

I give my comments re the above review on SFLG. We are a development agency which is a public/private sector partnership working in the Barrow in Furness area of Cumbria which is ranked 24 on the Index of Deprivation following massive job losses. Following a delegation to the Chancellor last year we had a Treasury Team visit us this year on the 4th Feb.

A couple of general remarks first if I may. Bank lending has become increasingly formulae driven with little local discretion we find that SFLG plus local grant schemes has become even more important e.g. for start ups who do not have a track record or security.

Regarding your specific points

Significant Developments in SME finance/Improvements in SME finance etc

The most significant development is that Banks have become increasingly cost driven and rely much more on a standardised approach to lending propositions. At the same time we have seen the demise of the local bank manager who would assess an application based on his experience and knowledge of the area and his replacement by more junior relationship managers who seem to have very little discretion. The scoring system approach to lending proposition has not reduced the bank's focus on security.

Regarding increased use of other forms of financing there appears amongst the companies that we deal with a much greater understanding of invoice finance but a considerable reluctance to use venture capital which I can well understand

Understanding how SFLG is used today

I believe that SFLG is extremely important and addresses the major problem than individuals and businesses have in getting finance unless they have a good track record and business or individual security. The major issue we find is to get banks to use SFLG rather than just turning down propositions. Banks seem to be very attuned to pushing their own products and turning down applications which do not fit their criteria.

We find that we have clients approach us for funding under schemes that we operate, both grant and loan, and we recommend they go back to their banks and talk about SFLG. It is a fact that SFLG enables worthwhile proposals to go ahead which would not under normal banking criteria.

Regarding broadening the base of organisations that could offer SFLG we would welcome this. Obviously there are all sorts of legal implications here. What I do think ought to be done as part of improving the Entrepreneurial Culture in the UK is far better publicity re what SFLG can do.

Delivery and Administration

One issue that could improve SFLG is to reduce the criteria regarding personal security. While I understand that if someone is wealthy then they should be expected to put their own funds at risk I do not see that requiring someone to have already have their house equity already at risk before they can access SFLG is helpful. Indeed just the opposite it deters people who might consider setting up a business and causes major trauma for those people whose homes become at risk if their business runs into difficulties.

We would like the delivery and administration to be as flexible and user friendly as possible. After all that is what we encourage our clients to be when dealing with their customers.

In summary SFLG should be seen as a key part of encouraging an entrepreneurial and realistic but risk taking business culture. If it seen as bureaucratic, public sector scheme with limited benefit it will never achieve its potential and neither will the UK economy.

Harry Knowles
Chief Executive

Furness Enterprise Ltd
Barrow in Furness