

HSBC cuts loan rates for small businesses that hire

HSBC is cutting its small business loan rate by up to 3pc points for businesses that can prove they have hired new staff



The bank said the discount was available on its secured and unsecured small business loans. The offer will be trialed for three months and is open to businesses with turnover of up to £2m looking for one to 10 year fixed-term loans.

To qualify businesses will have to provide either a P45 form, a tax form from the new employee's previous employer, or a P46, which is issued to people taking their first ever job or taking on additional jobs. HSBC will charge a £100 arrangement fee.

Small business groups welcomed the initiative. A Forum of Private Business spokesman said: "On the surface this certainly appears something that banks should be doing. There may be a question mark over whether it is the responsibility of banks to encourage business owners to employ people but broadly we welcome it."

The Forum's latest survey of its members found on average a unsecured small business bank loan attracted a 12.3pc rate of interest and secured loans 4.6pc.

Henry Ejdelbaum from broker ASC Finance for Business said: "Innovative it is, but is it attractive? The average loan should be three to 3.5pc over base rates. It could be attractive to certain businesses but I am not aware of that many small businesses employing on that scale. But as marketing message it works. Psychologically it is a good message."