



CFIT | Centre for Finance
Innovation and
Technology

Improving SME Access to Finance

Enabling SME Growth through
Financial Health Tools

April 2026

Coalition Members

CFIT would like to offer sincere thanks to our funders and Coalition members. We are grateful to all participants for their valuable cooperation and creative solutions to the issues that we have collectively addressed.

Strategic Partners



Coalition Partners





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Ministerial Foreword

Small businesses are the backbone of the UK economy. They drive innovation, create jobs and play a vital role in delivering growth across every region and sector. Helping these businesses to access the finance they need to start, scale and succeed is therefore a central priority for this Government.

While the UK is home to one of the world's oldest and strongest financial services sectors, many smaller businesses are still unable to source the finance they need to grow and scale – while others are put off from seeking it altogether. Addressing these challenges requires a collaborative approach, with Government, industry and the wider business ecosystem working together to develop practical, scalable solutions.

This report from the Centre for Finance, Innovation and Technology (CFIT) is a strong example of that collaboration in action. It reflects the significant effort and expertise of partners from across financial services, fintech and beyond, working together to identify clear and actionable ways to improve small businesses' access to finance.

The findings set out a compelling case for how smart data, established sources of business and commercial credit information, and more effective funding frameworks – can help unlock new opportunities for businesses across the UK. Importantly, they focus not just on identifying the challenges, but on how we can move toward delivery.

The Government is already taking forward a range of initiatives to support small business growth and improve access to finance. We have increased the total financial capacity of the British Business Bank to £25.6 billion, allowing them to support more businesses through loans, equity investment and guarantees. We are also boosting demand for finance by making it easier to find the right funding with an upgraded Finance Hub alongside the Business Growth Service. The recommendations in this report provide valuable insights that will help to inform and complement this work.

As we look ahead, continued collaboration between Government and industry will be essential. By working together, we can ensure that the UK's financial system evolves to meet the needs of modern businesses – enabling small businesses to access the right finance, when they need it.

I would like to thank CFIT and all Coalition partners for their contribution to this important work. I look forward to continuing our partnership as we take these ideas forward and deliver tangible improvements for small businesses across the UK.

Blair McDougall

Parliamentary Under-Secretary of State (Minister for Small Business and Economic Transformation)

“SMEs are a critical part of our commercial landscape, yet too many are held back by a lack of clarity on what lenders need and what steps will improve their chances of securing finance. Our work with the Coalition shows transparent, actionable financial health insights can boost confidence and prompt action – helping more businesses, including in underserved areas, access fairer funding.”

Tom Wood
Head of SME Business Banking, HSBC UK

“Small businesses are the backbone of local economies and communities, yet many still face barriers to accessing the capital they need to operate and grow. Tackling this credit gap requires unleashing smart, data-driven solutions like Open Finance that expand pathways to lending decisioning and unlock creditworthiness. By partnering with CFIT and industry leaders, we’re proud to accelerate the development of insight-driven lending models that provide greater visibility into SMEs’ financial health and drive confidence to invest in their futures.”

Mark Barnett
Global Head of Small and Medium Enterprises, Mastercard

“We support the work and findings of CFIT’s Coalition on SME access to finance. The British Business Bank is committed to working with both industry and government to provide a channel through which Financial Health Tools can be deployed to help SMEs improve their financial resilience. There are clear synergies between the Bank’s access to finance remit and CFIT’s commitment to driving innovation in financial services, and shaping policy that benefits businesses, government and the wider economy.”

Stephen Welton
Chair, British Business Bank

Executive Summary

Access to finance for the UK's small and medium-sized enterprises (SMEs) is being constrained by a measurable and addressable gap in financial readiness, rather than a shortage of willing lenders. Closing that gap could unlock an estimated £5 billion¹ in additional lending annually.

This report sets out the findings of CFIT's SME Access to Finance Coalition, established to address persistent frictions experienced by SMEs applying for credit, in particular the gap between how small businesses are assessed by lenders and how well those businesses interpret and manage the financial data that drives those decisions. The Coalition brought together industry participants including lenders, fintechs, data providers and advisers to develop applied, data-driven solutions that improve SMEs' understanding of their financial position and ability to access finance. The approach combined structured sprint delivery, analytical assessment, solution design and live testing.

The resulting Blueprint presents the Coalition's evidence-led response. It draws on quantitative modelling, live prototype testing with participating organisations (including Mastercard, Lloyds Banking Group (LBG), HSBC UK, FXE Technologies (FXE), Menna AI, Life Moments, GFA Exchange and Capitalise), and qualitative concept evaluation with SMEs and financial advisers. Together, these findings define a practical, scalable pathway to stronger SME financial health and more effective access to funding.

The UK's SME lending gap is larger than it looks, and largely fixable

The UK's 5.5 million SMEs are the backbone of the domestic economy, yet a persistent lending gap continues to constrain their ability to grow. Fewer than half of SME loan applications now succeed, and more than 90% of businesses referred under the Government's Bank Referral Scheme (BRS) do not ultimately secure credit.^{2,3} The challenge is compounded by a significant erosion of confidence. Only around a third of SMEs planning to apply for finance are optimistic their bank will agree, a marked decline from earlier levels. The consequence is a growing population of businesses that are viable but disengaged from external finance, including a substantial share of permanent non-borrowers (firms that could benefit from borrowing but no longer seek finance following an early decline).

Analysis by Coalition partner FXE of approximately 24,000 BRS-referred businesses shows that nearly two thirds had credit profiles with identifiable, addressable issues. These businesses were ineligible for credit at that point in time, but not necessarily in principle: they lacked the information needed to understand how lenders were assessing their application and what practical steps they could take.

This is an addressable problem, and the UK is well positioned to solve it. The technical foundations already exist: Director's personal credit scores, Open Banking, the Commercial Credit Data Sharing (CCDS) scheme, and Companies House together provide the basis for personalised financial health assessments aligned to the risk criteria used by lenders. The Data (Use and Access) Act 2025 has established the legislative basis for extending that reach through Smart Data schemes. Building on the work of CFIT's inaugural Open Finance Coalition, which demonstrated how wider data access to sources such as HMRC data could improve SME finance and financial inclusion, this Coalition has developed and tested tools that translate those capabilities into practical guidance for small businesses.

When businesses receive clear, tailored information about what is limiting their eligibility and how to address it, they act. Prototype testing showed that confidence among participating businesses rose from 53% to 77%, and 98% said they would take the recommended actions. At scale, that shift is the mechanism through which declined and discouraged businesses re-enter the credit market and approval rates increase.

The core solution pathway

CFIT's SME Coalition has developed and tested examples of two prototype Financial Health Tools designed to address the root causes of SME credit refusal or decline. They are comprised of a pair of distinct but complementary components.

One example of a Financial Health Tool is the **Funding Health Checker** which is a mature, operationally ready credit-readiness assessment tool developed by FXE based on supporting 500,000 businesses with application for finance and by tracking lending outcomes, building a detailed understanding of what makes businesses fundable. This insight is used to provide personalised feedback on the profile of business to pinpoint areas that the business can address to improve access to finance. The tool can be used at the point of application and post-decline, or support advisor channels that support businesses when seeking access to finance. By identifying factors affecting eligibility or affordability, the tool provides personalised, prioritised steps to improve outcomes. Prototype testing with LBG and HSBC UK demonstrated strong user engagement for users that may seek access to finance in the future, are in the processes of applying or have been declined, with 94% of participants finding the tool clear, useful and actionable.

The second tool addresses an earlier stage of the problem. Many businesses that will eventually seek finance are not yet ready for it, and have no structured way to understand what readiness requires or how to build toward it. The **Small Business Coach**, developed by a subgroup of the CFIT Coalition comprising Menna.AI, Life Moments, Differential AI, GFA Exchange and Capitalise, is an AI-driven advisory tool designed to reach businesses before a credit need has crystallised. It consolidates available business data, identifies gaps in financial readiness, and provides personalised guidance calibrated to the business's life stage. Prototype testing indicates strong intent to act, with 82% of SMEs saying they would follow the recommendations provided.

Both tools draw on established sources of business information, including Companies House, personal and business credit data, and CCDS, with the option to incorporate consented data such as Open Banking and HMRC tax data.

The opportunity

As part of the exercise, we have modelled the combined impact of supporting businesses through Financial Health Tools across two populations: businesses declined after applying for finance, and businesses that require funding but have not yet applied. The analysis indicates that engaging these groups could **unlock up to an estimated £5 billion in additional lending per annum**, enabling approximately 160,000 more businesses to access finance each year. The modelling underpinning this figure, and the evidence base that supports it, are set out in full in [Chapter 1](#).

A significant share of this opportunity comes from reducing repeated decline cycles, particularly among early-stage businesses that are not yet finance-ready but can become eligible within a relatively short period as their financial profile matures. It is worth noting that some businesses may not apply even where data suggests they would qualify, whether due to concerns about the cost of borrowing, fear of default, or a broader reluctance to take on external finance.

