

# iwoca's SME Expert Index

Q3 2021

**iwoca's** SME Expert Index provides insight from brokers on the SME lending market, and focuses on the trends seen in the types and value of finance being accessed.

The findings provide a regular snapshot on what's driving small business owners to borrow, and how these patterns change as the country emerges from the pandemic.

**Q3 results see SMEs focusing on growth and turning to the Recovery Loan Scheme.**

## Unsecured finance

**In the last 4 weeks, which three of the following factors were the most common loan purposes?**

<i>(most requested loan purposes)</i>	Q1	Q2	Q3
Grow the business	25%	23% (-2pp)	35% (+12pp)
Manage day to day cash flow	41%	32% (-9pp)	26% (-6pp)
Recovery from lockdown or closure	-	21%	20% (-1pp)
Make large stock purchases	7%	6% (-1pp)	11% (+5pp)
Bridge occasional cash flow gaps	20%	13% (-7pp)	7% (-6pp)

**Most requested reason cited by SMEs applying for finance, by quarter:** Manage day to day cash flow [Q1]    Manage day to day cash flow [Q2]    Grow the business [Q3]

**When presenting two competing loan offers for unsecured finance to your clients, which factors would you say are the most impactful?**

<i>(most impactful factors)</i>	Q1	Q2	Q3
Approved amount	25%	23% (-2pp)	20% (-3pp)
Monthly repayment amounts	17%	15% (-2pp)	15% (+/- 0pp)
Total cost of borrowing	15%	19% (+4pp)	17% (-2pp)
APR	13%	6% (-7pp)	17% (+11pp)
Monthly interest rate	17%	19% (+2pp)	13% (-6pp)
Length of loan	6%	9% (+3pp)	15% (+6pp)
Flexibility of product	7%	9% (+2pp)	2% (-7pp)

**Most impactful factor for brokers when presenting competing loan offers to SME clients, by quarter:** Approved amount [Q1]    Approved amount [Q2]    Approved amount [Q3]

**In the last 4 weeks, how often did these factors impact which lender you chose to send an application to?**

<i>(factors 'often' impacting choice of lender)</i>	Q1	Q2	Q3
No arrangement fee	20%	13% (-7pp)	15% (+2pp)
Speed of receiving a decision	66%	68% (+2pp)	67% (-1pp)
Duration requested meets lender's offering	36%	47% (+11pp)	67% (+20pp)
Amount requested meets lender's offering	56%	68% (+12pp)	59% (-9pp)
Commissions available	18%	34% (+16pp)	17% (-17pp)
Level of operational support provided by the lender	37%	43% (+6pp)	41% (-2pp)
Number of documents required by the lender compared to size of loan	30%	26% (-4pp)	43% (+17pp)

**Most important factor for brokers deciding which lender to send their clients to, by quarter:** Speed of receiving a decision [Q1]    Speed of receiving a decision & amount requested meets lender's offering [Q2]    Speed of receiving a decision & duration requested meets lender's offering [Q3]

**For unsecured finance, how does the total number of applications you submitted in the last 4 weeks compare to the 4 weeks before that**

	Q1	Q2	Q3
Significantly less (by 50% or more)	7%	6% (-1pp)	2% (-4pp)
Less (by between 10% and 50%)	11%	9% (-2pp)	15% (+6pp)
Broadly the same (between 10% less and 10% more)	46%	47% (+1pp)	50% (+3pp)
More (by between 10% and 50%)	22%	19% (-3pp)	22% (+3pp)
Significantly more (by 50% or more)	14%	19% (+5pp)	11% (-8pp)

**Comment on quarterly volume trend:** 33% submitted more lending applications for unsecured finance compared to 4 weeks prior [Q3]

**In the past four weeks, what is the most commonly requested unsecured loan amount you've applied for?**

	Q2	Q3
Up to £25,000	17%	32% (+15pp)
£25,001 to £50,000	38%	29% (-9pp)
£50,001 to £100,000	26%	26% (+/- 0pp)
£100,001 to £200,000	15%	9% (-6pp)
Over £200,000	4%	4% (+/- 0pp)

**Most commonly requested loan amount by SMEs, by quarter:** £25,001 to £50,000 [Q2]    Up to £25,000 [Q3]

## Recovery Loan Scheme (RLS)

**How does demand from your customers for RLS compare to the levels you saw across Q2 2021? Demand is:**

	Q3
Significantly less (by 50% or more)	7%
Less (by between 10% and 50%)	14%
Broadly the same (between 10% less and 10% more)	41%
More (by between 10% and 50%)	25%
Significantly more (by 50% or more)	14%

**Comment on quarterly demand trend:** 39% saw increase in demand for RLS compared to Q2

**In the past four weeks, for your customers requesting an RLS, how often have you chosen the following three options?**

	Q2	Q3
Applied to current RLS-accredited lenders	20%	75% (+55pp)
Waiting to apply to other lenders once they're accredited for RLS	33%	11% (-22pp)
Applied to a lender for a non-government-backed product	47%	14% (-33pp)

**Option most often chosen by brokers for their RLS clients, by quarter:** Applied to a lender for a non-government-backed product [Q2]    Applied to current RLS-accredited lenders [Q3]

+/- pp refers to change in percentage points

**For more information on iwoca's SME Expert Index please contact:**

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