



How circumstance can force you to build your business  
**Business challenges, Page 30**

## Businesses adapt to lack of lending

### Funding

**Aversion to debt reflects loss of faith in banks, reports Jonathan Moules**

Badgering big high-street banks to lend more to small businesses might be a waste of time as many of the fast-growing groups do not use such debt, advisers claim.

While business groups argue that an improvement in access to finance is crucial for the long-term future of many small businesses, others admit that many companies are learning to expand with less debt.

Vince Cable, business secretary, this week warned that banks might face a new tax on profits if they failed to curb their bonuses and dividends and increase lending to small and medium-sized enterprises (SMEs).

Meanwhile, Mervyn King, governor of the Bank of England, told the Treasury Select Committee that it was "heartbreaking" to see so many businesses going under because lenders refused them loans.

However, independent financial advisers, while criticising banks for being over cautious, claimed that moving towards sensible lending is a positive thing.

Henry Edjelbaum, manag-

ing director of ASC Finance for Business, said many of his clients want to reduce their borrowings or are happy to operate their business without any debt because they have lost faith in the banking system.

Gerard Burke, director of Your Business Your Future, which runs courses to help entrepreneurs accelerate their company's growth, said many owner managers have adapted to a world without bank lending.

Although he admitted that many owners have suffered "horrendous experiences" with banks, he said putting pressure on lenders to help business customers might be a waste of time

as it is not a big problem. But not all ambitious entrepreneurs agree with these opinions.

Beverage group Cherry-good generated sales of £1.2m in its first year of trading. However, co-founders John Heseltine and Martin Hall had to finance the venture without bank debt after being turned down for a £500,000 loan by several high-street lenders.

Although the company raised seed funding from an angel investor, backed by the founders' own savings, Heseltine claimed that the rejections slowed growth down considerably. "You need to have a relationship with the bank," he said.



John Heseltine, left, and Martin Hall of Cherrygood