

Dear Ms Graham

My firm has been involved in applying and obtaining funds under this scheme for clients.

My view is that the Banks differ enormously in their approach to its use as an option for funding. I would say that in my experience few if any of the Banks generally have little genuine appetite for the scheme. This may not be the case where a particular field bank manager has used the scheme but generally it is not something that is high on their product sales list or encouraged by the banks lending Management committee.

I believe that the take up of the scheme would be far greater and more beneficial if its use was more structured and conditional on realistic factors taking account of the target beneficiary. Unfortunately the banks who have control over the expansion of this scheme are geared up to lending against assets and/or share capital injection whereas many in the small business target are deficient in this and there is often inconsistency between what is defined as capital required from shareholders rather than cash from a bank to support cash flow. There is a subtle problem here in regard to the understanding of small businesses and their dynamics. The asset criteria is restrictive and possibly limits the possible take up of the scheme.

In most cases there is probably not effective monitoring after funding which could and would enhance the success of the project and protect the funds against mistakes and abuse. I believe that the SFLG could have an enormous commercial beneficial impact if it was actually applied the way it was intended. In my opinion one of the main reasons why it has not been a great success is because its beneficiaries are the most vulnerable and likely to fail and this resulting downside has mitigated against the scheme over time. A challenge and opportunity has been missed. The rubber stamping by banks for management accounts is not and has not been the answer.

In summary I would suggest that SFLG is a great idea but not really working in the real world as it should. To rectify this various changes will need to be made to the product, the criteria, the application process itself, the mindset of those who have control over its distribution and perhaps most importantly there needs to be a hand holding process and after care function built in to the package.

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