Improved visibility of SME financial health across the credit process would also benefit lenders by improving application outcomes, lowering administrative costs and enabling more confident lending decisions.

Expected outcomes

Successful implementation of the Financial Health Tools has the potential to deliver the following outcomes:

- Increased access to credit for SMEs with 'fixable' credit profiles.
- More financially aware and confident business owners, better prepared to engage with lenders.
- Higher-quality data and reduced administrative friction across the lending process, enabling more efficient and transparent credit decision-making.
- Greater inclusion and resilience across the SME population, including improved engagement from underserved and early-stage businesses.
- More financially resilient and sustainable businesses that are better equipped to thrive and drive economic growth.

Key recommendations

This Blueprint sets out five recommendations for Government, regulators and industry, developed collaboratively with Coalition partners over the course of the programme. Full detail is provided in [Chapter 3](#):

- 1 Banks and lenders to support finance-readiness through Financial Health Tools** – providing access to tools before, during and after the credit application process, using existing data infrastructure on a commercially sustainable basis.
- 2 Embed financial health support across Government business services** – making tools available through the Business Growth Service and the British Business Bank, to drive adoption so that businesses are prepared for finance before they apply.
- 3 Expand Open Data to improve financial health insights** – accelerating the release of HMRC Corporation Tax, VAT and payroll data through consent-based Smart Data frameworks.
- 4 Strengthen business identity and data foundations** – creating a mandatory register for unincorporated businesses and sole traders, and supporting use of Company and Director ID verification for incorporated entities.
- 5 Shift to outcome-based accountability for the BRS** – encouraging lenders to publish data on tool engagement and whether businesses that used Financial Health Tools subsequently secured finance.

Improving access to finance requires giving businesses a meaningful, personalised understanding of their financial position and readiness for lending. The Financial Health Tools developed and tested through CFIT's SME Coalition offer an evidence-grounded route to achieving this at scale, supported by the policy and regulatory conditions necessary to embed them across the UK lending landscape.

Chapter 1

The Challenge

The evidence in this chapter points to a finding that reframes the problem: many small businesses declined for credit are finance-ready in waiting, held back by data and tools gaps that are fixable. That gap is the focus of this section: its nature, its scale, and why the market has so far failed to address it. The frameworks and recommendations that follow are a direct response to these findings.

The persistent business lending gap in the UK

Small and medium-sized enterprises represent over 99% of the UK business population and employ the majority of the private sector workforce.⁴ Yet access to external finance for investment, growth and resilience remains a persistent challenge. At the heart of this challenge is the lending gap, which spans two groups: approximately 65,000 businesses declined for bank lending each year (from around 130,000 annual applicants, of whom roughly half are declined), and a further 130,000 businesses that need funding but do not apply.⁵

Friction in access to finance is structural. Fewer than half of SME loan applications now succeed, a rate roughly a third lower than before 2020.⁶ The [Bank Referral Scheme \(BRS\)](#) was established as a policy mechanism to give businesses declined by major banks a structured route to alternative lenders. Conversion rates following referral from the BRS remain extremely low, with fewer than one in ten (6%) referred businesses ultimately securing credit.⁷ UK small business demand for bank loans stands at just 1.5% compared with around 20% in the Euro area. Confidence is also low: only 34% of UK SMEs planning to apply for finance are confident their bank will agree, down from 56% in 2019.⁸ A further 60% of businesses report that they are not proceeding with investment, citing a preference for building up cash reserves.⁹ This pattern is reinforced by wider market behaviour: two in five SMEs expect to grow over the next 12 months, yet only a quarter have sought external finance in the past three years, with one in five considering applying in the next 12 months.¹⁰

These barriers are sequential rather than simultaneous. A business needs sufficient confidence in its own prospects before it will consider seeking finance at all. Once it does, a separate set of barriers determines whether the application succeeds. The Coalition focused on both stages, where the evidence shows the problem is identifiable, measurable and solvable through better data and tools.

Many declined SMEs could, with appropriate support, become eligible for credit. Specifically for the second stage, the Coalition focused its analysis on businesses that had applied for finance, been declined, and been referred through the BRS, as the cohort where intervention could have the most direct and measurable impact. The dataset from CFIT Coalition partner, FXE Technologies (FXE), on BRS-referred applications confirms that most declines stem from identifiable, addressable issues rather than underlying business unviability, pointing to a readiness gap rather than a viability one (see [Appendix A](#)).¹¹

The Current SME Lending Journey and Where it Breaks Down

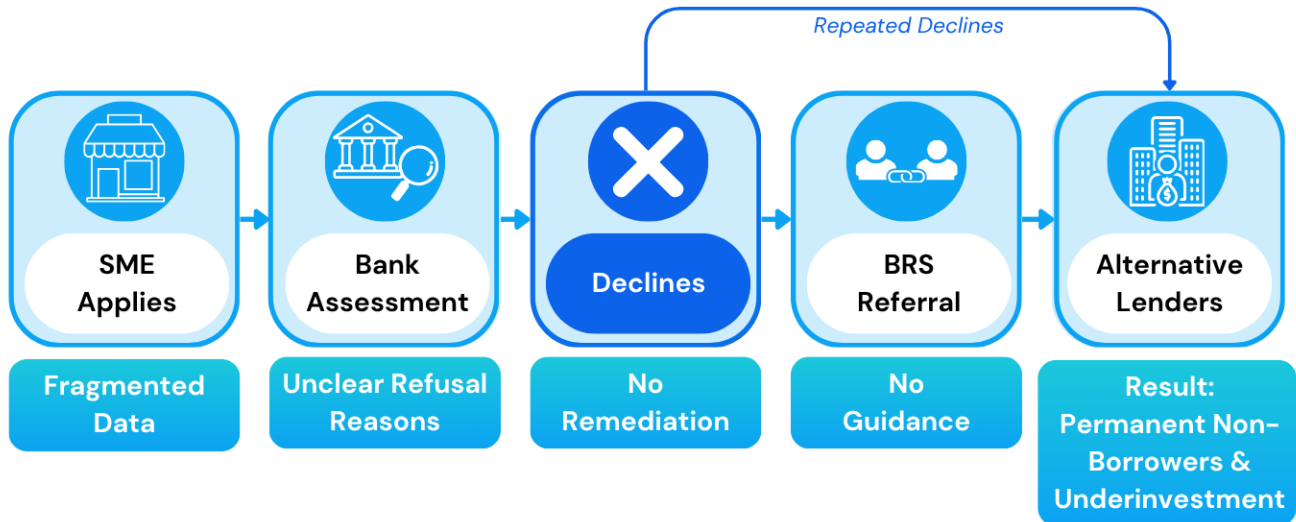


Figure 1: The Current SME Lending Journey and Where It Breaks Down

Why the problem persists

The lending gap exists because many businesses lack a clear understanding of the information required to inform a lending decision, and because the accuracy and coverage of the data needed to demonstrate lending readiness is often insufficient. Many businesses struggle to create a single, consolidated view of their finances and how they appear to a lender before they apply.

Whilst it is acknowledged that each lender's risk criteria are commercially sensitive, highlighting deficiencies in the data used to inform the risk decision is a useful way to illustrate to the SME the action it needs to take to improve its eligibility without compromising a bank's confidentiality. This information asymmetry is compounded by the complexity of how credit decisions are reached. While core lending criteria, including cashflow positivity, balance sheet strength, the amount requested relative to affordability, and the availability of security, are broadly consistent across lenders, many business owners lack a working understanding of how these factors apply to their own position. Term-loan assessments additionally rely on aggregated risk ratings comprising dozens or hundreds of factors, including proprietary data. Overdraft pre-approval outcomes are binary and non-personalised. In most cases, explanations are too high-level to be actionable, and businesses that are declined have no clear route to understanding what to do next or how to strengthen their position for a future application.

A further structural gap lies in the disconnection between business preparation and credit application. The move to digital banking has removed much of the informal guidance that relationship managers and branch advisers once provided, leaving businesses less familiar with lending criteria to navigate application processes without equivalent support.

Economic consequences

The consequences of credit refusal or decline go beyond individual businesses. When viable firms are unable to access finance, they are less able to invest, expand or build resilience. The aggregate effect bears on productivity across the UK economy, with smaller firms disproportionately affected. Economic growth is, therefore, stifled.

These effects are not evenly distributed. Microbusinesses, early-stage firms and businesses in regions with less developed financial infrastructure face a compounded disadvantage, with fewer specialist advisers available and lower awareness of current options. Regional growth ambitions, including investment in new industries, are constrained when the firms that might carry them forward cannot access the capital they need.

At the firm level, credit refusal or decline leads to underinvestment in otherwise viable businesses. The fragmentation of small business financial data undermines credit decisions and creates lending risk, while denying lenders the opportunity to identify and serve a broader pool of fundable applicants. Where firms have incomplete credit files or limited data coverage, lenders cannot form a sufficiently confident view of risk, and viable applications fail as a consequence.

