

Commercial Borrowing - UK - 2021

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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 2021 and beyond.

The most notable change in funding patterns since the financial crisis has been the reduction in bank lending. Between 2000 and 2007, average net lending by banks to UK non-financial corporates was £38 billion per year, but levels had not reached near this figure until the onset of the COVID-19 pandemic in early 2020 and the introduction of several business support schemes by the government.

The UK economy is projected to recover further from the pandemic over the remainder of the year. But risks to the recovery remain, particularly around how the economy will adjust as government support, such as the furlough scheme, comes to an end.

SMEs were hit hardest by the financial crisis and have suffered due to the closures enforced by the COVID-19 lockdowns. Their position as higher-risk businesses means they have been affected not only by the changing risk environment and the commercial risk assessments of banks, but also indirectly by the tighter financial regulation of the past few years, which has discouraged lending to higher-risk businesses.

Excluding the government-backed schemes, high street banks are unlikely to have any further appetite to expand lending to SMEs, providing alternative lenders with vast opportunities as their more flexible lending approach allows them to assess deals on a case-by-case basis and in a much shorter time. This is attractive to companies where speed of loan processing is a key factor.



“The number of new lenders in the market grows every year and businesses can now choose between finance offers from banks, as well as manufacturers, digital banking platforms, alternative lenders and others.”

– Lewis Cone, Senior B2B Analyst

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The most agile lenders are best placed to provide SMEs, in particular, with the urgent access to credit that they are likely to need if their businesses are to continue during these unprecedented and challenging times.

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Table of Contents

OVERVIEW

- **What you need to know**
- **Key issues covered in this Report**
- **COVID-19: Market context**
- **Economic and other assumptions**
- **Products covered in this Report**

EXECUTIVE SUMMARY

- **COVID-19 and commercial borrowing**

Figure 1: Expected impact of COVID-19 on commercial borrowing, short, medium, and long term, 2020-25

- **The market**

- **Net lending reached post-financial crisis high in 2020**

Figure 2: UK MFIs' net loans to non-financial businesses, Q2 2020-Q3 2021 (£ million, NSA)

- **Outstanding loan amounts remain higher than pre-pandemic levels**

Figure 3: UK total loan amounts outstanding to MFIs from non-financial businesses, May-October 2021 (£ million, not seasonally adjusted)

- **Write-offs on loans to NFCs fell in 2020 but likely to rise in 2021**

Figure 4: Write-offs of loans to PNFCs from banks and building societies, 2016-21 (£ million, not seasonally adjusted)

- **Gross lending expected to rise by an average of 1.5% between 2022 and 2026**

Figure 5: Forecast UK MFIs' gross lending to non-financial businesses, 2022-26 (£ million, not seasonally adjusted)

- **UK financial services await new regulation in the post-Brexit operating environment**

ISSUES AND INSIGHTS

- **Uncertainty remains on the level of defaults and repayments that will come from the COVID-19 support schemes**
- **Lack of Open Banking adoption by lenders starting to hinder businesses**

MARKET SIZE

- **Net lending reached a post-financial crisis high in 2020 driven by the COVID-support schemes, but repayments may surpass lending by the end of 2021**

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Figure 6: UK MFIs' net loans to non-financial businesses, Q3 2019-Q3 2021, by size of business (£ million, not seasonally adjusted)

- **Outstanding loan amounts remain higher than pre-pandemic levels**

Figure 7: UK total loan amounts outstanding to MFIs from non-financial businesses, November 2019-October 2021, by size of business (£ million, not seasonally adjusted)

Figure 8: M4 loan amounts outstanding from PNFs, November 2019-October 2021 (£ million, not seasonally adjusted)

MARKET SEGMENTATION

Figure 9: UK total loan amounts outstanding to SMEs, By industrial sector, October 2021 (£ billion, not seasonally adjusted)

Figure 10: UK total loan amounts outstanding to large businesses, By industrial sector, October 2021 (£ billion, not seasonally adjusted)

FURTHER SEGMENTATION

- **Alternative finance**
- **Peer-to-peer business lending**
- **Assetz Capital has lent the most in the P2P business sector in 2021 to date**

Figure 11: Net new lending, by selected P2P lender, January-November 2021 (£ million)

- **Bridging finance**
- **Commercial property (real estate) finance**
- **Total outstanding debt rises to eight-year high in 2020**

Figure 13: Aggregated value of outstanding debt in loan books secured on UK commercial property, 2016-20 (£ billion)

- **New lending fell by 23% in 2020 but is likely to rebound in 2021**

Figure 14: Gross value of annual loan originations, 2016-20 (£ billion)

- **German banks reduce presence in the market, but still have a significant say in the retail, office and hotel sectors**

Figure 15: Proportion of loan originations to sectors, by lender type, 2020 (% of total)

What's included

Executive Summary

Full Report PDF

Infographic Overview

Powerpoint Presentation

Interactive Databook

Previous editions

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- **SME finance**
- **SME funding gap**
- **Over a quarter of SMEs have used grants or COVID schemes, although a similar proportion have not used any finance**

Figure 16: SME lending, by type of finance, 2020 (%)

- **Value of SME loan balances significantly rebounds in 2020 and is expected to remain at a similar level in 2021**

Figure 17: Value of SME loans outstanding, by region, 2017-21 (£ million)

