

Finance Platforms Call for Expressions of Interest

28th of August 2018



1. Introduction

1.1 Role of the British Business Bank

In the March 2016 Budget, the Chancellor announced the Government's intention to designate the first round of finance platforms (FPs) under the SME Finance Platform regulations, following advice from the British Business Bank (BBB). Since the 1st November 2016 platforms have been successfully matching smaller businesses that have been declined for finance by designated banks with alternative finance providers to help them access the finance they need to grow and expand.

HM Treasury (HMT) has again requested that British Business Financial Services Limited, an arm of the BBB, assess the suitability of further FPs for designation and make a recommendation to HMT. The final decision on designation of FPs will be made by HMT.

The BBB call for expressions of interest (EOI) is the first stage of an assessment process to inform advice provided to HMT on the designation of FPs under the SME Finance Platform regulations.

The call for EOI includes:

- an overview of the policy on FPs;
- a guide to the planned assessment process;
- an indicative timetable for the planned assessment process; and
- an overview of the information sought against given criteria.

1.2 Overview of small business finance platforms policy

There is an increasingly diverse range of finance options for smaller business in the UK. However, smaller businesses have low awareness of different financing options and little understanding of how finance providers make credit decisions. Data shows that a large number of typically time-poor small businesses turn first to a bank, often their existing providers of banking services, for finance. If then declined by their bank, they approach no other finance provider.

Given that smaller businesses are rejected for finance more often than larger corporations, this is a too-common occurrence with negative repercussions for the UK economy. The largest UK banks are and will continue to be critical to providing finance for the UK's small businesses, but their commercial risk appetite and strategic focus is resulting in at least some small viable businesses being rejected and going no further.

To address this, the Government legislated the [SME Finance Platform regulations](#), which came into effect on the 1st January 2016. The intention is to open the market to challenger banks and alternative finance providers with different business models and risk appetites that may be willing and able to lend to such small and medium sized businesses where the largest (designated) banks will not.

Specifically, the Government reserved powers to:

- a. require designated banks to share information on businesses that they reject for finance (where those businesses have agreed) with designated finance platforms that will help them to make contact with alternative lenders;
- b. enable HMT to designate finance platforms; and
- c. enable HMT to de-designate finance platforms.

The current EOI relates to point b. above. Further details on the [regulations](#) are available online.

2. Assessment process

2.1 Indicative timetable

The BBB welcomes expressions of interest from respondents able to demonstrate the extent to which they are able to satisfy the assessment criteria as set out at section 3.

Stage 1 – Expression of Interest (EOI): Respondents are asked to submit their EOI responses to the BBB by 28th of September 2018.

EOI responses should include information against specified criteria listed in section 3. The BBB will analyse EOI submissions in order to make recommendations to HMT on those considered suitable for Stage 2 of the process. HMT will then invite selected respondents to submit a Formal Proposal (RFP).

Stage 2 – Request for Formal Proposal (RFP): Details on the requirements of the RFP will be set out in documentation provided to relevant respondents in due course. Following the RFP stage selected respondents will be invited to a due diligence stage.

Stage 3 – Due Diligence (DD): Respondent invited to the final stage will be advised of the requirements for DD and should expect to prepare written response to tailored DD questions as well as attend an on-site face to face session with the BBB.

The BBB will provide feedback to the EOI and RFP respondents upon request once the assessment process has been completed. The BBB and HMT reserve the right to amend proposed timescales.

The assessment process is intended to comprise the stages set out below. All dates are subject to change at the discretion of the BBB and/or HMT.

| Stage | Indicative timings |
|--|---------------------------------|
| EOI publication | 28 th August 2018 |
| Deadline for submission of EOI responses | 28 th September 2018 |
| Assessment of EOI responses | October 2018 |
| RFP issuance (tentative) | October 2018 |
| Deadline for submission of RFP responses (tentative) | November 2018 |
| Assessment of RFP responses (tentative) | November 2018 |
| Due diligence process for those invited (tentative) | Winter 2018/19 |
| BBB recommendation to HMT (tentative) | Spring 2019 |
| HMT decisions on intention to designate (tentative) | Spring 2019 |

2.2 Delivery of responses

Pre-Submission Engagement: Respondents are invited to direct questions in advance of submitting a response to financeplatforms@british-business-bank.co.uk. Questions (posted anonymously) and answers in relation to the policy, objectives or information schedules will be made available to all respondents [online](#) to ensure that all respondents have access to the same information about the process. Questions can be submitted until the 24th of September, 2018.

