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Complaints about small business loans rise

By Jonathan Moules, Enterprise Correspondent
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The number of complaints to the **Financial Ombudsman Service** about small business bank loans has risen by 119 per cent in the past year.

Small business owners made 496 complaints to the ombudsman about loans and overdrafts in the year to March 31, compared with 226 in the previous 12 months.

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The increase in complaints reflects the frustration many company owners still feel about their banks almost two years after the banking crisis began with the collapse of **Lehman Brothers** in September 2008.

Complaints against all financial services providers by small businesses rose to 4,656 in the 12 months to March 31, 43 per cent higher than a year earlier. This was a faster increase than complaints by consumers, which rose by 27 per cent over the year to 158,356.

Aldermore, a relatively new UK bank, said the figures could be "just the tip of the iceberg" since only companies with a turnover of €2m (£1.8m) or less and fewer than 10 employees could complain to the ombudsman.

Phillip Monks, Aldermore's chief executive, said: "The big banks aren't happy to admit [it] but their balance sheets are under strain and they are having to knock back perfectly good customers."

The main high street banks, such as **RBS** and **Lloyds Banking Group**, this month announced an increase in the amount of money lent to small business customers.

However, they also claimed that demand for new loans was down.

Bank of England statistics show that net lending to businesses fell by £3.2bn in the first quarter of this year.

Steve Hughes, UK economist at the British Chambers of Commerce, said: "The current lending situation is much more complicated than simply forcing banks to lend when demand among businesses is muted.

"Nonetheless, the banks must be as transparent as possible when decisions are made, and ensure that their decision-making processes are not over centralised, tick box or removed from the front line."

Henry Ejdelbaum, managing director of ASC Finance for Business, which arranges finance for companies, said there was no doubt that good businesses were being denied credit.

However, he said that at least banks were no longer pushing the "reckless" lending that went on in 2007.

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