Commercial Borrowing: Inc Impact of COVID-19 - UK - December 2020

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"The financial effects and business disruption of the pandemic have challenged businesses and will continue to affect some for months and years ahead. While this is likely to lead to increased due diligence, risk aversion and some form of a slowdown in certain types of borrowing, it will also encourage business and lender innovation."
– Lewis Cone, Senior B2B Analyst

This report looks at the following areas:

- **The impact of COVID-19 on commercial borrowing and how lenders and borrowers alike will react to the new market conditions.**
- **How the commercial borrowing market will adapt to the post-COVID-19 environment.**
- **The value of the market in 2020 and beyond.**

As the COVID-19 pandemic causes massive disruption to all business, the largest impact has been seen in SMEs, with anecdotal evidence suggesting that 80% of all UK SMEs have been affected in some way. As a result, many have been forced to postpone growth plans, lay off staff or face outright insolvency.

The national lockdown announced on 4 January 2021, and which legally came into force on 6 January, will only add extra financial pressure to businesses that are struggling and lenders will be greatly required once again.

Commercial borrowing levels have traditionally followed business cycles. During 'boom' years, businesses are eager to borrow to finance capital investments in new equipment and facilities. However, in the current pandemic-ravaged business climate, business borrowing levels have risen due to the need for survival rather than the need to expand to meet growing customer demand.

While the 'big five' banks still provide the vast majority of lending to SMEs, new disruptive players are entering the market and are starting to change the lending landscape. New digital-only lenders have changed how loans are offered and the 'big five' banks have reacted to this by investing in digital lending processes for their own customers.

Therefore, banks have started to adopt more of a fintech mind-set with most aware of the need to test and apply new operating model prototypes that increase lending flexibility and agility. However, adoption of new models still tends to be focused in the B2C area, with these new methods needing to be shifted into the B2B sector, where many small businesses will require quick finance in order to weather the current economic storm.

DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market

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