



# Responsible Finance's Advocacy Work at the National Level

June 2019

*We are the voice*  
of the Responsible  
Finance industry



# Responsible Finance

Responsible Finance is the voice of the responsible finance industry in the UK, working to increase access to fair finance. We support a strong and growing network of finance providers who are building resilient economies throughout the UK.

Our network provides finance to businesses, social enterprises and individuals who are often excluded from mainstream banks.

## Our advocacy work

One of Responsible Finance's key remits is to advocate on behalf of our members. We engage with the government, the regulators and key stakeholders to raise the profile of the industry and create a more enabling environment for responsible finance providers in the UK.

To underpin this, we evidence the impact of responsible finance industry in our annual industry report.

# Annual Industry Report

In 2018, responsible finance providers:

- Lent a total of £254 million to 52,120 customers
- Lent £85 million to 5,310 small businesses, helping to create 4,490 new businesses and create and save 10,370 jobs
- Lent £138 million to 475 social enterprises, creating and saving 4,060 jobs
- Lent £26 million in 45,900 loans to individuals
- 23,230 of those taking out loans from a responsible finance personal lender had previously borrowed from a high-cost lender.

# Responsible Finance

## The Industry in 2018



 **Responsible Finance**  
[www.responsiblefinance.org](http://www.responsiblefinance.org)

### Industry overview

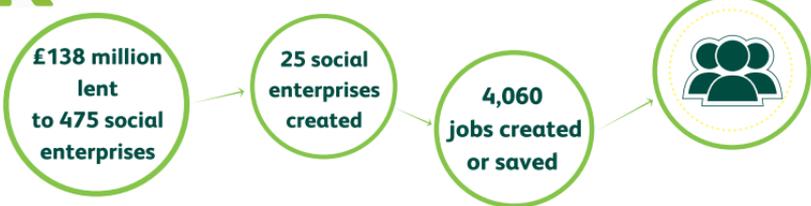
*In 2018 the responsible finance industry lent £254 million to 52,120 customers*

The responsible finance industry provided even greater access to affordable finance in the United Kingdom in 2018 than it did in 2017 as the industry continues to grow.

#### Small business lending



#### Social enterprise lending





## Outdoors store ascends to new heights Supported by EnterpriseLoans

Alpkit began when four friends with a shared passion for exploring the Alps started making gear for themselves and the people they knew. They then progressed to selling directly to outdoor enthusiasts in 2004 as an online-only retailer.

Alpkit required major investment in their IT systems to support their growth so they approached responsible finance provider Enterprise Loans East Midlands (First Enterprise). After taking out the loan, they were able to increase their turnover significantly, grow staff numbers from 12 to 63, they scaled up their manufacturing and opened retail stores. Now every week the business' employees make more than 1,500 products for climbers, hikers and bikers, earning a reputation for quality and affordability. Alpkit plans further shop openings alongside the creation of more jobs.

*84% of viable businesses lent to by responsible finance providers were previously turned down by a bank.*

## Smoking hot Argyll Smokery goes from strength to strength



The Argyll Smokery is an independent traditional artisan fish smoke house which specialises in carrying out all of its processes by hand. The company is recognised for excellence in the industry and has won many food awards. Every step of their process, from fish filleting, smoking, trimming, slicing, through to packing and dispatch is done by hand.

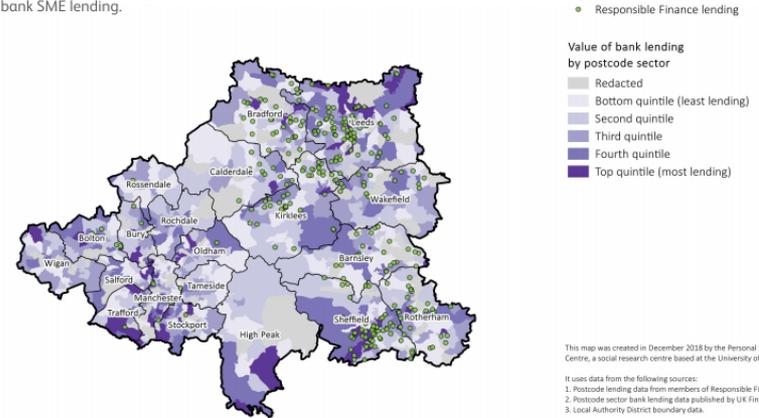
Despite a sound trading record, the Argyll Smokery's application for bank finance was declined. However, thanks to a loan from Glasgow based responsible finance provider DSL Business Finance Ltd, the firm was able to purchase its own premises. It continues to consistently increase turnover, and supplies customers including wholesalers, retailers and supermarkets, such as Aldi and Waitrose.



