awareness amongst UK SMEs has dipped slightly from 10% in Q2 to 9% in Q3, partly reflecting the lower profile Funding Options has nurtured this quarter as the team has focused on other areas of key delivery. We expect this dip to be reversed in Q4 as we raise our profile proactively externally again by stepping up participation in industry events, engaging proactively with the media through thought leadership pieces and reigniting our external communications/brand strategy.

As advised during the previous reporting period, the release of Funding Options' BCA comparison tool has been delayed as a result of the internal decision to focus resources on the initiatives that will deliver the most benefit to UK SMEs in the short term. Providing access for SMEs to vital funding options has hence been the overriding priority. Development has since started and we are aiming to deliver the solution prior to the end of the year, in line with our pledge.

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.

Funding Options remains committed to closing the gap in local funding advice. Notwithstanding the delayed development of our Project Ballpark solution for Accounting firms, the team has made excellent progress throughout Q3 and we will be launching our tailored proposition for the Advisor channel in early November. We remain on track to exceed the pledged on boarding target before the end of the year.

The planned physical regional roadshows are still simply not feasible given the ongoing coronavirus restrictions. The benefits of undertaking 'virtual' events are questionable given the sheer volume of such events taking place, hence for the foreseeable future the team will manage the BCR grant funds prudently to ensure we can maximise the realisable benefit to UK SMEs at the appropriate moment.

Funding Options' partnership with Metro Bank to deliver our digital "Alternative Yes" solution for its business customers is progressing, albeit at a slower pace due to competing priorities in the wake of Covid-19 that have naturally delayed the implementation.

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.

Q3 saw the release of Funding Options' enhanced customer journey, embedding Open Banking at the heart of the application process. The release has been very successful and we have seen an acute and sustained increase in SMEs using Open Banking since. At the current run rate we are on track to exceed the 2020 target well ahead of schedule.

Further refinements to our customer journey are expected in the coming months and we believe these will drive even better adoption of Open Banking on our platform.