Market inertia

Current referral mechanisms do not resolve the problem. The BRS was designed to redirect businesses declined by their bank to alternative lenders, not to provide insight into their credit profile or a route to remediation. A business referred through the scheme with a non-fundable profile will usually be declined again, sometimes repeatedly. In most cases, businesses are not given a clear explanation of why they were declined or what they could do to improve their position. Adoption of Financial Health Tools by lenders and promoting their use to customers provides an opportunity to address the systematic failings for the BRS to deliver better lending outcomes for businesses. FXE's analysis of the BRS referral population identifies four principal clusters of decline reasons, all of which are, at least partly addressable with appropriate guidance: (i) liquidity and recent performance issues; (ii) credit quality factors; (iii) compliance and trading history gaps, and (iv) behavioural risk indicators such as defaults or County Court Judgments (CCJs). A full breakdown is set out in [Appendix A](#).

Over time, repeated decline cycles damage small businesses' willingness to seek additional credit, undermining trust in lenders. The [Government's response to the small business access to finance call for evidence](#) identifies the growth of permanent non-borrowers as a significant policy concern, noting that experiences of rejection, diminished confidence and eroded trust in financial institutions are key drivers of long-term disengagement from external finance.¹² FXE's analysis confirms this pattern: a negative rejection experience frequently leads business owners to conclude that borrowing is not available to them, even when their business subsequently becomes creditworthy. Pre-2020, approximately 18% of BRS referrals were companies under four months old; that figure has since risen to nearly 40% driven by new business registrations and a widespread lack of understanding among founders about what lenders require.¹³

Without intervention, this pattern becomes self-reinforcing, and the population of permanent non-borrowers will continue to grow. Tracking whether interventions are working, and encouraging lenders to demonstrate that they are, is the direct rationale for [Recommendation 5](#).

Quantitative modelling and supporting research are set out in the Appendices.

Why the market will not self-correct

The persistence of high decline rates is not explained by a lack of competition in the lending market. The market for SME finance has diversified considerably over the past decade, with significant price competition across key lending products. Yet refusal rates have remained elevated throughout, with businesses declined multiple times because they lack a fundable profile rather than because suitable lenders cannot be found. By introducing outcome-based accountability, as set out in [Recommendation 5](#), finance providers will have a clear incentive to invest in improvements that benefit businesses.

The record of previous approaches supports this conclusion. Government-led communication initiatives, including requirements for banks to place links to referral platforms on their websites, has not succeeded in driving meaningful engagement. According to FXE's response to the Government's BRS Consultation (December 2025), only 264 businesses used these links to self-refer to FXE's platform in a recent twelve-month period. The same evidence shows that some major banks meet all existing requirements in full while making negligible referrals in practice, demonstrating that process compliance and effective SME support are not the same thing.

The evidence points to a specific form of intervention: encouraging lenders to report publicly on the outcomes they generate for SMEs, with accountability for results rather than prescription of method. That accountability creates an environment through which incentives to act are formed, subject to public review by Parliament, the Treasury Select Committee and others. This is the rationale for Recommendations [1](#) and [5](#).

Quantifying the opportunity

The evidence described above points to a specific and sizeable opportunity. FXE modelled the potential lending uplift from Financial Health Tools across two populations: businesses declined following a bank application, and businesses that require funding but have not yet applied.

Analysis of roughly 24,000 BRS-referred businesses confirms that most declines stem from identifiable, addressable issues. Across the referred population, around 9% of businesses have no identified credit profile issues and are immediately approvable. A further 17% have issues resolvable in the short term, and 47% over a longer period. In aggregate, around 65% of declined businesses have actionable improvement potential.

Combined modelled uplift

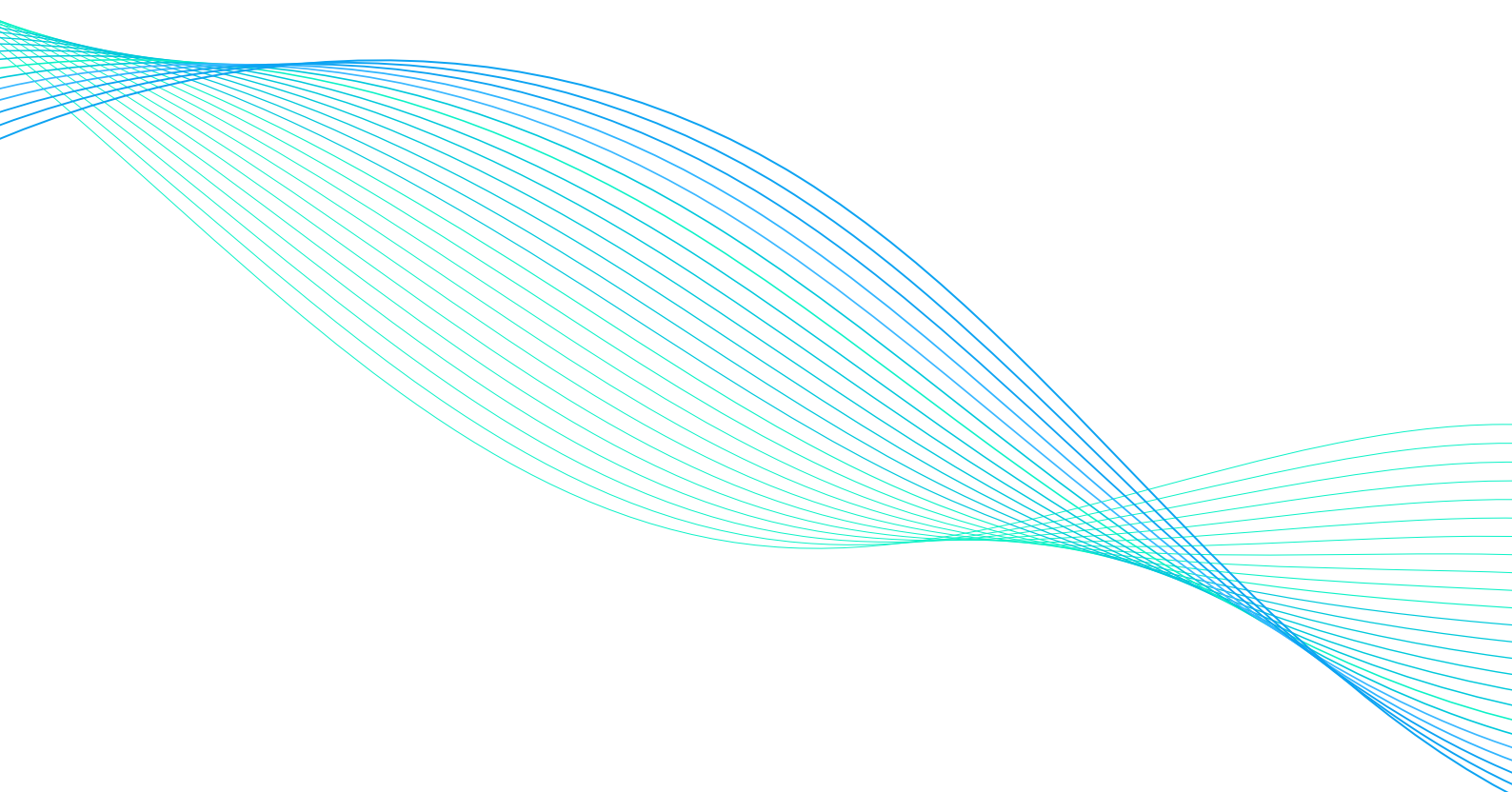
Population	Immediate uplift	Fixable uplift	Total
Fixing declined SME profiles	£169m	£1.25bn	£1.42bn
Engaging unengaged/discouraged SMEs	£2.12bn	£1.25bn	£3.37bn
Combined total			~£5bn

Source: FXE modelling. Population size from Responsible Finance written evidence, September 2023. Fixable proportions from FXE proprietary dataset (24,319 applications, January 2019 to September 2025). Rounded to approximately £5 billion for the purposes of this report.

The £5bn figure is an evidence-based projection derived from FXE's historical dataset under conservative assumptions. Actual outcomes will depend on the scale and form of deployment.

The pathway from tool deployment to lending increase is direct and supported by prototype evidence. When businesses receive clear, personalised financial health information through the Funding Health Checker, confidence in applying for finance rose from 53% to 77%, and 98% of participants stated they would take the recommended steps. As businesses come to understand what is limiting their eligibility and address it, their credit profiles strengthen. As stronger profiles translate into higher approval rates across the roughly 65,000 businesses declined each year, and a larger population of around 130,000 discouraged businesses re-enters the credit market, the aggregate uplift reaches the scale modelled above.

Financial Health Tools are how that pathway is activated. The outcome is conditional on deploying them at scale and making them available within lending journeys of banks and lenders across the UK.



