

Press release issued on behalf of BCR

31 October 2022

BCR publishes its 4th Annual Report demonstrating how the Alternative Remedies Package has shifted the market for SME banking

- **BCR also provides progress updates on Public Commitments from Pool E Capability and Innovation Fund recipients**

BCR Annual Report

The directors of BCR have today published the company's Annual Report for 2022/2023 which highlights the continued impact of the Alternative Remedies Package (ARP) on the provision of financial and related services to SMEs through unprecedented times. The annual report can be found [here](#).

Richard Anderson, the BCR Chair, said: "Both SME's and those seeking to serve them through the small business banking market have faced difficult external conditions throughout the life of BCR: Brexit uncertainty, Covid-19, the war in Ukraine with all that has entailed and now difficult economic circumstances. I am always impressed by the resilience and agility of those we have funded in being able to operate in these turbulent times. I have little doubt that these businesses will continue to provide help in a tough market, and they will be in a good position to support SMEs once better economic times return."

Progress updates for Pool E recipients

The Board of Banking Competition Remedies Ltd (BCR) today publishes progress updates for Pool E recipients, providing a summary of performance against their public commitments for the period ending 31st August 2022. The external environment continues to throw up fresh obstacles with an increasing number of SMEs now facing cost-of-living challenges which in turn has a knock-on impact on, for example, working capital, advancement and repayment of lending and SME insolvencies. It has opened opportunities for some awardees while delaying others in realising their ambitions. In all circumstances, BCR works with awardees with the aim to maintain momentum for the benefit of UK SMEs and, at this stage, only engages in a discussion around return of funds in circumstances where it feels that it will be difficult to achieve SME benefit in the timelines expected. In one such case, it has resulted in a modest amount of funds being returned by ezbob, which – despite delivering all the functionality it promised – has found demand for technology supporting unsecured lending in the UK to be very subdued against its expectations. While out of time against its business case with BCR, it, nevertheless, continues to explore avenues for distribution and has set itself what it considers to be realistic targets for the next three years based on the two proof of concepts that have been funded.

The public commitment updates this reporting period see the majority of awardees making good progress against delivery of public commitments.

Following the agreement between BCR, HMT and NatWest to continue to monitor awardees post CIF agreement termination in December 2022, BCR continues to support awardees in submitting

Revised Business Cases to re-align targets where necessary. In this reporting period, four business cases from Codat, MarketFinance, Funding Xchange and Previsé were submitted and these have all been approved. These have all been driven by delays in larger organisations adopting their solutions – the desire is still there to utilise their offerings solutions; however, implementation times have shifted due to those larger companies also responding to market challenges. Codat’s proposal was straightforward in seeking an extension to its timeline to achieve its SME impact targets in 2023 versus 2022. MarketFinance reduced its SME acquisition target up to year-end 2024 and reduced its year-end 2022 target for the number of challenger banks engaged. Funding Xchange revised the delivery timeline of its distribution network and realigned off-track KPIs by extending some of these targets into 2025. In Previsé’s business case, the awardee sought reductions to several year-end 2022 targets due to client adoption delays and remains committed to reaching overall targets by mid-2024.

A summary of performance against awardees public commitments can be found in the notes to editors, with links to the full updates provided below:

Pool E eighth quarter update

- [Virgin Money UK PLC public commitment progress update](#)
- [ClearBank Ltd public commitment progress update](#)
- [Ebury Partners Limited public commitment progress update](#)
- [MarketFinance Limited public commitment progress update](#)
- [Funding Xchange Ltd public commitment progress update](#)
- [Codat Limited public commitment progress update](#)
- [ezbob Ltd public commitment progress update](#)
- [Fractal Labs Ltd \(t/a tomato pay\) public commitment progress update](#)
- [Previsé Ltd public commitment progress update](#)

The final formal reporting update for Pool E awardees will be in February 2023. Pool A, B, C, D and F awardees will provide their next progress update in November 2022, with their final formal reporting update also in February 2023. For more details on how BCR monitors CIF awardees see [here](#).

Notes to editors:

A summary of CIF Pool E performance against public commitments

Pool E eighth quarter update

Virgin Money UK PLC public commitment progress: Virgin Money is making good progress having fully deployed CIF spend. In Q3 2022, Virgin Money successfully launched Marketplace to new and existing M-Track customers marking the delivery of the final functionality in its business case. Additionally, it has now fully digitally onboarded 90% of its customers and has acquired 8,559 new customers since receiving CIF awards. Despite the excellent progress made, it is currently behind target on its market share, net new lending, and its relationship management hours. A Revised Business Case is due shortly which will lead to revisions to a number of impact targets including

revisions to the deployment of co-investment.

ClearBank Ltd public commitment progress update: ClearBank is progressing well against its business case. ClearBank's lending stands at over £188m to date, both co-investment and CIF spend are on track and it has successfully launched its Public Directory and Managed Services. Its diversity and inclusion commitment currently stands at 37% of women in senior leadership roles and it has delivered its commitment of onboarding 50,000 new members identified as female and 20,000 new BAME members. Despite progress, its BCA embedders KPI is tracking behind due to encountering challenges with Open Banking connectivity. A Revised Business Case to address this point is due shortly.

Ebury Partners Limited public commitment progress update: Ebury has delivered four out of five public commitments and has deployed all CIF and co-investment spend. It is progressing well against its final public commitment namely customer targets, having onboarded 9,070 customers to date against a target of 9,200 by end of 2022.

