

Undercover survey finds banks really won't lend

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So are the banks really as prepared to lend as they say? It seems questionable as a month long investigation found

By Jenny Little



Small businesses are still being refused borrowing, despite Britain's banks promising to lend budding firms more money.

A month-long investigation has revealed banks rejecting modest requests for credit, recommending credit card borrowing over overdrafts, and lending decisions often crudely made by computer.

The five main banks have committed to Project Merlin, a Government-backed initiative to get banks lending to business. So, I posed as a start-up opening a new account. The purported enterprise imported and sold Mexican jewellery via markets and online. I estimated a turnover of just £10,000 in the first year, rising to £200,000 by year five.

My demands were modest: a £3,000 overdraft facility and a business credit card. But my meetings with business advisers only yielded the following:

- Barclays. No overdraft, despite my cashflow forecasts showing this would be essential. But a business Barclaycard with a £3,000 limit was offered.
- Lloyds TSB. The adviser ignored my business plan and talked about invoice financing, although my business was cash-based. No credit card for the first year and I must open an account before other borrowing could be agreed.
- HSBC. The only bank to credit check me on the spot. However, the computer only offered £1,500 as an overdraft and £1,000 on a credit card with an APR of 15.19 per cent.

- Natwest. A £3,000 overdraft facility was probable, but I would need to be credit checked for a credit card –which would be charged at a shocking 34.5 per cent. Incorrect, it turned out. The actual APR is 16.9 per cent. Plus, credit checking was not available without opening the account. Catch 22.
- Santander. No immediate credit checking available and no borrowing offered until the account was open. A £2,000 overdraft might be likely and I could top up with a business loan – just £1,000 in my case.

In summary, no bank offered what I needed and some advisers were plain incompetent. Henry Ejdelbaum of ACS Finance for Business says: 'Project Merlin has failed. Banks just don't want to lend to smaller businesses.'

For a full account of this story see September's edition of Moneywise magazine.