Chapter 2

The Strategic Solution

The previous chapter established that the SME lending gap is, in significant part, a readiness problem, and one that is fixable. The Coalition began with a working hypothesis: that if SMEs could see clearly how lenders assess them, understand specifically what is limiting their eligibility, and receive practical guidance on how to address it, a meaningful proportion of declined businesses could become creditworthy within a measurable timeframe. That is what this programme set out to test, and the evidence gathered supports it.

This section presents two complementary Financial Health Tools that CFIT's Coalition has brought together, stress-tested, and made the case for: designed to give businesses the visibility and guidance they need to strengthen their profiles, and to give lenders the confidence to serve a broader population of fundable applicants. The evidence gathered through testing informs the recommendations set out in the final chapter.

CFIT's Coalition approach

CFIT's approach to developing the Financial Health Tools has been grounded in industry collaboration and evidence-based iteration. The SME Coalition brought together UK retail banks, credit card providers, alternative lenders, fintechs, data specialists, business advisory groups and public sector bodies to examine the lending gap from multiple angles and build solutions aligned to how businesses seek finance.

Our work proceeded through structured sprint phases. FXE contributed quantitative modelling of remediable credit profile issues, drawing on a proprietary dataset of BRS-referred applications to establish the scale of opportunity. Coalition partners including Lloyds Banking Group (LBG) and HSBC UK validated lender appetite and provided feedback on usability and actionable recommendations.

In addition, Mastercard provided analysis of payment transaction and other complementary data sources to evidence the role of alternative consented business information, such as cashflow volatility and payment performance in understanding SME financial positioning. The findings show that combining these inputs generates distinct insights into business performance and structure, enabling segmentation of SMEs into clear operating profiles and more actionable indicators of resilience and growth potential.

In parallel, qualitative research with small businesses and advisers tested two examples of Financial Health Tools: Funding Health Checker and Small Business Coach (see below).

A fixable problem

FXE's analysis of approximately 24,000 BRS-referred businesses confirms that most businesses declined for credit are not fundamentally unviable. The addressable population can be segmented by severity of constraint and estimated timeframe for remediation, with approximately 65% of declined businesses having actionable improvement potential. The full analysis in [Appendix A](#) quantifies both the scale of the fixable segment and the lending value it represents.

A proven solution

Together, the results from these tools form the evidentiary foundation for [Recommendation 1](#): that banks and lenders should provide access to Financial Health Tools within their lending journeys as standard practice. Testing showed consistently that clear, personalised financial health information changes how businesses act, improving confidence, increasing willingness to engage and reducing the likelihood of repeat decline cycles. That shift in behaviour is the mechanism through which the £5 billion opportunity modelled and evidenced in [Chapter 1](#) becomes reachable.

The findings indicate that the tool helps SMEs¹⁴ build a clearer view of their finances, take practical action, and engage with the lending process earlier and with greater clarity (for the full set of findings see [Appendix A](#) and [B](#)).

The tools have been tested in realistic conditions. The Funding Health Checker was assessed by LBG and HSBC UK's research teams in partnership with FXE and CFIT, producing findings on user comprehension, engagement, trust, usability and likelihood to take action. The Small Business Coach prototype has been reviewed by businesses and independent financial advisors using concept testing, generating feedback that has informed the tool's design and scope, and confirmed appetite for AI tools and personalised guidance.

The Financial Health Tools consist of two complementary components, each designed for a distinct stage of the SME lending workflow. Together, they provide a pathway from early financial education and readiness building to credit assessment and post-decline guidance.

Funding Health Checker

The Funding Health Checker is a mature, operationally ready prototype built on FXE's digital lending. This platform infrastructure is used by over 80 banks and lenders as part of the BRS, and informs financial health before application or following a decline. It gives businesses a tailored, lender-aligned view of their financial position using the FXE Finance-Readiness Model, which compares a business's credit profile with those of approved borrowers and identifies the gaps that matter to underwriters. The Model's methodology is set out in [Appendix A](#).

A distinctive feature of the Funding Health Checker is its ability to align a business's financial profile against the credit risk policies of participating lenders, delivering insights calibrated to its circumstances and real lending criteria. Financial data is presented in a business-friendly format, with constraints shown alongside prioritised improvements. Short-term actions address factors such as cashflow behaviour and current account management; longer-term measures cover areas such as credit score improvement, compliance filings and building trading history.

Impact of the Funding Health Checker



Usefulness

94%

Found the Funding Health Checker useful and informative

83%

Of businesses declined for credit in the last 2 years found it very useful



Willingness to Act

98%

Would take action recommended by the Funding Health Checker to address their business's financial health



Confidence

Business confidence rose from

53% to 77%

after using the Funding Health Checker



Likelihood to recommend

83%

of businesses said they would recommend the Funding Health Checker to other businesses

Feedback consistently highlighted the tool's usefulness in clarifying a business's credit position and identifying practical steps to improve it (for the full set of findings see [Appendix A](#)).

By engaging businesses at key moments, such as at application or post-decline, the Funding Health Checker prompts them to take action on their finances. Its non-judgemental, practical approach, combined with clear insight into steps needed to strengthen their credit profile, reduces avoidable and repeat decline cycles.

Small Business Coach

The Small Business Coach is a nascent prototype, created using a set of wireframes and functional data components, including AI-driven coaching. It seeks to support businesses before a credit need has materialised, when there is still time to build financial readiness in a structured way. Developed by a subgroup of the Coalition including Menna.AI, Life Moments, Differential AI, GFA Exchange and Capitalise, the tool consolidates available commercial data and consented data sources, such as Open Banking, into a single view. Accessible via a bank, marketplace or adviser, the Coach collects basic information about the business, the owner's ability to engage, and their immediate priorities, then provides guidance calibrated to the business's life stage to support financial management and improve resilience.

Four core functional components can be configured to meet individual business requirements: money management, access to finance, business growth, and resilience. Components expand as the business grows. Within each area, the tool provides practical guidance to improve financial resilience, including personal and business credit score awareness, lending readiness and affordability measures, cashflow monitoring and business performance benchmarking.

The resilience-focused component is particularly notable. It helps businesses identify and address longer-term vulnerabilities alongside near-term finance readiness. Specific functionality within this component includes business resilience and supplier risk assessment, compliance management, information security awareness, and advice on how to work with larger customers. A personalised checklist of prioritised actions supports improvements in financial health and resilience, whilst text and dynamic PDF guides provide additional information to support business growth.

Impact of the Small Business Coach



Usefulness and usability

100%

Participants found the dashboard easy to understand, with the majority scoring the likelihood to use at 8 or above



Willingness to Act

82%

of SMEs said they would act on the recommendations provided



Pre-application value

Strongest use case identified is helping SMEs assess readiness before applying for credit, understand eligibility and improve outcomes



Advisor endorsement

5/6

Advisors said they would use or recommend the tool, highlighting its role in improving readiness and structuring client action plans

The findings indicate that the tool helps businesses build a clearer view of their finances, take practical action, and engage with the lending process earlier and with greater clarity (for the full set of findings see [Appendix B](#)).

Why now

Three factors make the current moment well suited to deploying Financial Health Tools at scale.

First, the UK has built the data infrastructure that makes these tools possible. CFIT's inaugural [Open Finance Coalition](#), which published its Blueprint in 2024, demonstrated how wider data access could increase SME finance and improve financial inclusion, and mapped the transformative potential of a smart data economy in which businesses can use services powered by their own data, held by financial institutions and the public sector. Open Finance, building on Open Banking's API architecture for secure, consented data exchange, was flagged as the next phase of financial innovation. [Commercial Credit Data Sharing \(CCDS\)](#) has since brought business credit data into that infrastructure, and the [Data \(Use and Access\) Act 2025](#) has established the legislative foundation for Smart Data schemes across the economy. The logical next step, as Coalition analysis makes clear, is incorporating HMRC tax data (including Corporation Tax, VAT and payroll records) into credit assessments through consent-based frameworks. The analytical case for prioritising HMRC data as the next dataset to open is set out below. [Recommendation 3](#) sets out how.

Second, the policy moment is aligned. The [Department for Business and Trade's Plan for SME Growth](#) and the [SME Digital Adoption Taskforce](#) have each placed financial readiness and data-driven credit tools among their strategic priorities. HM Treasury's active consultations on BRS and CCDS reform, which followed the CFIT-led SME Finance Taskforce's recommendation to reform both schemes, offer a direct pathway for the Blueprint's proposals to be acted on. For ministers, the prize is significant: a market-led intervention requiring only enabling conditions, one that could unlock £5 billion in additional lending to small businesses annually, with the consequent growth, employment and tax revenue benefits.

Third, industry appetite is real. LBG and HSBC UK's prototype testing, alongside engagement from Mastercard, Allica Bank, Novuna Business Finance, and the British Business Bank (BBB), demonstrated genuine institutional interest in solutions that improve application quality and reduce avoidable declines. The breadth of the Coalition, spanning major retail banks, credit card providers, alternative lenders, fintech providers and data analytics specialists, reflects an industry lining up behind a market-led, commercially sustainable model. [Recommendation 2](#) is built on that base.

