

Funding Options Limited - £5M Award

Key Achievements to Date

- **Q4 2022** - Funding Options acquired by Tide.
- **Q4 2022** - Funding Options has used BCR funding in line with our pledges to help facilitate over £402m of new lending (debt) which includes £91m of new loan volumes for alternative lenders without any cost acquisition to UK SMEs since the commencement of Pool D.
- **Q3 2022** - The Funding Options team has expanded its data-driven platform for the SME finance sector with the launch of Funding Cloud: Insights, which provides market knowledge and intelligence to the small business lending industry. Following on from the successful launch of Funding Cloud in 2021, we wanted to deliver further market intelligence and granular trend data to our lender partners so they can evolve their lending proposition and make more accurate decisions about products.
- **Q4 2021** – We continued to submit applications for new loans without any cost of acquisition to a growing number of lender partners, delivering in line with the target. Additionally, we launched “Funding Cloud™ Connect” - our tailored solution for professional firms through our Advisory channel to help empower accountancy firms and other professional companies to provide vital support to their local SMEs.
- **Q2 2021** – We launched Funding Cloud™, a technology and data-driven platform that connects businesses, lenders, and partners to facilitate fast, accurate and secure access to funding at scale to achieve fully digitally underwritten lending decisions in real time. The shortest time frame achieved to date from a business submitting a finance application to full approval by a partner lender, is 20 seconds. The shortest time frame achieved to date from a business submitting a finance application to having the money transferred into its bank account by a partner lender, is 18 minutes.
- **Q2 2020 to Q1 2022** - We have navigated the changing COVID-19 conditions in the SME finance sector diligently - pivoting the team’s focus, when necessary, with the introduction and cessation of the different HMG schemes - to always ensure we continue to provide a competitive choice of appropriate funding options for UK SMEs.
- **Q1 2020** – As an early adopter, Funding Options has championed the benefits of Open Banking infrastructure for both our business customers and lender partners. Adoption rates have since been strong and as of Q3 2022 over 29k accounts had been connected using Open Banking.
- **2019** - Full £5m in matched investment raised for our Pool D grant.

Assessment Period 14 (October 1st, 2022 – December 31st, 2022)

These Public Commitments are based on Funding Options’ Revised Business Case which was approved in June 2022. The former Public Commitments, including rationale for the changes can be viewed [here](#).

COMMITMENT 1: WE WILL POWER THE ALTERNATIVE SME LENDING SEGMENT

Funding Options will fund up to 5,000 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 is not on track with this commitment. Funding Options has used BCR funding in line with its pledges to help facilitate more than £311m of vital new (debt) funding to UK SMEs (67% of its overall pledge) since the commencement of Pool D. During Q4 2022 specifically, the Funding Options delivered £20m in new lending volume assisted by the CIF grant.

Funding Options is very proud of its achievements to date and remains committed to accelerate its momentum into the new year. It has agreed with BCR to continue its reporting throughout 2023 to track its progress in achieving the lofty funding target it set for itself at the outset of the Pool D initiative.

Alongside the Funding Options team achieving solid new lending volumes during the quarter, the number of additional SMEs successfully 'funded' grew 14% quarter on quarter again, building further on the same increase it saw in Q3. This encouraging growth is the result of the strong performance of the Funding Cloud™ platform overall, but in particular its digital and hybrid channels which are more focused on driving higher volume, lower value lending outcomes. The breadth and depth of lenders fully integrated into Funding Cloud™ is fast reaching the point of critical mass where the platform will facilitate an efficient finance marketplace with minimal human intervention.

Whilst again encouragingly high demand for finance continued throughout Q4, it remains clear that the prevailing negative macroeconomic trends are impacting businesses and lenders alike, with the supply-side challenges most concerning and reminiscent of the covid era. The latest iteration of the Recovery Loan Scheme (RLS) has added very little value to the sector, as broadly anticipated by the non-bank lender community. As at the time of writing *none* of the primary unsecured non-bank lenders have either sought to be, or have been, registered for the scheme. This is a clear indication that the scheme was ill-thought through and should not have been pursued. The announcement of the new iteration of the RLS has only exacerbated the sector's problems, causing confusion and creating a void between customer expectations and the distribution network capable of meeting them.

COMMITMENT 2: 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. Underpinning this commitment, 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.

This commitment has been delivered.

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 400 accounting firms - from all corners of the UK - to act like traditional local bank managers in supporting SMEs by the end of 2022, and 1,000 local accounting firms in total by the end of 2023. 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.

The Funding Options team has partly delivered this commitment as of December 2022. Where it has fallen short, it has agreed with BCR to continue its reporting throughout 2023 to track its further progress in achieving the ambitious targets it set for itself at the outset of the Pool D initiative.

The team has continued to make solid progress in empowering accountancy firms and other professional companies to provide vital support to their local SMEs. To improve the Funding Options service to this segment specifically, in Q4 2021 the team launched “Funding Cloud™ Connect” - Funding Options’ tailored solution for professional firms through its Advisory channel - providing them with a dedicated digital interface directly into its core Funding Cloud™ platform.

Whilst the Commercial and Advisory teams have continued to make steady advances onboarding new advisory partners and adoption of Funding Cloud™ Connect remains strong, performance during Q4 2022 has again fallen behind the headline target for onboarding new accounting partners. This is primarily the result of resourcing challenges within the Advisory team which have directly impacted capacity, hence performance against the targets set.

Funding Options continues to work closely with its bank partners to support them with its digital “Alternative Yes” solution for their business customers. Traction in terms of SME customers being offered alternative lending products where its bank partners are unable to assist them with their finance applications, remained flat quarter on quarter.

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.

The Funding Options team has partly delivered this commitment as of December 2022. Where it has fallen short, it has agreed with BCR to continue its reporting throughout 2023 to track its progress in achieving the ambitious targets it set for itself at the outset of the Pool D initiative.

Momentum in terms of the number of SMEs utilising Open Banking data has remained lower than expected in Q4 2022 as a result of a previous process change pertaining to low value finance applications (sub-£25k) which has removed the onus on Director applicants to connect their bank accounts digitally as part of what Funding Options calls its ‘Quote journey’. Whilst the impact of the process change has been beneficial in one respect, it has negatively impacted Funding Options’ performance against this Commitment, hence it will be re-thinking its strategy to achieve an optimal outcome in terms of both Open Banking adoption and successful completion of our Quote journey.

Funding Options of course continues to see opportunities to accelerate the use of Open Banking by UK businesses further. Customer behaviour has changed with increasing awareness and acceptance of new technology and data-driven solutions. SMEs are realising that they need to adapt to the changing lending landscape and utilise the new tools available to them to access the full breadth of finance products that could be relevant to them. It remains encouraged by the adoption rates for

finance applications that have been matched with, and sent via API to, lenders integrated with Funding Cloud™, which are consistently high.

Multiple further enhancements to Funding Options' dynamic customer journey and dashboards are in its roadmap (and continue to be released to production) and it believes these will embed Open Banking technology even more at the heart of the application process, increasing adoption materially.