

Tackling the elephant

David Grosse explains why fintech is no match for an advisory-led intermediary marketplace



David Grosse

The first quarter of 2019 is at an end, and it was a busy time for many, with some lenders and intermediaries even reporting February to be a record month. If we are to believe the market reports being circulated by the British Business Bank, it appears that organisations in the UK are becoming more aware of alternative business finance options. But how?

The likes of Funding Circle and ESME have clearly been investing heavily in both TV and radio ads, and this is good to see, as it helps to raise awareness for the alternative lending market. Yet I'd wager that less than 1% of business owners would have any clear idea or understanding of the likes of IWOCA, Merchant Money, LendingCrowd, Excel-A-Rate, SpotCap, Nucleus or any of the other lenders I might reference here.

Online broker portals continue to dominate the market, and this way of working seems to be the mindset of the British Business Bank, with no compromise or change in sight.

My point being: what are these government reports and statistics actually based on?

A different picture

At a grassroots level, the picture is very different. In the digital world we now live in, while online purchases may be commonplace and do offer both speed and convenience, they often result in something far from best-fit for a business.

As an example, our office was recently contacted by an accountant who had concerns about one of his clients. The well-established business had recently taken out two unsecured loans totalling £250,000.

The company used Google to help them find an alternative to their bank. Within a short period of time, an initial application was made using an online broker portal. There was no face-to-face meeting, and on closer inspection both loans were neither best-fit nor best-priced for the business!

The elephant in the room

What it all comes down to is the elephant in the room. Lenders are aware of it; the economic secretary, John Glen, is aware of it; and the British Business Bank is aware of it.

The fact is that current initiatives funded by the government are simply not working and are certainly not always best-fit for business owners. Which surely, by default, must be having an impact on the UK economy.

Any business that is considering, or requires, any form of finance should always seek out a reputable business finance advisor. In a digitally-driven world this may seem unnecessary, but the fact is that the value of engaging with a real person in any area of business has been recognised for decades.

This applies equally to accountants, lawyers and the people who mend photocopiers – and until about 10 years ago the bank manager would have been high up on the list too!

But where are they now? Well, a few are working independently in finance director or business consultancy roles. Some have joined other lending-type organisations and the rest may have taken some form of early retirement. But most, I am convinced, would welcome the opportunity to return to the frontline of meeting and advising business owners once again.

The phrase “access to finance” is used so often in blogs and press releases that if I had £1 for every article I read that includes those three words, then a long holiday or the ownership of a corporate box at Twickenham would be top of my extensive shopping list.

The rugby pitch is where, maybe, some of the answers may lie. Why doesn't our marketplace have a meaningful scrum down and start working together as a team? Let's pass the ball around and tackle the elephant in the room, from the government at the very top all the way down to grassroots level, and including the many skilled individuals and organisations

that are already engaged and working well with businesses across the UK.

Nesta has launched a £5m Open Up Challenge competition in an attempt to encourage fintech pioneers to create new technologies that will help small businesses manage their finances and banking. Apparently, pioneering technology will be “game-changing to the economy”, and while no-one is arguing about the benefits of technology and innovation for the business finance market, it must never disconnect with reality and must accept the fact that supporting business owners face-to-face can never be replaced by cyber-innovations.

Working side-by-side

There is no reason why fintech can't work alongside regional business finance specialists. Indeed, there appears to be no obvious reason why those lenders that don't already employ regional development teams can't partner up either.

Subject to an approved way of working, would this not be a more proactive and innovative way of working for all?

I for one can prove the value in this way of working, and I will continue to prove how the advisory-led intermediary marketplace is already making a game-changing difference to the economy.

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