

# Counting the cost

David Grosse, managing director of Number Eight, on the effects upon businesses of online platforms



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In September I witnessed the biggest flurry of editorial I have ever seen focusing on the growing concerns around fintech and the new faceless world of one-click online finance. A majority of the content I saw highlighted two key issues; the lack of human interaction involved in such transactions, and the distinct absence of government signposting to an advisory support network for those businesses wanting help to access the best-fit finance.

While I have personally been very vocal about these issues for some time now, and have flagged up again and again the clear and obvious mess that businesses find themselves in following the demise of the high street banking infrastructure, it was refreshing to see others speaking out too. Sadly, it's a case of same message, different day.

## Lenders know there is a better way

The thing is, lenders know there is a better way. A few months ago, ThinCats became one of the first lenders to carry out research on the clear – and, let's face it, obvious – fact that business owners have a much higher chance of securing the best-fit finance product if they engage with a professional advisor at the very start, i.e. as they used to do with their bank manager.

I think this is something all lenders understand, yet despite that very few insist on it. Instead they appear to be happy to take direct enquiries via either a basic online format or a broker that may have undertaken a minimal amount of work prior to effecting an application.

The German government has made it clear to all business owners that before committing to any form of debt or equity, they should first seek professional advice. I believe there needs to be a clear message to all UK business owners too, and given by not just the government, but the lender as well. For example, when Joe Public wants a mortgage, or an investment fund, or a life insurance policy, that individual

should be in contact with their independent financial advisor, or a reputable insurance broker, to ensure they are making the best decision. No-one should make a decision of such importance simply by trawling through some online recommendations based on words entered into a search engine.

## Tech – a tool, not a taskmaster

Don't get me wrong, tech has its place. We're living in an increasingly digital world and there's no escaping that. But that shouldn't mean we sacrifice what is right and in the best interest of businesses.

Technology guru Jason Stockwood has offered some refreshingly insightful comments on the ever-inflating fintech bubble we now face. He has pleaded for business to be conducted with a human face, saying that technology in the business world needs to be a tool rather than a taskmaster, and mankind should not be enslaved by technology. Hear hear, Jason! Couldn't agree more!

These comments come from a successful businessman who has been immersed in a tech-led community since the late '90s and has held leadership roles with online giants including lastminute.com and skyscanners.com.

## Working at the coal face

I spend as much time as possible working with, or keeping close to, the online players in our marketplace. One of the stories from last month was in relation to arguably the UK's leading online brokers, Funding Options, and the departure of its founder, Conrad Ford. Is this indicative of the demise of the one-click world of business finance? As I have said before, the individuals involved are smart and pleasant people to talk to. However, few – if indeed any – have hailed from working on the frontline, and so can only imagine what it's like for the thousands of small business owners that are out there needing help.

The majority of the online broker platforms hail from a blue-chip financial background, where their key customers would be of a significant size, and probably a plc of some sort. And while they all seem to understand the value of having a face-to-face and advisory-led process, their business models remain online only, regardless of what the consequences may be both for their reputation and the businesses who are either desperate or just curious about their options.

## The market is waking up

As I predicted two years ago, the market is starting to wake up to the mess that the government has left our banking system in. Worse still, we are seeing the alternatives they introduced failing! I believe that the next five years will bring even more revelations and many businesses will suffer as a direct consequence of leaving the decision making to the British Business Bank and their fintech chums.

Many lenders are also making losses and refusing to disclose their delinquency figures. I have also learned that some lenders are now revising their security criteria to enable more applications to be approved than may otherwise have been so. You don't need to be a financial genius to see where all this is heading.

While it appears our market will continue to receive no funding, and businesses will not be signposted toward the many qualified and non-commission-driven advisors that might help them make the best decision, I'm not ready to give up the fight for businesses just yet. We need to keep making noise and keep hoping that one day, someone will listen and take action – preferably soon!

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