

# iwoca's SME Expert Index

Q4 2021

*Including full year 2021 data*

**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.

**Q4 results see SMEs investing in growth and seeking larger loans**

## Unsecured finance

### Most common loan purposes for SMEs

	Q1	Q2	Q3	Q4
Grow the business	25%	23 % (-2pp)	35% (+12pp)	43% (+8pp)
Manage day to day cash flow	41%	32% (-9pp)	26% (-6pp)	24% (-2pp)
Recovery from lockdown or closure	-	21%	20% (-1pp)	9% (-11pp)
Make large stock purchases	7%	6% (-1pp)	11% (+5pp)	2% (-9pp)
Bridge occasional cash flow gaps	20%	13% (-7pp)	7% (-6pp)	14% (+7pp)

Most common SME loan purpose, by quarter:

Manage day to day cash flow [Q1]

Manage day to day cash flow [Q2]

Grow the business [Q3]

Grow the business [Q4]

### Most impactful factors when brokers present competing loan offers to SMEs

	Q1	Q2	Q3	Q4
Approved amount	25%	23 % (-2pp)	20% (-3pp)	17% (-3pp)
Monthly repayment amount	17%	15% (-2pp)	15% (+/- 0pp)	17% (+2pp)
Total cost of borrowing	15%	19% (+4pp)	17% (-2pp)	20% (+3pp)
APR	13%	6% (-7pp)	17% (+11pp)	16% (-1pp)
Monthly interest rate	17%	19% (+2pp)	13% (-6pp)	14% (+1pp)
Length of loan	6%	9% (+3pp)	15% (+6pp)	9% (-6pp)
Flexibility of product	7%	9% (+2pp)	2% (-7pp)	7% (+5pp)

Most impactful factor when brokers present competing loan offers to SMEs, by quarter:

Approved amount [Q1]

Approved amount [Q2]

Approved amount [Q3]

Total cost of borrowing [Q4]

### Factors which most often impacted which lender brokers sent an application to

	Q1	Q2	Q3	Q4
No arrangement fee	20%	13% (-7pp)	15% (+2pp)	7% (-8pp)
Speed of receiving a decision	66%	68% (+2pp)	67% (-1pp)	57% (-10pp)
Duration requested meets lender's offering	36%	47% (+11pp)	67% (+20pp)	28% (-39pp)
Amount requested meets lender's offering	56%	68% (+12pp)	59% (-9pp)	44% (-15pp)
Commissions available	18%	34% (+16pp)	17% (-17pp)	26% (+9pp)
Level of operational support provided by the lender	37%	43% (+6pp)	41% (-2pp)	27% (-14pp)
Number of documents required by the lender compared to size of loan	30%	26% (-4pp)	43% (+17pp)	29% (-14pp)

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 & Q3]

Speed of receiving a decision [Q4]

### How the total number of applications brokers submitted in the last four weeks compares to the four weeks before that

	Q1	Q2	Q3	Q4
Significantly fewer (by 50% or more)	7%	6% (-1pp)	2% (-4pp)	10% (+8pp)
Fewer (by between 10% and 50%)	11%	9% (-2pp)	15% (+6pp)	19% (+4pp)
Broadly the same (between 10% less and 10% more)	46%	47% (+1pp)	50% (+3pp)	42% (-8pp)
More (by between 10% and 50%)	22%	19% (-3pp)	22% (+3pp)	17% (-5pp)
Significantly more (by 50% or more)	14%	19% (+5pp)	11% (-8pp)	11% (+/-0pp)

Comment on quarterly volume trend:

28% submitted more lending applications compared to 4 weeks prior, and 29% fewer [Q4]

### Most commonly requested loan amount by SMEs

	Q2	Q3	Q4
Up to £25,000	17%	32% (+15pp)	17% (-15pp)
£25,001 to £50,000	38%	29% (-9pp)	20% (-9pp)
£50,001 to £100,000	26%	26% (+/- 0pp)	26% (+/- 0pp)
£100,001 to £200,000	15%	9% (-6pp)	26% (+17pp)
Over £200,000	4%	4% (+/- 0pp)	11% (+7pp)

Most commonly requested amount by SMEs:

£25,001 to £50,000 [Q2]

Up to 25,000 [Q3]

£50,001 to £100,000 & £100,001 to £200,000 [Q4]

## Recovery Loan Scheme (RLS)

### How demand for RLS compares to levels brokers saw across previous quarter

	Q3	Q4
Significantly less (by 50% or more)	7%	9% (+2pp)
Less (by between 10% and 50%)	14%	16% (+2pp)
Broadly the same (between 10% less and 10% more)	41%	43% (+2pp)
More (by between 10% and 50%)	25%	23% (-2pp)
Significantly more (by 50% or more)	14%	9% (-5pp)

Comment on quarterly demand trend:

25% saw demand fall compared to Q3, balanced by 32% reporting an increase

### Actions brokers have taken for SMEs requesting an RLS

	Q2	Q3	Q4
Applied to current RLS-accredited lenders	20%	75% (+55pp)	77% (+2pp)
Waiting to apply to other lenders once they're accredited for RLS	33%	11% (-22pp)	N/A
Applied to a lender for a non-government-backed product	47%	14% (-33pp)	6% (-8pp)

Option chosen most often:

Applied to a lender for a non-government-backed product [Q2]

Applied to current RLS-accredited lenders [Q3]

Applied to current RLS-accredited lenders [Q4]

+/- pp refers to change in percentage points

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

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