



Response to open Call for Evidence regarding

## Small Business Access to Finance

By the Department for Business and Trade and HM Treasury  
From the Transparency Task Force

Link to the consultation:

<https://www.gov.uk/government/calls-for-evidence/small-business-access-to-finance/small-business-access-to-finance>

Date of submission 21st May 2025

### About the Transparency Task Force

Transparency Task Force (TTF, <https://transparencytaskforce.org/>) is a certified social enterprise, established in 2015, whose mission is 'to promote the ongoing reform of the financial sector so that it serves society better'.



We campaign on behalf of consumer and SME interests, and our work includes holding the regulatory framework to account. We welcome the opportunity to respond to your Call for Evidence on small business access to finance.

## About the limited, focused scope of our response

We are responding to just two of the set questions, namely:

- *Question 4: Do you believe that there are any barriers to demand for debt finance? If so, what are the main barriers?*
- *Question 9: In your view, what would help to encourage the volume of small business lending in the UK?*

...and we are responding to them both in the context of the trust deficit towards the banking sector and its corrosive impact on the SME finance market.

## The trust deficit and its corrosive impact on the SME finance market

In short, we believe that:

- Yes, there are barriers to demand for debt finance - SMEs have good reasons to not trust banks, and that distrust acts as a brake on borrowing, and thereby economic growth.
- The volume of small business lending in the UK would increase if there were improvements to the regulatory framework such that businesses in dispute with their banks were better protected.

We emphasise that the under-representation of consumers' and SMEs' interests has led to flawed government policies and eroded trust in financial services.

It is the responsibility of the government to ensure that the regulators and the judicial system uphold confidence for SMEs to enter into debt finance. Unless this improves there can be no realistic expectation that the foundations for economic growth, i.e. borrowing to invest, can be achieved.

The Call for Evidence helpfully sets out the stark reality of the consequences of flawed policy in respect of SMEs investing in themselves through debt finance and by extension the UK economy.

What the preamble to the question sets does not do is to identify 'why', since the financial crash, SMEs have so spectacularly diminished as an engine of growth in the UK economy.

Whilst the statements characterising the extremely low demand for SME debt finance clearly identify that there is a problem, the questions as framed do not specifically raise the issue of trust in financial services.

TTF believes that there is a serious and continuing reluctance by governments to properly confront the core, underlying problems and until this happens those problems will remain unaddressed.

As indicated previously, the reasons that trust in debt finance has fallen to such damaging low levels since the financial crisis are:

- SMEs do not have the confidence to borrow on the terms that the lenders (traditionally High St. Banks) are prepared to lend.
- SMEs do not have confidence in the 'Regulators' or the wider justice system to adequately protect them in the event of a dispute with a lender.

Lenders are not concerned with and have no responsibility for 'the wider economy' - they operate on a purely self-interest, commercial basis. Since the financial crisis this has manifested itself in an almost complete loss of appetite for any risk in SME lending. Lenders provide the contractual basis of lending agreements on a take it or leave it basis and invariably require personal guarantees or other security on effectively a no risk basis.

There is a widely held perception that should a dispute with a lender occur the borrower will not be able to rely on being treated fairly by the regulators and are precluded from contesting the dispute in the Courts on the basis of unaffordability.

There are numerous examples, over many years, of 'unfair treatment' of SMEs being exposed by mainstream media, particularly by the High St Banks. This has led to the perception that governments have been complicit in supporting the financial institutions at the expense of small business. We do not believe that the de-regulatory, pro-growth agenda will restore trust in SMEs to invest by borrowing without there being a corresponding initiative to ensure SMEs are treated fairly in the future.

The widespread misconduct by banks during the financial crisis, and their poor treatment of SME borrowers, has been widely documented in books, articles, and documentaries.

We strongly suggest that the small selection of documentaries provided below, all by BBC Panorama, ought to be watched as part of your research into the challenge of correcting the SME finance market, for they provide an excellent explanation of the issues.

There is no need to elaborate on what actually happened, for the documentaries do a first-class job of that; and it cannot be disputed that banking misconduct has been extensive and has caused the sector to be distrusted by society as a whole, worldwide; and of course, that distrust extends to the distrust of SMEs towards banks in the UK.

Please do invest the time in watching these documentaries; for without a good reminder of how the banks have behaved and how their behaviour has wrecked many businesses, the rest of your policy work in this space will be blind to a simple, yet crucial fact - SMEs do not trust banks, and have good reason not to:

- **BBC Panorama: “RBS - The Bank that Almost Broke Britain”**

[https://www.youtube.com/watch?v=W\\_ZWGuQ07Q8](https://www.youtube.com/watch?v=W_ZWGuQ07Q8)

- **BBC Panorama "Britain's New Banking Scandal"**

<https://www.youtube.com/watch?v=7NXkPlkyLw4>

- **BBC Panorama: “Did the bank wreck my business?”**

<https://www.youtube.com/watch?v=-9TXsnpHvYg&t=8s>

- **BBC Panorama: “Did Lloyds Bank kill my Business?”**

<https://www.youtube.com/watch?v=FCsF1dsGvJM&t=79s>

...which was followed up by a TTF event entitled

**"The full truth about Lloyds, including the bits the BBC were unable to cover."**

<https://www.youtube.com/watch?v=DgU8VfSm3qo>

Also, we believe there is value in providing your Call for Evidence links to previous work TTF has done that show how and why banking misconduct has adversely impacted SMES, how the regulatory framework and the judicial system have failed those SMEs, and why it is vital the government takes the action necessary to rebuild the trust that has been lost.

