

# Small Business Banking: Inc Impact of COVID-19 - UK - November 2020

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## This report looks at the following areas:

Only 56% of small business owners use a business current account to manage their business' finances, with the remaining choosing regular current accounts. The proportion using the same account for their personal and business finances has been growing over the last few years and now stands at 24% of small business owners.

Despite the heavy blow to the economy and the labour market caused by COVID-19, it is expected that, once the country starts to recover, self-employment will return to growth. This is something that happened during the last recession. As the nature of jobs and incomes adapts to the next normal, small business banking providers should cater to the unique and changing challenges faced by different types of businesses, for example in terms of flexible pricing structures.

All major banks have announced multi-billion pound provisions to cover bad debts and potential losses linked to the pandemic. Providers will be under immense scrutiny to treat customers fairly, which will limit their options in terms of potentially recovering losses in the short and medium term. Unpopular decisions are expected when it comes to cost-cutting, pricing, lending criteria and long-term restructuring, for example the continued shrinking of branch networks.

However, the COVID-19 crisis also presents a unique opportunity to highlight the importance of owning specialist business products and services. This has been exemplified by the requirements to access official support and finance, particularly the government-backed loan schemes. Perceptions of banks' handling of the crisis are positive and there is a chance for banks, particularly traditional ones, to cement their position in the market and reinforce their image as reliable and reassuring.



**"Despite the enormous threats posed by it, COVID-19 also offers a unique opportunity to highlight the importance of specialist small business banking products, such as accessing finance and support."**

**– Irene Salazar, Senior Financial Services Analyst**

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This Report was finalised as the government announced a second national lockdown in England to last between 5 November and 2 December 2020. While this will be hugely disruptive for small businesses, it is not anticipated to significantly change the outlook for the small business banking market.

- **The impact of COVID-19 on small business banking in the UK.**
- **Changing behaviours and attitudes as a result of the outbreak.**
- **Purchase drivers in small business banking.**
- **Channel preferences.**
- **Opportunities and threats arising from COVID-19.**

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