The data gap that HMRC records address

The case for prioritising HMRC data rests on a specific and well-evidenced shortfall in what existing data sources can support. Open Banking provides valuable cashflow insights for micro-businesses, but its analytical value declines as businesses grow in size and complexity. For larger SMEs, transaction data alone cannot support a sufficiently complete credit assessment. These businesses require analysis that captures accruals and pre-payments, reflecting how their finances actually operate rather than simply how cash moves through their accounts. A significant portion of the SME population is therefore poorly served by the tools currently available to lenders.

Accounting software data, sometimes proposed as an alternative, does not reliably fill that shortfall. ERP and accounting platforms are frequently used by SMEs as sales and purchase ledger tools rather than as sources of full management accounts incorporating accruals-based reporting. The data they produce can also be susceptible to manipulation, which limits its value as a basis for credit assessment.

HMRC tax data addresses this with a quality that no other source matches: it is third-party assured and independently verified. PAYE records allow lenders to validate headcount claims, providing a reliable check on whether a business has the economic footprint it presents. VAT records enable revenue figures to be cross-referenced against reported tax obligations, giving lenders an independent means of corroborating trading activity and the payment of obligation. Together, these sources strengthen credit assessment as a validation layer, extending greater confidence in lending decisions beyond the micro-business segment into the broader SME population where productive lending has the most room to grow.

The Coalition's own evidence reinforces this. In a structured prioritisation exercise assessing more than 30 datasets on value, effort to open, and trustworthiness, HMRC VAT data ranked highest of all sources considered, scoring 8.7. HMRC Corporation Tax data came second at 8.5. Both scored ahead of Open Banking transaction data under its current specification. CFIT's Open Finance Coalition built a prototype SME lending solution with HSBC UK that incorporated VAT returns from HMRC alongside Open Banking and Companies House data. A parallel analysis conducted by iwoca as part of the same Coalition found that streamlined access to HMRC VAT data could reduce application times by more than half and increase the number of credit offers made by 20% to 40%.

Among sources at this stage of market development, none combines the reach, reliability and verifiability of HMRC records.

A scalable intervention

Both Financial Health Tools are designed for practical integration within the digital and advisory channels that businesses and lenders already use, addressing parts of the path to finance that incumbent mechanisms leave largely unsupported.

The effectiveness of these tools depends on the quality and completeness of the underlying data. For incorporated businesses, Companies House records and credit reference data provide a workable foundation. For the UK's substantial population of unincorporated businesses and sole traders, no equivalent exists. These businesses are effectively invisible to the systems lenders use to assess creditworthiness, which means the tools cannot serve them as well as they could. Strengthening verified business identity records and creating a mandatory register for sole traders and unincorporated enterprises would bring financial health assessments to a population currently underserved by lenders and the wider data ecosystem alike. [Recommendation 4](#) addresses this directly.

For businesses within scope of existing data infrastructure, the pathways for deploying Financial Health Tools at scale are already well established, drawing on Companies House, credit data, cashflow data and CCDS, augmented by consented Smart Data access and digital identity verification.

The most immediate option is to provide access to Financial Health Tools within lending application journeys. This allows KYB checks to surface financial information in tools such as the Funding Health Checker and incorporate it within the lending application, providing readiness insights at the point of engagement. This approach was explored in the LBG and HSBC UK prototype testing, which assessed the role of the Funding Health Checker in improving the lending readiness of a business.

The Small Business Coach is well suited to delivery through advisory channels such as the BBB, as well as independent financial advisers and/or business banking relationship managers, who can use it proactively to support SME clients in managing their financial resilience over time. This advisory channel enables the tool to reach businesses earlier, before a credit need has crystallised, building financial awareness when guidance can meaningfully shape outcomes.

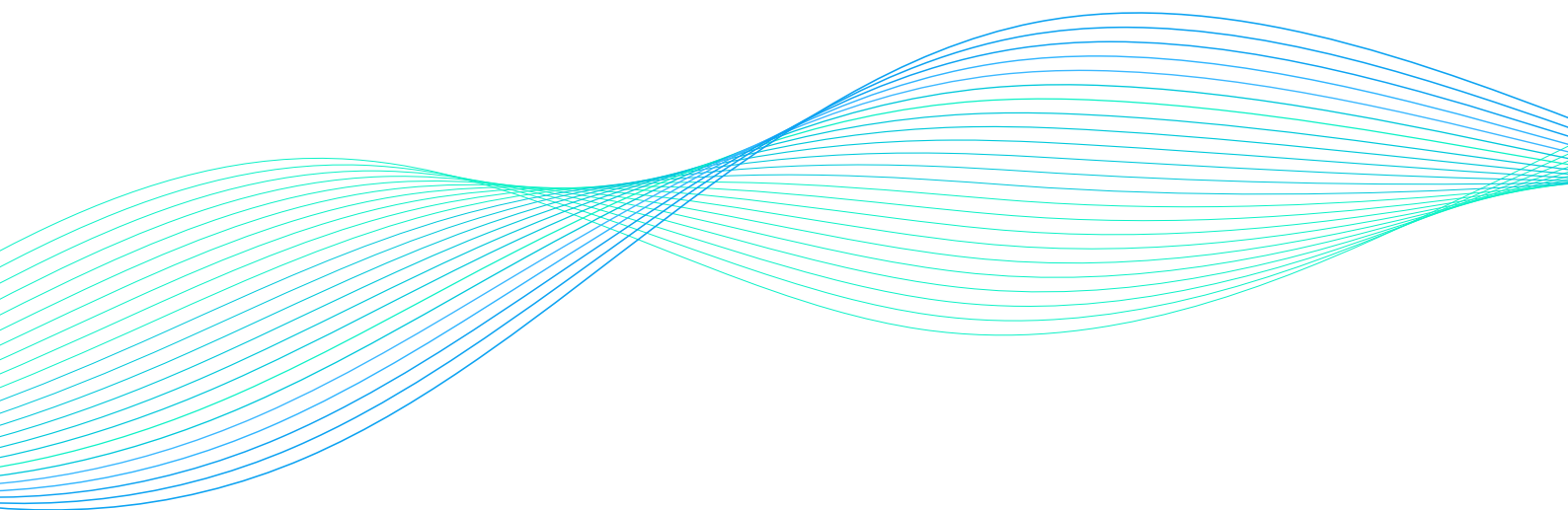
Compatibility with existing credit data infrastructures, including CCDS, personal and business credit scores, Open Banking and Companies House data, reduces the technical barriers to adoption for lenders and third-party providers.

A further opportunity is to integrate the Financial Health Tools within Government business services, including key Government-backed business support channels. The [Business Growth Service](#) has the potential to serve as a front door for these tools, offering financial health services as part of everyday engagement with Government business support. This model would help businesses understand their financial position and act on readiness before approaching lenders, reducing failed applications and clarifying required actions.

Technical and design detail for both tools, including interaction flows, data architecture and guidance boundaries, is provided in the Appendices.

From evidence to action

Testing has demonstrated that when businesses receive clear, personalised financial health information, confidence rises, willingness to act increases, and the likelihood of repeat decline cycles falls. That shift is the mechanism through which the £5 billion lending opportunity identified in the opening chapter becomes reachable. Getting there at scale requires five specific conditions to be met: lenders providing access to Financial Health Tools within their lending journeys; Government embedding them within business support services; HMRC tax data made available through consent-based Smart Data frameworks to enrich credit assessments; business identity data strengthened so that sole traders and unincorporated businesses are no longer invisible to lenders; and outcome-based reporting introduced so that the impact of these interventions can be tracked, demonstrated and improved over time. The five recommendations that follow set out how.



Chapter 3

Recommendations

1. Improve the Support from Banks and Lenders for Finance-Readiness Through Financial Health Tools (Chapter 2: prototype testing)

Banks and lenders can play an important role in supporting business finance-readiness by facilitating access to appropriate Financial Health Tools and guidance in a commercially sustainable way. The market failure analysis in [Chapter 1](#) sets out why this requires a degree of accountability beyond voluntary participation, and why outcome-based reporting is the appropriate instrument. This support should be available at key points in the finance journey, based on the needs and preferences of the business. This may include:

- Before applying for finance,
- During the application process, and
- After a decline.

This can be done by providing access to Financial Health Tools within existing lending journeys. Cost effective and efficient solutions from third-party providers enable banks to source solutions or build solutions in-house.

The core data infrastructure already exists, including APIs for CCDS, Companies House, credit and payments data. Financial Health Tools can therefore be deployed using established rails and existing market solutions, with further enhancement through Smart Data sources such as HMRC where appropriate. Delivery should be commercially sustainable and market-led.

The most valuable support for businesses is personalised, actionable feedback that explains:

- Whether they are likely to be approved for finance,
- Which specific issues are limiting eligibility, and
- What concrete steps they can take to improve their position.

As part of reform to the Bank Referral Scheme (BRS), banks should be able to provide access to tools that provide personalised insights whether a business is finance-ready and how any possible issues can be addressed.