We therefore also urge you to click on the links below and absorb the content in each of these TTF items, and fully understand their relevance:

[\*\*February 2022: Letter to the FCA regarding The Swift Review\*\*](#)

[June 2022: Faces of Financial Crime; see the seven banking case studies from page 30](#)

[March 2023: Letter to the Treasury Committee requesting an inquiry into SME Finance](#)

[June 2023: Briefing for William Wragg MP on the Westminster Hall debate about BBRS](#)

[September 2023: TTF Response to Treasury Committee inquiry on SME Finance](#)

[November 2024: Letter to the Chancellor regarding the need for Smart Regulation](#)

[February 2025: Letter to the Treasury Committee regarding the Dame Lisa Dobbs Review](#)

And if, having absorbed the content available through the links above, your inquiry is not wholeheartedly convinced that the trust deficit is an important factor in your policy formulation for the SME Finance Sector moving forward, we invite you to meet with our “Justice for Victims of Banking Misconduct Group” which meets online at 5pm each Thursday.

Furthermore, it would be a mistake to think that banking misconduct is just a thing of the past. Please see [this data set from Violation Tracker UK](#) which has been sorted by date order; please scroll down and see that violations continue right into 2025, suggesting the banking sector to still be riddled with malpractice, malfeasance, misconduct and mis-selling. It is still highly recidivist, all these years after the Global Financial Crisis, indicating that its conduct regulation of it, which is the responsibility of the Financial Conduct Authority, is ineffective.

An essential first-step on the solution-side of the equation would be for the government to ensure that unaddressed injustice is resolved as a matter of great urgency, for there are still tens of thousands of business owners suffering because of the banks.

## **Is the Commercial Finance Sector regulated?**

We understand that:

- All lending in the UK is subject to license, as per s19 Financial Services and Markets Act (FSMA) 2000, and therefore 'regulated' - certain kinds of lending to defined consumers / retail clients involving regulated products is more precisely regulated by non-discretionary rules.

On that basis, is it correct to believe that in fact all lending is regulated in some way, and that the notion that ‘commercial finance is not regulated’ is a false narrative.

- SMEs who are constituted as legal persons are barred from the courts s150 of the Financial Services and Markets Act (FSMA) FSMA. They are therefore denied a fair hearing under Article 6 of the European Court on Human rights, yet all persons are entitled to a fair independent hearing under Article 6. The only reason this was allowed in the original legislation was because the FSMA provided the Competent Authority of the UK (currently the FCA) with powers of investigation, sanction and restitution from licensed firms. It was to be an extra judicial form of redress. It was not contemplated that the Competent Authority would ignore or circumvent those powers leaving no other extra judicial remedy or judicial redress.
- Overnight arbitrary decisions were made by the Competent Authority to exclude some persons from restitution and overnight licensed firms reclassified its customers to exclude them from restitution for known irregularities of licensed firms who themselves were sanctioned by the Competent Authority. All such re-classifications are contrary to the non-discretionary primary legislation. The result is to undermine public confidence in the governing legislation and the conduct of the Competent Authority further undermines public confidence in the mechanisms carefully provided in the legislation which have not worked in practice.

### Opportunities for positive reforms that were missed in the past

The work done by the Treasury Select Committee on SME Finance back in 2018 is highly relevant to your current consultation, as many themes are being revisited.

Their principal recommendations, as set out [from page 48 in their report](#) have not been actioned. SME lending has not been brought within the regulatory perimeter, Section 138D of the Financial Services and Markets Act 2000 has not been amended to afford SMEs the right to litigate for breaches of FCA rules, a Financial Services Tribunal has not been established and the Financial Services and Markets Act 2000 has not been amended to allow the FCA to establish industry-wide redress schemes for incorporated businesses that have been affected by breaches of regulatory requirements.

It should therefore be understood how disappointed SME stakeholders and their representatives are that these recommendations have not been acted on, especially as the Treasury Select Committee's [2024 SME Finance report](#) repeats the request for reforms, for example in relation to the introduction of a Financial Services Tribunal.

## Will we be ignored?

We acknowledge that our observations and recommendations might be overlooked.

If the Department for Business and HM Treasury do manage to solve the SME finance challenge without being mindful of the correlation between banking misconduct, regulatory failure, the consequential trust deficit and the inevitable adverse reduction in SMEs propensity to borrow, then it would have been an entirely rational decision for you to have ignored our input.

But if you do not solve the SME finance challenge having ignored our input, then perhaps you would have made an irrational decision.

Time will tell.

We would be happy to follow up on any of the matters we have raised and we wish you well in dealing with this challenge.

Kind regards,

Andy

Andy Agathangelou FRSA

Founder, [Transparency Task Force](#); a Certified Social Enterprise

Chair, Secretariat Committee, [APPG on Investment Fraud and Fairer Financial Services](#)

Founder, [The International League of Ethical Financial Services Leaders](#)

Founder, [The March for Justice](#)

Chair, [Violation Tracker UK](#) Advisory Board

Co-Founder, [The Woodford Campaign Group](#)

Founder, [RSA's Responsible Finance for Good Network](#)

Governor, [The Pensions Policy Institute](#)

Associate Member, [Better Finance](#)

Member, [The Transforming Finance Network](#)

Telephone: +44 (0)7501 460308