## Mapping

Responsible finance providers have a flexible approach in determining the viability of a business and a different risk appetite to banks which allows them to lend to business who are otherwise excluded. Responsible finance business lending data has been mapped with bank SME lending data and geographies of deprivation in the Northern Powerhouse region (using responsible finance lending data, UK Finance's bank lending data, and the 2015 English Indices of Multiple Deprivation). Figures 1 and 2 demonstrate that responsible finance loans are made in areas where there is less bank lending and higher levels of deprivation.

Figure 1: Business lending by responsible finance providers in the Northern Powerhouse in 2018 compared with bank SME lending.



This map was created in December 2018 by the Personal Finance Research Centre, a social research centre based at the University of Bristol.

It uses data from the following sources:  
 1. Postcode lending data from members of Responsible Finance  
 2. Postcode sector bank lending data published by UK Finance  
 3. Local Authority District boundary data.

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 Source: NISRA - Website: www.nisra.gov.uk  
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# The United Nations Sustainable Development Goals

Goal	UN definition	How responsible finance providers fulfill this goal
<b>1 NO POVERTY</b> 	<b>End poverty in all its forms everywhere</b>	<p>Responsible finance providers have a proven track record in lending to the most deprived parts of the UK. They support pathways out of poverty by giving people access to appropriate financial services.</p> <p>Responsible finance business lenders help disadvantaged microentrepreneurs create opportunities and support job creation. Responsible finance social enterprise lenders do this too, and actively invest in projects with specific social objectives, such as training the long-term unemployed and helping them gain meaningful employment.</p> <p>Personal lending responsible finance providers help to alleviate the effects of poverty by offering an affordable option for smoothing out the effects of fluctuating income and expenditure. They offer individuals an alternative to the exploitative lenders that may be their only other options. Responsible finance home improvement lenders help people to make essential repairs to their homes to make them habitable.</p>
<b>2 ZERO HUNGER</b> 	<b>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</b>	<p>Among the world's richest nations, the UK has some of the highest levels of hunger and deprivation(1). People living in the most deprived areas of the UK have far worse health outcomes than those who live in the most affluent areas. Many people struggle to afford healthy and nutritious food. Responsible finance providers work to distribute economic prosperity to all parts of the UK. They exist to serve the underserved. By working to alleviate the effects of poverty and spread wealth, they help to ensure that everybody has the means available to access nutritious food. Many viable food-related projects could not have started or grown without the support of responsible finance providers.</p>
<b>3 GOOD HEALTH AND WELL-BEING</b> 	<b>Ensure healthy lives and promote well-being for all at all ages</b>	<p>The impact of financial exclusion on health and well-being can be devastating. The poorest in society are often excluded from affordable finance and sometimes have to resort to high-interest credit, creating a cycle trapping them in poverty. This can increase mental health issues such as stress and anxiety, harm well-being and connection with others, and lead to substance abuse(2). Personal lending responsible finance providers provide credit at affordable rates on fair terms. They promote financial wellbeing and literacy and encourage saving.</p> <p>Responsible finance lending to businesses and social enterprises provides an avenue for people to build rewarding careers. Rewarding careers foster thriving communities.</p>