Completion of proposals: Respondents are asked to provide information against criteria outlined in Section 3. If any information is unavailable, or cannot be disclosed, respondents should make this clear in their responses and explain why this is the case. Respondents also are asked to complete Annex 1 and Annex 2.

EOI responses should not exceed 35 pages in length. Any accompanying spreadsheets should be compatible with Microsoft Excel.

EOI responses should be submitted by email and in portable document format (“PDF”) to financeplatforms@british-business-bank.co.uk by midnight 28th September 2018.

2.3 Evaluation of EOI responses

EOI responses will be evaluated, *inter alia*, by reference to:

- a) whether or not responses achieve a minimum required score of 5 (as per the table below) in any of the six indicative criteria set out in section 3 of the EOI;
- b) respondents' overall scores in relation to other responses (see table below); and
- c) the need to ensure designated finance platforms comprise a compatible network, capable of effectively operating in conjunction with one another.

Hence, information provided in response to the EOI will be assessed in line with criteria as outlined in Section 3. Scores between 0-10 will be assigned to the following criteria; data handling, business model and SME journey, strategy and transparency, legal arrangements and conflicts of interest, financials and management team. A minimum required score of 5/10 will apply to each of these categories. In addition to scores assigned to individual proposals, respondents will be assessed against one another to ensure the functioning of individual finance platforms will be conducive to the operation of a system of finance platforms as a whole.

Score table for evaluation of EOI responses

| Score | Description |
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| 0-2 | The response is missing relevant information or is completely unacceptable. It does not meet the minimum requirement or respondents have completely missed the point. |
| 3-4 | Fails to meet the minimum requirement/standard. Information provided indicates that major work would be required for the respondent to submit an acceptable proposal. |
| 5-6 | Response mainly satisfies the minimum requirement/standard with some useful evidence provided. Indicates some obstacles but correctable. |
| 7-8 | Response is acceptable and meets minimum requirement but remains basic and could have been expanded upon. Response is sufficient but does not inspire. Good probability of success, weaknesses can be readily corrected. |
| 9-10 | Response is acceptable and meets minimum requirement and demonstrates respondent can meet the specified performance or capability. The response includes extensive relevant and evidenced information. |

3. Criteria

This section outlines a set of six preliminary criteria against which EOI responses will be assessed.

Respondents are advised to bear in mind the requirements of the associated regulations in preparing responses.

3.1 Regulatory authorisation

Finance platforms should take their own legal advice and the following should not be considered advice for reliance purposes. Please refer to the relevant guidance on credit-related activities that require authorisation in responding, available on the FCA website [here](#).

Given that mandatorily referred SME data will necessarily include data from sole traders, platforms should provide evidence of their FCA authorisation process for credit broking or a full rationale for why their business model does not require it. Other authorisations may also be required, depending on business model.

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| 3.1 (a) | Please confirm and provide detailed evidence of any FCA authorisations or interim permissions (a) currently held, or (b) applied for or that are otherwise in the process of being secured (including the current status of any pending applications and the anticipated timetable for a determination, or (c) that may be envisioned as being required, in each case to enable the relevant legal entity to fulfil the role proposed by the proposed FP. |
| 3.1 (b) | With respect to authorisations or interim permissions currently held, please confirm that these are all valid, subsisting and not likely to be suspended or cancelled, and whether there are any conditions attached to any such authorisations or permissions (please provide details if so). |
| 3.1 (c) | If not already given, where relevant, please provide FCA authorisation or interim permission reference, making it clear what type of activity the proposed FP is authorised to carry out. |
| 3.1 (d) | If the legal entity proposed for designation does not and is not intending to hold an FCA authorisation (e.g. in relation to certain credit-related activities) please set out why such authorisation is viewed as unnecessary in light of your business model. |
| 3.1 (e) | Please give details of any advice or discussions you have had with FCA on this issue, or any other external advice you have taken. |

3.2 Data handling

Finance platforms should be able to demonstrate that they have in place processes and standards to ensure correct handling, storing and transfer of data.

