

SME Manifesto – Foundations for Growth and Trust: Compensation and redress roundtable | 16.5.24



This roundtable was part of a series of discussions and briefings held by the APPG on Fair Business Banking with key stakeholders in order to shape the policy proposals of the [APPG's SME Manifesto](#).

Attendees

WPI Economics
Federation of Small Businesses
Allica Bank
Hausfeld
APPG on Fair Business Banking

Introduction from Joe Ahern

The session began with an introduction from Joe Ahern, outlining the primary challenges SMEs face in the lending space, particularly focusing on how these issues differ by size and sector.

Discussion

- It was highlighted by one participant that the challenges SMEs face are not necessarily related to the size of the firms but rather to their complexity, especially concerning consequential losses. This complexity complicates dispute resolution, making it challenging for smaller enterprises to navigate.
- Questions were raised about the methods used to define who has caused a dispute and the approaches to resolve it effectively and fairly. The importance of an equitable dispute resolution process was emphasised.
- Concerns were expressed about the opaque operations of banks and the lack of regulation in the sector, which banks often use to their advantage. It was noted that effective dispute resolution must exclude the offender from having a stake in the resolution scheme to avoid conflicts of interest.
- The discussion then turned to the significant power imbalance exacerbated by the absence of statutory regulation, leaving SMEs vulnerable in disputes with banks.
- The lack of awareness among many SMEs about the Financial Ombudsman Service (FOS) and the support it can offer was pointed out. The current inefficacy of the resolution system was said to deter businesses from borrowing, which, if addressed, could enhance SMEs' confidence in starting up.
- It was mentioned that the FOS sometimes declares a complaint outside its purview, especially if it's complex, involves criminal allegations, or pertains to external agencies beyond the banks.
- The potential benefits of a Financial Services Tribunal (FST) were discussed, emphasising that it needs to be affordable, accessible, and able to level the playing field for all parties involved. An effective tribunal could also serve as a feedback mechanism for improving future financial culture and practices, essential for building trust among customers.
- It was argued that while an FST would be suitable for complex cases, smaller disputes should be resolved before escalating to such a level. Banks often resort to outspending complainants to avoid disclosure, a tactic that was criticised.
- The importance of compensation mechanisms within an FST was highlighted, noting the need for awards that truly restore victims to the position they would have been in had the harm not occurred.
- The question of what is proportionate in terms of regulating lender conduct in the SME lending space was raised, along with how to strike a balance between protecting SME borrowers and supporting a thriving market supply side. The conversation acknowledged the need for regulatory measures that protect without stifling market dynamism.

Closing Remarks / AOB

The meeting concluded with a consensus on the need for clearer regulations and more accessible dispute resolution mechanisms to support SMEs effectively. The discussions underscored the importance of transparency and fairness in the lending sector to foster a supportive environment for small and medium enterprises.