This information should help businesses decide whether to:

- Apply again,
- Return to their bank after resolving issues, or
- Consider alternative finance.

2. Embed Financial Health Support Across Government Business Services (Chapter 2: Why now)

Access to Financial Health Tools should be available through key Government services, including:

- The Business Growth Service, and
- Finance tools delivered via the British Business Bank.

These services should not only help businesses identify finance options but also ensure they are ready to access finance successfully before applying. This reduces failed applications, repeat declines and disengagement.

3. Expand Open Data to Improve Financial Health Insights (Chapter 2: Why now)

To deliver accurate and meaningful financial health insights across the full SME population, and for the reasons set out in the data infrastructure analysis in [Chapter 2](#), we recommend Government accelerates the release of key HMRC tax data through consent-based Smart Data frameworks to third-party providers of SME Financial Health Tools. These data should include:

- Corporation Tax,
- VAT, and
- Payroll data.

Access to HMRC data would improve validation of business performance and strengthen finance-readiness assessments. It would also support the growth of fintech and third-party providers of SME financial data.

Any expansion of data access should operate within a clear framework of transparency and control. Access to HMRC tax data should be treated as Smart Data and enabled through explicit SME consent. This means plain-English explanations of what data is used, why, and how it affects outcomes, alongside strong consent controls that give SMEs meaningful oversight of their data sharing.

4. Strengthen Business Identity and Data Foundations (Chapter 2: What differentiates this intervention)

We recommend Government builds on the UK's strong business data infrastructure by:

- Creating a mandatory register for unincorporated businesses, which are largely invisible to lenders, and sole traders, to validate trading activity, and
- Support the use of Company and Director ID verification for incorporated entities to map related companies, directors and investors and their associated financial data.

Improving verified business identity data would enhance the quality of financial health assessments, enabling lenders to provide more accurate personalised guidance and, in turn, support better informed lending decisions. This would further extend the UK's global leadership in business data.

Enhanced use of business identity data should be supported by proportionate, standards-based consent mechanisms where legally required, aligned with emerging Smart Data principles.

5. Introduce Outcome-Based Accountability for the Bank Referral Scheme (Chapter 1: Market inertia; Chapter 2: How to access Financial Health Tools)

We recommend that Government encourages lenders to publish clear data on the impact of their communication efforts with businesses.

Currently, the Bank Referral Scheme (BRS) only captures the number of applications declined or referred. It does not track whether businesses ultimately secured finance or if the support provided made a difference. Outcome-based reporting would close this gap, helping lenders to support businesses earlier in the journey and giving Government the evidence needed to assess what is working and adjust policy over time.

We suggest that outcome-based monitoring of the Scheme could include the public reporting of:

- Number of businesses that have been supported with access to Finance Health Tools prior to a finance application, as part of a finance application and following a decline,
- Levels of businesses' engagement with Financial Health Tools while exploring or applying for finance and post-decline¹⁵,
- Whether businesses that engaged with Financial Health Tools subsequently secured finance, providing direct evidence of the impact of early support, and
- Outcome data made available for review by Parliament, the Treasury Select Committee and the public.

The specific reporting metrics required to demonstrate improved outcomes will need further development by Government in consultation with lenders, to ensure measures are proportionate, avoid undue administrative burden, and do not create inappropriate incentives or produce unfair comparisons across lenders with different risk appetites and customer segments.

Chapter 4

Conclusion and Next Steps

What the Coalition has established

This Blueprint set out to answer a specific question: whether the persistent gap in SME access to finance reflects a shortage of capital, or something more addressable. The evidence from FXE's analysis of BRS-referred businesses and from prototype testing with LBG and HSBC UK gives a consistent answer. Many of the businesses declined for credit are not fundamentally unviable. They lack visibility of how lenders assess them, clarity on what is holding them back, and the practical guidance needed to address it. The solution is grounded in the UK's Open Finance and Smart Data infrastructure, with digital, AI-driven tools translating that capability into personalised, actionable guidance for small businesses.

Who needs to act, and how

Realising the £5 billion opportunity identified here requires coordinated movement from three groups. Lenders are the most immediate lever. Every SME interviewed by CFIT in its research spoke of how they would expect their bank to provide the sort of guidance and support demonstrated in the Financial Health Tools tested by the Coalition. Lenders are the principal gateway for education and advice and are essential to delivering better lending outcomes.

Providing access to Financial Health Tools within lending journeys, at the point of application and following a decline, is technically feasible using existing systems and directly aligned with their interest in improving application quality. Government has the means to amplify the impact of these tools by accelerating consent-based access to HMRC tax data, embedding financial health support within business services, strengthening identity data coverage for unincorporated businesses, and introducing outcome-based accountability for the BRS. Together, those actions create the environment in which market-led solutions can operate at scale. The fintech and data ecosystem, which this programme has drawn on throughout, provides the innovation capacity to deliver that reach, provided the regulatory and data conditions are in place to support it.

Next steps

CFIT's role in this programme has been specific and time-bound: to identify the market failure, convene the institutions needed to address it, test practical Financial Health Tools, and define the implementation agenda. The programme brought together the institutions, the expertise and the data needed to show what is possible and build the argument for acting on it.

The next steps now sit elsewhere. Lenders need to provide access to these tools within SME finance journeys before application, during application and after decline. Government can provide guidance and support on how it would like to see these tools implemented and monitor their impact to provide evidence of better lending experiences for businesses.

Government also has the opportunity to embed financial health support in public business channels, strengthen business identity infrastructure, and reform the Bank Referral Scheme around measurable outcomes.

CFIT's success is that this is now a practical delivery agenda, not simply a statement of intent. The UK has invested significantly in the infrastructure that underpins these tools. This programme has shown they work. What remains is putting in place the conditions to deploy them.

Glossary of Terms and Definitions

Term	Meaning
Commercial Credit Data Sharing (CCDS)	<p>A UK regulatory initiative requiring designated banks to share credit information on SME customers with credit reference agencies, enabling other lenders to access that information when assessing SME loan applications. CCDS aims to improve transparency, competition and access to finance in SME lending markets.</p> <p>Source: HM Treasury – Commercial Credit Data Sharing consultation and call for evidence.</p>
Companies House	<p>The UK's registrar of companies responsible for incorporating and dissolving limited companies, maintaining the public register of company information and improving corporate transparency through identity verification and data reforms.</p> <p>Source: GOV.UK – Companies House</p>
Funding Health Checker	<p>A digital diagnostic tool designed by FXE Technologies to assess an SME's readiness for finance at the point of application. It analyses consented financial data to identify issues affecting lending eligibility and provides guidance on actions businesses can take to improve their financial profile before reapplying.</p>
Bank Referral Scheme (BRS)	<p>The Bank Referral Scheme requires designated UK banks to offer SMEs declined for finance the option to be referred to approved online finance platforms that connect businesses with alternative lenders. Introduced under the Small and Medium Sized Business (Finance Platforms) Regulations 2015, the scheme launched in 2016 to improve SME access to finance and competition in SME lending markets.</p> <p>Source: HM Treasury – Bank Referral Scheme consultation and call for evidence</p>
Open Banking	<p>A UK regulatory framework enabling customers and businesses to securely share financial account data with authorised third-party providers through APIs. For SMEs, Open Banking data can support improved cashflow analysis, affordability assessment and financial diagnostics.</p> <p>Source: Open Banking Limited</p>

Open Finance

An extension of Open Banking enabling the secure, consent-based sharing of a wider range of financial data beyond payment accounts, including savings, investments, insurance and pensions. The UK Financial Conduct Authority has explored implementation approaches through initiatives such as the Open Finance Sprint 2025, which examined data-sharing models, consent frameworks and commercial sustainability.

Source: [Financial Conduct Authority – Open Finance Sprint Outcomes Report \(July 2025\)](#)

Small Business Access to Finance – Call for Evidence

A UK Government call for evidence examining barriers faced by small businesses when seeking external finance, including the effectiveness of existing policies such as the Bank Referral Scheme and potential reforms to improve SME lending outcomes.

Source: [GOV.UK – Small business access to finance: call for evidence \(updated December 2025\)](#)

Small Business Coach

A personalised financial guidance prototype tool, developed by CFIT and Coalition partners, designed to help small businesses understand and manage their financial data before applying for finance. Using consented datasets such as Companies House, Open Banking and credit data, the tool provides insights on cashflow, financial resilience and readiness for lending.

Smart Data

A UK Government initiative enabling consumers and businesses to securely share their data with authorised third-party providers through consent-based APIs. Smart Data extends the principles of Open Banking to other sectors, enabling new digital services and improved competition.

Source: [UK Government – Smart Data Working Group Report](#)

Appendix A

Funding Health Checker (FXE)

A.1 FXE Quantitative Analysis

A.1.1 Methodology

Dataset

FXE's analysis draws on a proprietary dataset of over 24,000 (24,319) applications submitted to the Bank Referral Scheme (BRS) between January 2019 and September 2025.

