

Small Business Banking - UK - October 2016

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“Small business owners show a reasonable level of interest in value-added services such as access to accountancy software but few are prepared to pay extra for these. As efforts to drive up competition in the market intensify, we can expect to see more diversified offerings emerging to suit a range of business needs.”

– **Deborah Osguthorpe, Head of UK Financial Services Research**

This report looks at the following areas:

- **Uncertainty surrounding Brexit creates opportunity for business banking providers to deepen customer relationships**
- **A significant proportion of small business owners rely on borrowing from friends and family**

During 2015 the number of small business current accounts grew marginally by 1.1% to stand at 3.68 million, although this is lower than the overall growth in the small business population. However, there was stronger growth in account balances which grew at almost 8% year on year to stand at almost £83 billion.

Entrepreneurship and small business ownership is deemed a vital component of the UK economy. During the recession that followed the 2008 economic crisis, policymakers introduced a number of measures to support small businesses and improve access to finance in order to encourage growth. Many of the schemes have been extended in 2016 to continue this support. The potential customer base for business banking providers continues to grow, but an influx of new challenger banks attempting to gain a share of the market poses a threat to existing incumbents.

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Small business account numbers edge up but balances see strong growth

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Overdraft use continues to decline
Regulatory measures aim to increase competition in the market
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 Bank Referral Scheme extended in 2016
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 Barclays launches SmartBusiness big data app

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