Goal	UN definition	How responsible finance providers fulfill this goal
<b>4 QUALITY EDUCATION</b> 	<b>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</b>	<p>Most responsible finance providers offer wrap-around services to their customers. Many responsible finance business and social enterprise lenders offer business mentoring and support, educating micro and social entrepreneurs and helping them innovate.</p> <p>Personal lending responsible finance providers often provide customers with financial capability education, improving the quality of customers' lives by equipping them with vital money management skills.</p>
<b>5 GENDER EQUALITY</b> 	<b>Achieve gender equality and empower all women and girls</b>	<p>Responsible finance providers monitor and report on their lending demographics. They offer finance to female individuals and female-led businesses and social enterprises. Research continues to demonstrate that female business owners continue to be underrepresented or disproportionately excluded by traditional finance providers.</p>
<b>7 AFFORDABLE AND CLEAN ENERGY</b> 	<b>Ensure access to affordable, reliable, sustainable and modern energy for all</b>	<p>Several social enterprise responsible finance providers specialise in supporting community energy projects, developing skills and capacity and unlocking wider investment. Hundreds of clean, green energy projects would not exist without finance from them.</p> <p>Responsible finance home improvement lenders provide finance to homeowners to give their homes energy efficiency upgrades. Personal lending responsible finance providers offer advice on home energy bills for their customers.</p>
<b>8 DECENT WORK AND ECONOMIC GROWTH</b> 	<b>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</b>	<p>Microfinance is a key enabler of sustainable economic development. Access to finance and financial exclusion continue to be significant barriers to growth and long-term prosperity in local economies across the UK, at the individual, household, and business levels.</p> <p>Responsible finance providers develop skills, confidence and resilience, enable inclusive growth and sustainable job creation, and create work and income which circulates in local economies.</p>

# The UK Government

The UK government contains over 25 ministerial departments, 20 non-ministerial departments and over 300 other agencies and public bodies.

Alongside individual MPs from different parties, the primary departments relevant to the responsible finance sector in the UK are:



Department for  
Business, Energy  
& Industrial Strategy

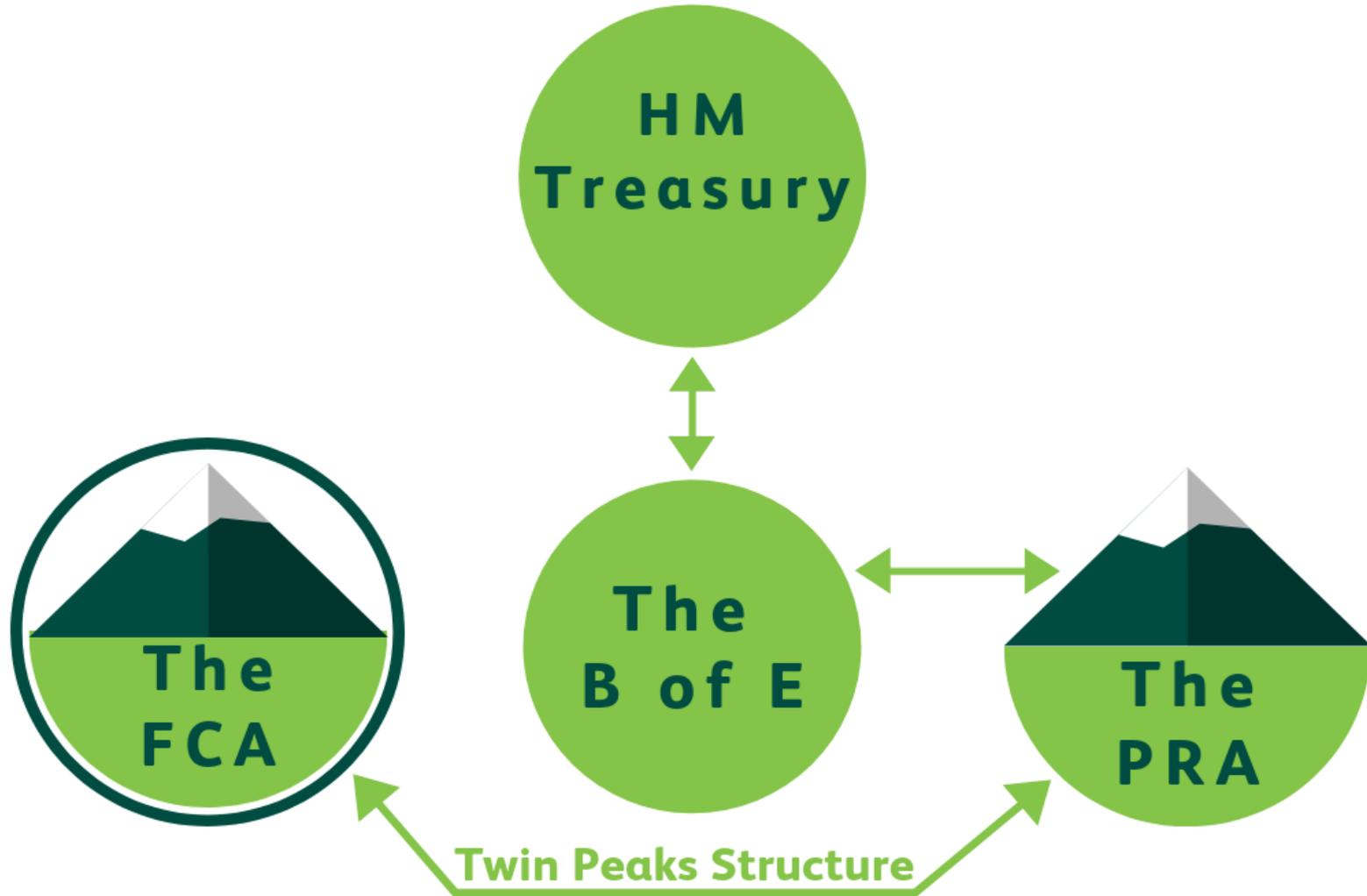


HM Treasury

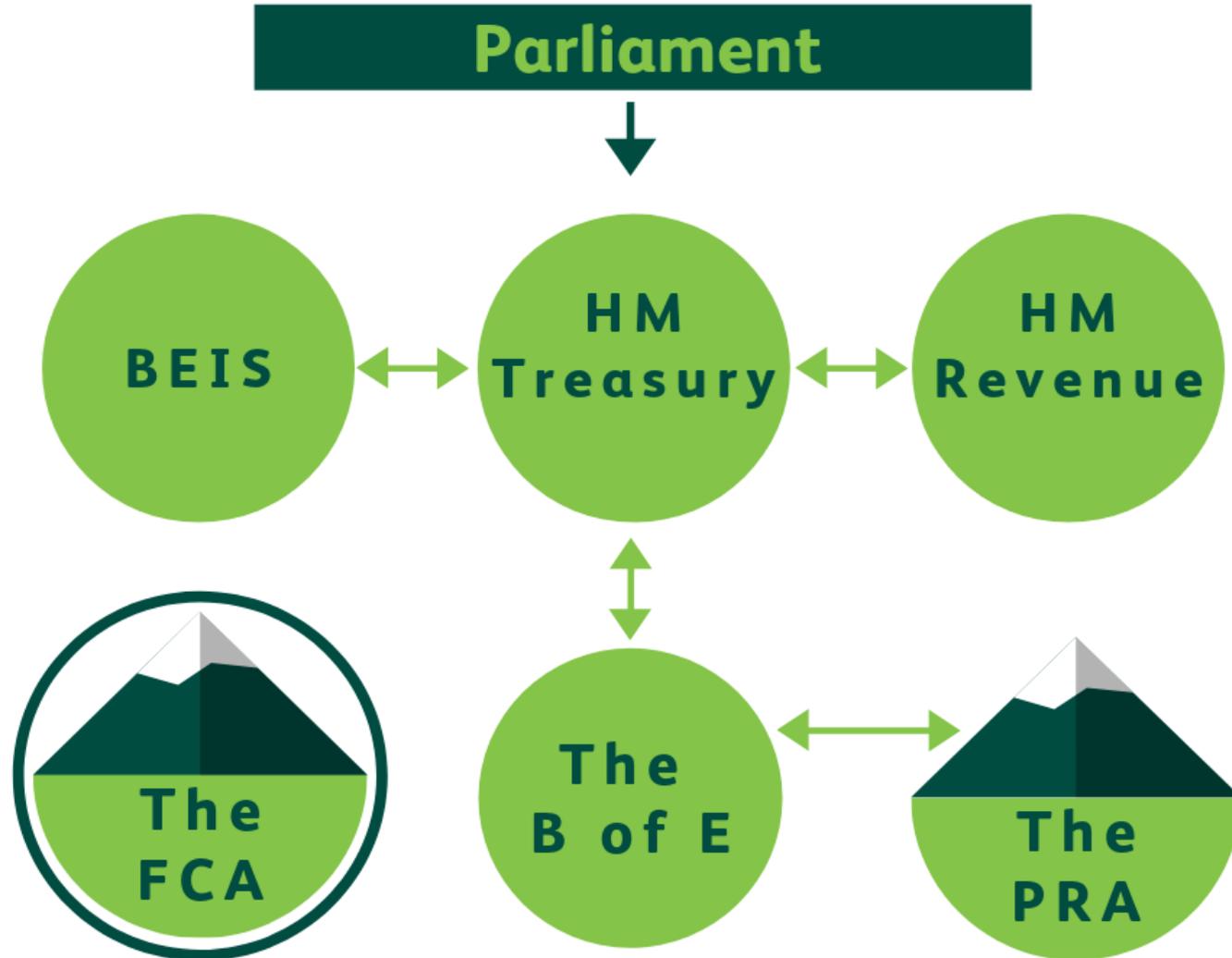


HM Revenue  
& Customs

# The UK's approach to financial regulation



# The whole picture



## Department for Business, Energy and Industrial Strategy

The Government ministry responsible for:

- Business
- Industrial Strategy
- Science, research and innovation
- Energy and clean growth
- Climate change

## The Financial Conduct Authority

- Independent
- The conduct regulator for financial services firms and financial markets in the UK
- Responsible for promoting competition and making sure that financial markets work well

## HM Treasury

- The Government's economic and finance ministry