It captures the application journey for each referred business, including detailed business and the director credit profiles, outcomes following referral to alternative lenders, and, in some cases, subsequent business trajectory.

Finance-Readiness Model

The Finance-Readiness Model was developed by analysing SMEs declined by banks and comparing businesses subsequently funded by alternative lenders against applications that remained unfundable. The comparison enabled FXE to identify the key attributes on which approved and unsuccessful businesses differ, without requiring access to confidential bank scoring models.

The model identifies how an SME's profile differs from businesses typically approved for finance and highlights the characteristics the owner can influence, presenting these in a practical, accessible format while respecting the confidentiality of lender decisioning criteria.

The Funding Health Checker has undergone market testing by NatWest and Barclays and has been reviewed as part of this Coalition by Lloyds Banking Group and HSBC UK, demonstrating applicability across multiple banking environments.

A.1.2 Breakdown of fixable credit file issues

Across the full referred population, most declines fall into four main categories, each addressable through changes the business owner can make. The table below summarises each category, its share of declines, and the principal drivers.

Decline category	Share of declines	Principal drivers
Liquidity and recent performance	46%	Low current account balances; heavy overdraft use; use of personal accounts; bounced payments
Credit quality	27%	Commercial and director credit scores; personal credit influence on business lending; director profile
Compliance and trading history	13%	Late or missing filings; short trading history; absence of filed accounts
Behavioural risk	7.4%	Defaults, arrears and County Court Judgments

Source: FXE analysis of 24,319 BRS-referred applications, January 2019 to September 2025.

Three features of this breakdown are particularly significant for policy. Liquidity and recent performance, accounting for nearly half of all declines, largely relates to cashflow behaviour and current account management, which is visible to business owners and can often be improved with guidance. Credit quality declines frequently reflect limited awareness of how personal credit profiles influence business lending decisions. Timeliness is also critical, with many early-stage businesses reaching eligibility after filing a second set of accounts but not being told this. Behavioural risk cases, while less immediately remediable, may still improve with targeted guidance.

Fixable population

Across the full BRS-referred population, FXE's analysis identifies the following breakdown by remediation potential.

Businesses with no identified issues (immediately approvable)	~9%
Fixable in the short term	17%
Fixable in the medium term	47%
Total with fixable improvement potential	~65% of declined population

Source: FXE proprietary dataset and analysis, 24,319 applications via the BRS scheme since January 2019.

The ageing analysis confirms that many early-stage businesses referred through the BRS reach a fundable position within a relatively short timeframe, with approximately one in three becoming eligible after filing their second set of accounts.

The analysis also highlights a structural shift in the BRS population, with a marked increase in very early-stage applicants after 2020 (see Market Inertia in [Chapter 1](#)).

A.1.3 Lending uplift modelling

FXE and CFIT modelled the potential lending uplift from the Funding Health Checker across two populations: businesses declined following a bank application, and those that require funding but have not yet applied.

The combined modelled uplift across both populations is approximately £5 billion in new lending per annum, enabling an estimated 160,000 additional businesses to secure finance each year.

Population 1: fixing business profiles after decline

The modelling takes as its starting population the approximately 65,000 businesses declined for bank lending each year (from around 130,000 annual applicants, of whom roughly half are declined), based on [Responsible Finance](#) written evidence submitted to parliament in September 2023. Average loan size is estimated at £30,000, derived from the [Department for Business & Trade's Longitudinal Small Business Survey](#), representing collective funding request of around £1.95 billion.

Of this declined population, around 9% have no identified issues and are immediately approvable. Applying this share, and the 17% and 47% short- and medium-term fixable proportions, the modelling estimates an incremental immediate lending uplift of around £169 million and a further resolvable uplift of close to £1.25 billion, for a combined total from this population of approximately £1.42 billion per annum.

Population 2: unengaged and discouraged businesses

The second population comprises businesses that require funding but have not applied, estimated (in the same Responsible Finance source) at around 130,000 annually. This includes discouraged borrowers, firms unaware of their eligibility, and those who assume finance is not available to businesses like theirs. Applying the same average request amount, we know this population represents approximately £3.9 billion in potential funding.

However, not all of them would be eligible for funding, so by applying the same proportions as previously we can derive the incremental uplift for this population. 50% of these businesses would go on to be approved for funding if they were to apply, representing £1.95 billion in incremental immediate uplift. Additionally, for the other half of the population, 9% would be represented by businesses with no issues identified and as such would also be immediately fundable, adding another £176 million to the incremental immediate uplift for a total of £2.12 billion. Finally, applying the same share of 17% short-term and 47% medium-term fixable to the non-approved population results in a further £1.25 billion in incremental uplift for the businesses with resolvable issues. The total opportunity for the unengaged population is therefore £3.37 billion.

Within this unengaged population, women-led businesses represent a notable opportunity. Only 14% accessed secured debt in 2024, compared with 61% of their male-led counterparts, according to the [Investing in Women Annual Report 2025](#). Providing personalised finance readiness support addresses a key structural barrier to this group securing external finance.

Combined modelled uplift

Population	Immediate uplift	Fixable uplift	Total
Fixing declined SME profiles	£169m	£1.25bn	£1.42bn
Engaging unengaged/discouraged SMEs	£2.12bn	£1.25bn	£3.37bn
Combined total			~£5bn

Source: FXE and CFIT modelling. Population size from Responsible Finance written evidence, September 2023. Fixable proportions from FXE proprietary dataset (24,319 applications, January 2019 to September 2025). Rounded to approximately £5 billion for the purposes of this report.

The modelling produces a rounded combined uplift of approximately £5 billion per annum across both populations. It is derived from FXE's historical dataset under conservative assumptions and should be read as an evidenced-based projection rather than a forecast. Actual outcomes will depend on the scale and form of deployment.

A.2 Lloyds Banking Group and HSBC UK Prototype Testing

This section summarises qualitative testing of the Funding Health Checker prototype conducted with SMEs by Lloyds Banking Group and HSBC UK. The testing complements the quantitative analysis in Section A.1 by assessing usability, behavioural response and potential adoption.

A.2.1 Research scope

Testing was conducted with 25 SMEs across a mix of sectors and sizes (primarily 1–50 employees), including both businesses recently declined for credit and those considering applying within the next 12 months. The sample included a deliberate skew towards underserved groups, with approximately 69% of participants female-led businesses. Participants engaged with the prototype through a combination of guided and self-directed use.

A.2.2 Impact on confidence and readiness

Testing indicates an increase in SME confidence following use of the tool.

- Likelihood to use the tool: 72%
- Average confidence score increased from 5.4 to 7.8 out of 10
- 75% would apply for finance through the tool

Users reported improved understanding of lending criteria and what actions could improve eligibility.

A.2.3 Usability, clarity and behavioural response

Testing indicates strong usability alongside a high stated intention to act.

- 89% rated the tool as helpful
- 94% found it easy to understand
- 83% would recommend the tool
- 98% likelihood to act on recommended actions

Features most frequently identified:

- Visual clarity and instant signalling of business health
- Step-by-step, actionable guidance
- Transparency on how lenders assess credit decisions
- Non-judgemental, supportive tone

Users reported that the tool improves transparency around lender decision-making and supports clearer next steps.

A.2.4 Access, trust and adoption considerations

Adoption is influenced by delivery context and trust.

- Preferred access via bank platforms (apps, homepages and product pages), with prominent but non-intrusive placement
- Secondary preference for neutral or Government-backed channels
- Additional channels include social media, email and third-party platforms

Two-thirds of users were likely or very likely to choose a bank offering such a tool. A minority expressed concerns regarding data usage and transparency of underlying inputs.

Appendix B

Small Business Coach Testing

This section summarises qualitative testing of the Small Business Coach prototype conducted with SMEs and advisors. The testing complements the analysis in [Appendix A](#) by assessing usability, behavioural response and potential adoption.

B.1 Research scope

Testing was conducted by Opinium through three SME focus groups (5–6 participants each) and six individual interviews with advisors supporting SMEs.

Participants represented a mix of sectors, sizes and backgrounds, with a bias towards female-led and ethnically diverse businesses. All SMEs had recent experience of the credit journey, either having applied within the past 12 months or intending to apply within the next 12 months.

Sessions included a walkthrough of the dashboard followed by structured discussion on usefulness, usability, trust and willingness to engage.

B.2 SME experience of the credit process

SMEs described the credit application process as unclear, fragmented and confidence-eroding. Key challenges included:

- Limited visibility of lender criteria and required evidence
- Fragmented financial data and difficulty evidencing performance
- Lack of clear feedback following rejection
- Low confidence and uncertainty when applying

Participants described a repeated cycle of applying without clarity, being declined, and reapplying without clear direction on how to improve outcomes. Some SMEs reported using personal funds or assets to sustain their businesses, reflecting the severity of current financing pressures.

B.3 Usability, clarity and behavioural response

SMEs responded strongly positively to the dashboard.