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| 3.2 (a) | Demonstrate satisfactory compliance with the Data Protection Act 2018 and the General Data Protection Regulation (2016/679) (GDPR). This should include the registration number provided as a data controller at the point of registration with the ICO. |
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| 3.2 (b) | Evidence of procedures in place to ensure correct staff handling for processing or having access to data – including how data will be disclosed or barred to users. |
| 3.2 (c) | Please describe any data security standards in place and provide evidence of compliance including certification, with evidence of internal or external audit. |
| 3.2 (d) | If there are intentions to use SME data for anything other than that prescribed by the Act, please describe. |

3.3 Business model and SME journey

Respondents should demonstrate how their platform will operate in practice.

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| 3.3 (a) | Describe the journey a SME will have to go through to obtain finance. Please illustrate by providing a flow diagram that includes the steps a SME will take in order to obtain finance, including a range of scenarios, including unsuccessful referral. |
| 3.3 (b) | Describe the impact on a SME at various stages in terms of implicit/explicit cost to SME and number / type of data fields to be completed by SME. Details on how underlying assumptions have been arrived at should be included |
| 3.3 (c) | Describe any additional services that are/will be provided to SMEs. |
| 3.3 (d) | Describe the current procedure for handling complaints from SMEs, designated banks and finance providers. Outline 'go-to' procedure if different. |

3.4 Track Record, Lender Panel and Transparency

Proposals should be focused on lending to viable UK SMEs that are rejected from a designated bank, operating in the UK. SMEs are defined as businesses with a turnover of less than £25m.

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| 3.4 (a) | Track Record | For each finance provider currently on the proposed FP's panel, please provide their name, a short description, risk appetite level, product offerings, geographical coverage, all closed deals from the FP including ticket size, product, borrower description and closing date. |
| 3.4 (b) | | For all transactions currently live but not yet closed, please provide name of panel finance provider, ticket size, product, borrower description, application stage, and date of referral. |
| 3.4 (c) | Lender Panel | Outline criteria and due diligence process for accreditation of finance providers on panel. |
| 3.4 (d) | | List all finance providers who have applied for inclusion on the FP panels and which have been excluded – please provide their names, date of application / exclusion, and rationale for exclusion. If none, please explain why. |

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| 3.4 (e) | | Does the proposed FP have a single standard legal contract, including commercial terms, with all finance providers on its current panel? |
| 3.4 (f) | Transparency of referrals | Describe the governance arrangements in place for determining how the SME will be passed on to finance providers - this should include details on how the respondent will ensure objective, transparent processes are in place. |
| 3.4 (g) | | Where relevant to the business model, how will the platform determine suitable finance options for the SME? Please describe any decision models / algorithms / mathematically derived expressions that will be used for this. |

3.5 Legal arrangements and conflicts of interest

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| 3.5 (a) | Please provide details of the legal ownership structure, including domicile of respondent and any subsidiary or parent entities. Reconcile with answer to 3.6 (b) |
| 3.5 (b) | Please provide details of any affiliations with any finance providers on the FP's panel or any other finance provider |
| 3.5 (c) | Please provide details of any conflicts of interest that may arise from the designation of the applicant, for the respondent, any subsidiary or group member, along with details of existing processes in play for how such a conflict would be managed. |

3.6 Financials

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| 3.6 (a) | Please provide latest available financial accounts (integrated profit & loss, balance sheet and cash flow statements); at least one full year of operating history is required, and more is preferred. |
| 3.6 (b) | Please list all investors to date by name, type of shares, value of investment, and date of investment. Ensure reconciliation with answer to 3.5 (a) |
| 3.6 (c) | <p>Please provide documentary evidence of the nature, amount and current status of financial support available to the proposed FP, or where not yet been secured, evidence of the status of prospective support. This should include an indication of the terms on which such support is available. Please be clear as to what time period this relates to.</p> <p>For example, please <u>provide evidence</u> of:</p> <ul style="list-style-type: none"> (a) Non-restricted cash held at bank, e.g. time-stamped bank statement (b) Other restricted cash balances and their purpose (c) Parent company guarantees (d) Letters of financial support from the ultimate beneficial owner (e) Facility agreements from financial backers (f) Any other sources of finance available or secured for a future date |
| 3.6 (d) | Please describe the proposed FP's current charging structure – how much does the FP get paid by who in exchange for what service provided. Does this vary by finance provider, if so, how? Outline 'go-to' structure, if different. |

3.7 Management team

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| 3.7 (a) | Please provide a management organisation structure chart - with some detail on the senior management team including individual roles and responsibilities. |
| 3.7 (b) | Please provide brief CVs, with relevant experience only, of senior management team members. |
| 3.7 (c) | How many staff are/will be employed by your organisation? |

4. Terms and Conditions of Process

By responding to this EOI, all respondents are deemed to acknowledge and accept the terms contained herein including in particular this section 4. Except as provided in this Section 4 which is legally binding, this EOI is not a legally binding document.