- Controls public spending
- Sets the direction of the UK's economic policy
- Works to achieve strong and sustainable growth

## The Bank of England

- Regulates and supervises financial market infrastructures, which provide functions that are critically important to the UK financial system

## HM Revenue and Customs

- The UK's tax, payments and customs authority
- Responsible for HM Treasury's policy maintenance and implementation

## The Prudential Regulation Authority

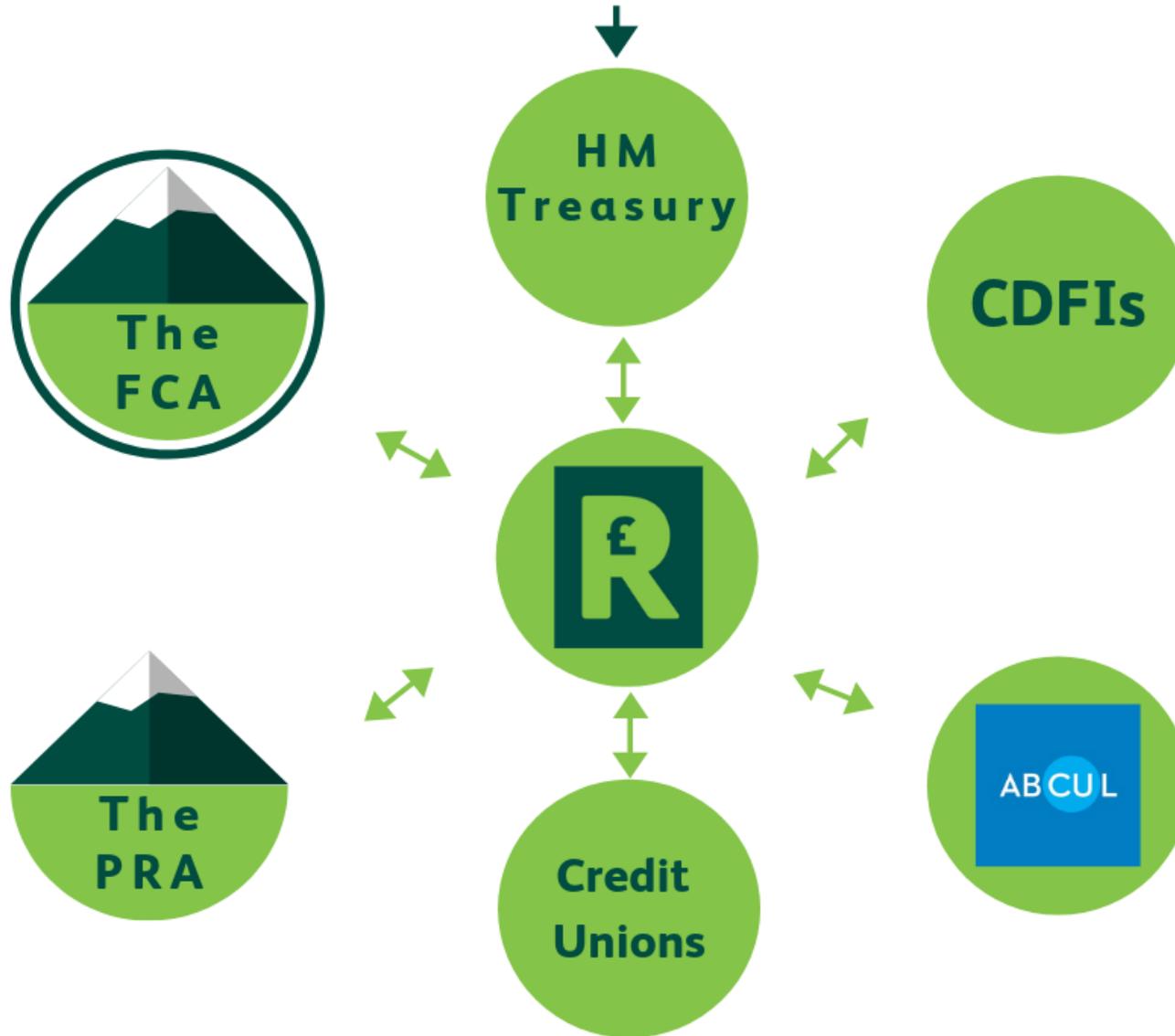
- Part of the Bank of England
- Responsible for prudential regulation of banks, building societies, credit unions, major investment firms and insurers.
- Particularly concerned about financial stability