- The majority were likely to use the tool (scoring 8 or above)
- 82% would act on the recommendations provided
- All participants found the dashboard easy to understand

Most valued features included:

- Lending readiness indicators
- Clear, prioritised actions and checklists
- Consolidated financial view
- Simple, accessible presentation

The dashboard was seen as improving clarity and providing actionable guidance.

B.4 Advisor perspective

Advisor feedback was consistently positive.

- Five out of six advisors would use or recommend the dashboard
- The tool is seen as complementary, not a substitute for advisory services
- Strongest value identified in supporting pre-application readiness and structured client action planning

Advisors highlighted usability for SMEs and its role in improving efficiency and clarity in client engagements.

B.5 Access, trust and adoption considerations

Adoption is driven by trust, transparency and relevance.

Trust and provider expectations

- SMEs questioned ownership, intent and data usage
- Banks and accountants seen as most credible providers, followed by credit reference agencies
- Trade bodies less clearly positioned; Government involvement mixed, with HMRC viewed negatively
- Trust increased where the tool was linked to recognised data sources such as Companies House

Key barriers to adoption

- Concerns over data use, security and potential commercial bias
- Limited perceived linkage between scores and real lending outcomes
- For larger SMEs, guidance perceived as too generic, with demand for more personalised, context-specific insights
- Need for integration with existing financial systems
- Preference for clear, static and saveable outputs over guided narration

Barriers relate primarily to trust, relevance and usability rather than core functionality.

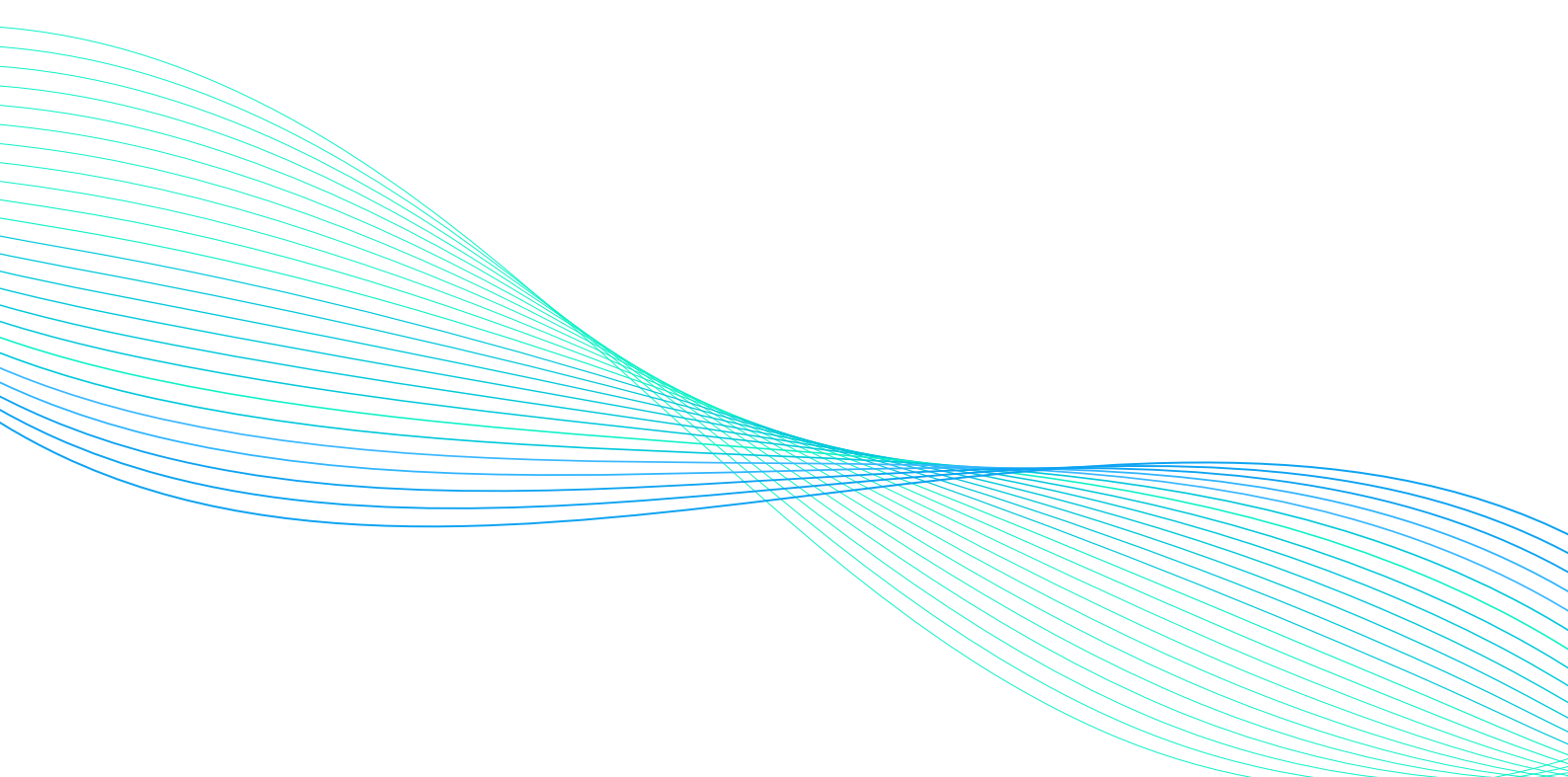
Appendix C

About CFIT

The Centre for Finance, Innovation and Technology (CFIT) convenes industry stakeholders, Government and regulators to address complex challenges affecting the UK economy. Through cross-sector Coalitions, CFIT develops practical approaches that promote trust and enable economic growth. HM Treasury, the Department for Business and Trade and the City of London Corporation are among those contributing to its work.

Secure, data-led innovation is central to CFIT's mission. These collaborative efforts have delivered tangible outputs across a range of priority areas: using Open Finance to automate consumer debt advice; creating a prototype of the UK's first Digital Company ID for business verification; and defining the roadmap for Smart Data exchange when buying a home.

CFIT's SME Coalition continues this work by addressing the structural barriers that limit access to finance for small and medium-sized enterprises. Its aim is to unlock meaningful lending opportunities and enable small businesses to scale and thrive across the UK.



Sources

1. The £5 billion figure is an evidence-based projection, not a guaranteed outcome. It is modelled across two populations, businesses declined for bank lending and unengaged or discouraged businesses that require funding but have not yet applied, using FXE's proprietary dataset of 24,319 Bank Referral Scheme applications under conservative assumptions. Actual outcomes will depend on the scale and form of deployment. Full methodology and assumptions are set out in [Appendix A](#).
2. Source: [The Bank Referral Scheme requires designated banks to offer SMEs they decline for finance a referral to government-approved online platforms. These platforms then match the SME with alternative lenders to improve access to finance and increase competition in the lending market.](#)
3. Source: [Government Review of Mandatory Bank Referrals Programme Funding Xchange sees opportunity for the bank referral scheme to turn half of business lending declines by banks from a 'no' into a 'yes'](#)
4. Source: [Supplementary information: Small and Medium-sized Enterprises definition](#)
5. Source: [Approximately 65,000 businesses declined for bank lending each year \(from around 130,000 annual applicants, of whom roughly half are declined\), alongside a further 130,000 businesses that need funding but do not apply, based on Responsible Finance written evidence submitted to parliament in September 2023.](#)
6. Source: [Call for evidence outcome: Small Business Access to Finance](#)
7. Source: FXE response to MBR Consultation
8. Source: [Call for evidence outcome: Small Business Access to Finance](#)
9. Source: [Call for evidence outcome: Small Business Access to Finance](#)
10. Source: [British Business Bank, Business Finance Survey, March 2026](#)
11. FXE Technologies is the technology division of Funding Xchange, one of three finance platforms designated by the Government to receive referrals under the Bank Referral Scheme, through which the UK's nine largest banks are required to pass details of businesses declined for finance. FXE's dataset reflects the population of businesses referred to its platform through this process.
12. Source: Published in December 2025 by DBT and HM Treasury, the [Government's response](#) drew on [96 submissions from businesses, lenders, trade bodies and business support providers. It identified three priority areas for addressing permanent non-borrowing: building trust in the financial system, improving awareness of appropriate financial options, and offering tailored advice through familiar and accessible channels.](#)
13. Source: FXE response to MBR Consultation
14. The term SME covers a wide range of businesses. The challenges described in this report are particularly prevalent among smaller businesses. Prototype testing for the Financial Health Tools was conducted with UK limited companies meeting the following criteria: 1 to 50 employees; turnover of up to £2 million; either pre-start to two years old or established businesses; a broad cross-section of industries; and either considering applying for credit within the next 12 months or having been declined for credit within the last 12 months. The sample included a deliberate bias towards female-led and ethnically diverse businesses.
15. Engagement measures may include, for example, the number of user accounts created, frequency of use of the tool, depth of interaction with the tool, and the data points and changes to data identified as requiring action.



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