HMT, British Business Bank plc and its subsidiaries reserve the right at any time not to continue with the current process and /or cancel or withdraw from the process at any stage and/or not make any recommendation or designation and any costs or expenses incurred by respondents will not be reimbursed. HMT, British Business Bank plc and its subsidiaries exclude their liability for any costs, expenses or losses incurred by respondents to the full extent permitted by law.

HMT, British Business Bank plc and its subsidiaries reserve the right to amend any timetable and/or other aspects of the current process at their discretion.

HMT, British Business Bank plc and its subsidiaries may request clarification of information and additional information regarding a response and/or may also request face to face meetings. Refusal to provide such clarification, information or meetings may cause a submitted response to be rejected. Where no reply to a request for information or for clarification is received within ten business days, HMT, British Business Bank plc and its subsidiaries may assume that the submission has been withdrawn.

Respondents should note that information received by HMT, British Business Bank plc and its subsidiaries as part of the current process, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (“**FOIA**”), the Data Protection Act 2018 (“**DPA**”) and the General Data Protection Regulation (EU 2016/679) (“**GDPR**”) and the Environmental Information Regulations 2004. In view of this, should respondents consider that any information should be treated as confidential and/or commercially sensitive, it would be helpful if respondents could set out why they consider this to be the case in each instance. Automatic confidentiality disclaimers generated by IT systems will not, in themselves, be regarded as binding.

If HMT or British Business Bank plc and its subsidiaries receive a request for disclosure of information, full account will be taken of any explanation, but no assurance can be given that confidentiality will be maintained in all circumstances. Decisions on disclosure remain the responsibility of HMT or British Business Bank plc and its subsidiaries and ultimately the Information Commissioner and courts. Personal data will be processed in accordance with the privacy policy on our website [<https://www.british-business-bank.co.uk/privacy-notice/>]: in the majority of circumstances this will mean that personal data will not be disclosed.

British Business Bank plc is a public limited company registered in England and Wales registration number 08616013, registered office at Steel City House, West Street, Sheffield, S1 2GQ. As the holding company of the group operating under the trading name of British Business Bank, it is a development bank wholly owned by HM Government which is not authorised or regulated by the Prudential Regulation Authority (“**PRA**”) or the Financial Conduct Authority (“**FCA**”) to carry out regulated activities. British Business Bank plc and its subsidiaries will be unable to consider responses where receipt or processing would require any form of regulatory authorisation or permission.

British Business Bank plc operates under its own trading name through a number of subsidiaries, one of which is authorised and regulated by the FCA.

British Business Bank Financial Services Ltd is a wholly owned subsidiary of British Business Bank plc, registered in England and Wales registration number 09174621, registered office at Steel City House, West Street, Sheffield, S1 2GQ.

A complete legal structure chart for British Business Bank plc and its subsidiaries can be found at www.british-business-bank.co.uk.

Annex 1: Respondent details

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|---|
| Respondent Details |
| Name of legal entity |
| Type of organisation (e.g. partnership, limited company). |
| Administrative details (e.g. registration number, registered address, location, date of formation). |
| Website |
| Principle Contacts(s) |
| Telephone |
| Email |

Annex 2: Certification and Authority to Submit

I confirm that I am duly authorised to submit this information on behalf of the respondent organisation(s).

I confirm that, to the best of my knowledge this information provides an accurate representation of the current performance and future intentions of the respondent organisation(s). I understand that designated of finance platform is discretionary and that submission of this information does not convey any particular status or entitlement upon the respondent organisation(s)

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| Name (Please print) |
| Title / Role (please print) |
| Signature |
| Date |

Received on behalf of the BBB by;

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| Name (Please print) |
| Signature |
| Date |