MarketFinance Limited public commitment progress / business case update: MarketFinance has made significant progress this quarter having originated £433m of new lending to date for over 1.9k UK SMEs. MarketFinance has serviced more than 150 SMEs through its Embedded Finance solution, advancing more than £1.2m across more than 1.4k transactions. Furthermore, it has underwritten credit limits worth £40m+ across nearly 1.8k SMEs and it expects this to drive further new customer acquisition and lending in the upcoming months. Its NPS score averages around 50 across all of its products and MarketFinance continues to see top reviews on Trustpilot where its score has increased to 4.8. MarketFinance's Working Capital Advisors functionality is delayed until Q4 2022 due to scoping issues. MarketFinance's Revised Business Case sought reductions to SME acquisition up to the end of 2024 while retaining its overall lending commitment, reduced its year-end 2022 target for the number of challenger bank partnerships as a result of continued government intervention in the lending market which continues to delay the partnership cycle.

Funding Xchange Ltd (FXE) public commitment progress / business case update: FXE has made significant progress this quarter having exceeded its recruitment target which stands at 64 to date and has now fully deployed both CIF and co-investment. Its total SME reach stands at 687k, financing offered through its platform is currently at £2.2bn and the number of SMEs receiving faster decisions stands at 85k. Its SmartFinanceHub continues to gather pace and it anticipates closing additional commercial contracts by year-end 2022. FXE's Revised Business Case sought reductions to several year-end 2022 targets where some were extended to 2025; however, FXE already had targets set for 2023 and 2024 which were also reduced. The reason for the Revised Business Case was due to the ongoing distortions in the lending market, government loan scheme lending as well as the continued uncertain economic environment. Additionally, FXE curtailed its partnership with Enterprise Nation in favour of investing further with other partners and, therefore, shall not be progressing with the Finance Portal for Advisors initiative.

Codat Limited public commitment progress / business case update: Codat has now delivered three of its five Public Commitments and spend is progressing well. Codat's number of connected SME's stands at over 127k. Codat's Revised Business Case addressed the delay to the number of connected

SMEs and sought to extend the timeline from achieving this target by year-end 2022 to year-end 2023. The delay in achieving this KPI is due to external factors impacting Codat's clients' implementation period.

ezbob Ltd public commitment progress update: ezbob's Revised Business Case was approved in June 2022 and as previously highlighted was subject to certain conditions including the implementation of three additional Proof of Concepts (PoCs) by 31 August 2022. BCR had been working closely with ezbob to understand how the current distortion of the lending environment has impacted its solution. In early September, BCR took the decision to ask ezbob to return the funds associated with the three PoCs as it did not meet the timelines of the recently approved business case. A modest sum of £336k was returned which will now be distributed to a suitable charity during the course of 2023. ezbob will submit a Revised Business Case shortly to realign its off-track KPIs.

Fractal Labs Ltd (trading as tomato pay) public commitment progress update: tomatopay has made some progress in this reporting period, particularly in relation to the number of SMEs directly using SMART which stands at over 18k exceeding its 2022 year-end target. Despite the delays experienced with partners, SMEs enabled on SMART through partners stands at 208k against a year-end target of 250k. tomato pay has also exceeded its recruitment target which stands at 23. Due to its own working capital challenges and external dependencies on partners and HMRC implementing its solution, tomato pay is off-track with co-investment, the value of invoices paid via Open Banking (PIS) in SMART and the volume of tax filings made in SMART. A Revised Business Case is due shortly.

Previs Ltd public commitment progress / business case update: Previs has exceeded its target for the number of SMEs its InstantFinance product is made available to and has now advanced more than £21m to date against a target of £35m. Previs's CIF and co-investment deployment remains on track for year-end 2022. It has continued to work with a global bank with a large UK presence to deploy its InstantFinance solutions; however, due to internal delays within the bank, launch has been further delayed. Previs's Revised Business Case sought reductions to several year-end 2022 targets due to the delay in partnerships going live and the current economic environment for SME lending but remains committed to reaching overall targets by mid-2024.

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About BCR

Banking Competition Remedies Ltd (BCR) is the independent body established to implement the £700 Million* Royal Bank of Scotland (RBS) now known as NatWest) State Aid Alternative Remedies Package (ARP). BCR is independent from NatWest and the UK Government. It is governed by an independent board of directors. 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.

The ARP was negotiated and agreed between HM Government and the European Commission and comprises two NatWest funded measures amounting to £700m:

- The Incentivised Switching Scheme* – which has now closed having distributed £275m of the dowry fund available to SMEs that switched from NatWest. £194k was returned by TSB due to an underspend against its business case.
- The Capability and Innovation Fund – to which £425 million was allocated to support the development of wider capabilities and competition in the SME banking market essentially through grants to eligible challenger institutions. BCR holds awardees to account by closely monitoring their progress against business plans. With Pool F awards announced in 2021, there are now 22 awardees across 6 pools. £336k was returned by ezbob and in combination with the underspend from TSB, will be distributed to a suitable charity in early 2023. All CIF Agreements terminate at the end of December 2022 with final formal reporting in January 2023 and, thereafter, there will be continued informal monitoring of BCR awardees to ensure there is continued focus on delivering public commitments.

Further details on the Capability and Innovation Fund can be found [here](#).

* Up to an additional £75 million was made available by NatWest Group Plc to cover customers' costs of switching (e.g., through waiving or reimbursing break fees and/or other third-party costs incurred by customers, such as legal fees).