MARKET FORECAST

- **Short-, medium- and long-term impact of COVID-19**
Figure 18: Expected impact of COVID-19 on commercial borrowing, short, medium, and long term, 2020-25
- **Market drivers and assumptions**
Figure 19: Key drivers affecting Mintel's market forecast, 2016-26 (in % annual change, annual average % rate, and £ million)
- **Learnings from the last recession**
Figure 20: Industry performance following the last recession, 2012-16 (£ million)
- **Gross lending expected to rise by an average of 1.5% between 2022 and 2026**
Figure 21: Forecast UK MFIs' gross lending to non-financial businesses, 2022-26 (£ million, not seasonally Adjusted)
- **Loan write-offs to significantly decline in 2023 before a slight upturn thereafter**
Figure 22: Write-offs of loans to PNFCs from banks and building societies, 2022-26 (£ million, not seasonally adjusted)

THE IMPACT OF THE ECONOMY

- **UK economy returns to growth following record contraction in 2020 but supply chain concerns remain**
Figure 23: Annual GDP growth rate, 2017-21 (annual % Change)
- **Bank rate remains at record low but inflationary pressure could lead to a rise**
Figure 24: Bank Rate, by date of adjustment, 2008-20 (%)

MARKET TRENDS

- **Business confidence returns to positive territory in 2021 following the onset of the pandemic**

What's included

- Executive Summary
- Full Report PDF
- Infographic Overview
- Powerpoint Presentation
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Figure 25: Business confidence index, per half-year, Q2 2011-Q4 2021 (index figure)

- **Write-offs on loans to NFCs fell in 2020 but are likely to rise in 2021**

Figure 26: Write-offs of loans to PNFCs from banks and building societies, 2016-21 (£ million, not seasonally adjusted)

- **Credit availability and demand remain largely unchanged in Q3 2021 but large businesses expected to have highest demand in Q4**

Figure 27: Availability of corporate credit to PNFCs in the past three months, By business size, Q4 2015-Q3 2021 (net percentage balance)

Figure 28: Demand for corporate credit by PNFCs in the past three months, By business size, Q4 2015-Q3 2021 (net percentage balance)

- **Commercial lending rates begin to rise in 2021**

Figure 29: Average interest rate for UK MFI new advances to PNFCs, at October in 2017-21 (% not seasonally adjusted)

- **Embedded finance starting to disrupt lending services**
- **More SMEs seeking finance to go 'green'**

MARKET DRIVERS

- **UK financial services await new regulation in the post-Brexit operating environment**
- **Significant rise in insolvencies yet to emerge following the end of some COVID-support measures, but threat remains high in some sectors**

Figure 30: Company insolvencies in England and Wales, 2016-20 (number)

- **Commercial property transactions fall significantly in 2020, but changing working patterns could drive a rise in 2021**

Figure 31: Number of non-residential property transactions, 2016-20 (number, seasonally adjusted)

- **Private sector profitability stabilises but business investment declines**

Figure 32: UK PNFCs average annual net rate of return, 2016-20 (% return)

Figure 33: UK total business investment, 2016-20 (chained volume measures and not seasonally adjusted, £ billion)

- **Both inward and domestic M&A deals fall marginally in 2021**

Figure 34: Mergers and acquisitions of UK companies, 2016-20 (number of companies)

- **Government schemes**

What's included

- Executive Summary
- Full Report PDF
- Infographic Overview
- Powerpoint Presentation
- Interactive Databook
- Previous editions

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- The COVID-19 business support schemes
- British Business Bank
- Business Finance Support Finder
- BoE Stress Test

INDUSTRY STRUCTURE

- Industry development
- Directors’ personal financial records are now basing some commercial lending decisions
- The NACFB partners with Red Flag Alert to help combat fraud

COMPETITIVE STRATEGIES

- Shawbrook Bank and Caple form strategic partnership on MBIs
- Virgin Money launches sustainability-linked loans and app that tracks ESG credentials
- Funding Circle offers buy-now-pay-later option for SMEs
- Tide offers to help small businesses build up their credit scores with ‘reverse loan’ initiative

COMPANY PROFILES

- Barclays Bank PLC
- Recent company activity
- Financial information

Figure 35: Financial analysis of Barclays Bank PLC, 2016–20 (£ million)

- Funding Circle
- Recent company activity
- Financial information

Figure 36: Financial analysis of Funding Circle, 2016–20 (£ million)

- HSBC Bank plc
- Recent company activity
- Financial information

Figure 37: Financial analysis of HSBC Bank, 2016–20 (£ million)

- Lloyds Banking Group
- Recent company activity
- Financial information

Figure 38: Financial analysis of Lloyds Banking Group, 2016–20 (£ million)

- NatWest Group plc (formerly known as RBS Group plc)
- Recent company activity

What's included

- Executive Summary
- Full Report PDF
- Infographic Overview
- Powerpoint Presentation
- Interactive Databook
- Previous editions

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Report Price: £1495 | \$1995 | €1800

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- **Financial information**

Figure 39: Financial analysis of NatWest Group (formerly RBS Group), 2016–20 (£ million)

- **Santander UK plc**
- **Recent company activity**
- **Financial information**

Figure 40: Financial analysis of Santander UK plc, 2016–20 (£ million)

- **Shawbrook Bank**
- **Recent company activity**
- **Financial Information**

Figure 41: Financial analysis of Shawbrook Bank, 2016–20 (£ million)

APPENDIX – DATA SOURCES, ABBREVIATIONS AND SUPPORTING INFORMATION

- **Abbreviations**
- **Methodology**

FURTHER SOURCES AND CONTACTS

- **Trade Associations**
- **Trade Magazines**
- **Trade Exhibitions**

What's included

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Full Report PDF

Infographic Overview

Powerpoint Presentation

Interactive Databook

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