# Case study: The FCA's Regulatory Sandbox

- The sandbox allows businesses to test innovative propositions in the market
- It is open to experiments aimed at developing new business models that will benefit consumers
- **Responsible finance submitted a proposal on an innovative investment model to help the responsible finance sector to reach scale by exploring whether it is possible for credit unions to invest in responsible finance providers who could then provide loans to low income consumers**

- The proposal relied on gaining the support and involvement of a wide range of stakeholders.
- This included the Government, both regulators, the credit union trade association ABCUL, individual credit unions, and individual responsible finance providers (CDFIs).
- We did this by carefully constructing the proposal, ensuring it was well argued, evidenced, and in plain English. We then set about building relationships with the individual parties to build trust.
- Once it progresses, we will need to make sure Parliament is on board to approve the change in legislation.

# Parliament



# Practical takeaways 1: Impact Evidence

- Key in underpinning our advocacy work is our evidence base on the impact of the industry. We build a robust and accessible base of data on member performance, industry trends and other evidence through our member survey which we conduct each year.
- The annual survey informs our annual industry report, which showcases our members' lending activities and impacts. This is a vital resource when advocating as it shows the tangible impact the sector has. In the Sandbox example, our impact evidence helped us gain support because it clearly shows the potential benefits of helping the sector to scale.
- Consider charting the ways in which your organisation contributes to fulfilling the UNs Sustainable Development Goals or other similar, more localised goals. For example, our member based in Wales has produced a booklet on how they meet the Welsh Future Generations goals.
- Your policy proposal should be thoroughly researched and watertight. You could include a cost-benefit analysis where appropriate, showing the government/regulator spend in relation to estimated benefit.

## Practical takeaways 2: Build stakeholder relationships

- Locally, there is a lot you can do. Write emails and letters to your local ministers telling them about the impact you are having in their area, and if you have a specific ask, include this in the letter.
- Invite to your MP or House of Lords member equivalent to a meeting or event so they can find out more about the issue.
- Effective marketing strategies will improve your visibility, however ensure they are well thought out and targeted appropriately.
- Try to build relationships and speak with a unified voice with similar organisations in your country, and ideally through the membership body you belong to. If officials receive too many conflicting views on an issue they may lose interest.