

FCA: Banking Sector Does Not Meet Needs of Small Business

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The Financial Conduct Authority (FCA), the UK regulatory body entrusted with the operations of the securities industry, has released a statement declaring the retail banking industry “does not meet the needs of personal consumers or small and medium enterprises (SMEs)”.

It should be noted that the FCA has an operational objective to promote effective competition in the interests of consumers. The agency’s charter is not solely focused on enforcement and assuring market operations.



Essential parts of the UK retail banking sector “lack effectiveness” including problems with barriers to entry and limited transparency. The declarations were part of an ongoing study jointly organized by the FCA and Competition and Markets Authority (CMA). **Alex Chisholm the CMA Chief Executive** stated;

“Competitive personal and SME banking markets are essential to households and businesses throughout the country, and to the success of the UK economy.”

Recently the **UK peer to peer lending industry has experienced dramatic growth** and some industry leaders believe this new form of finance is poised to usurp certain aspects of retail banking. The report discovered that fewer than 25% of SMEs were aware of P2P options but larger SME’s did have greater awareness. While P2P is growing dramatically it still represents a very small percentage of capital utilized for SME’s. According to the report the view of some senior bankers “considered that peer to peer lending did not represent a real alternative to bank lending”. Although there is an expectation that over time P2P would compliment bank lending.

With over 4.5 million SMEs in the UK accounting for 60% of private sector employment clearly there is a compelling and profound need to create a competitive and sustainable environment for access to capital.



Christopher Woolard, Director of Policy , Risk and Research at the FCA stated;

“Whilst there have been some recent improvements, for small businesses, competition in the banking system isn’t working as it should. The market is still concentrated, switching between

providers is low and those running small businesses don’t believe there is much differentiation in terms of the products on offer and the standard of service they receive.

“Small businesses are the lifeblood of the British economy, employing more than half of those in work in the private sector, which is why it is vital that they have access to a banking market that works for them.”