

Themed review – Financial difficulties – Standards of Lending Practice for business customers

The Standards of Lending Practice reflect the LSB's mission to drive fair outcomes for customers. They set the benchmark for good lending practice in the UK, outlining the way registered firms are expected to deal with their business customers throughout the entire product life cycle. The Standards are now a FCA-recognised industry code and are a key component of the fairness pledge set out in HM Treasury's SME Finance Charter published in 2019.

The thematic review, undertaken in 2019, sought to understand how registered firms are meeting the Standards for business customers in financial difficulty.

It was clear from the review that a significant amount of work has been undertaken by registered firms since the launch of the Standards in 2017. Staff demonstrated a genuine desire to ensure that customers experiencing financial difficulty were managed with care and empathy.

Examples of good practice were identified, including the availability and ease of access to support on websites, close and continuous interactions to help guide customers through difficult periods and providing time for turnaround plans to work which would help businesses continue to trade.

However, there were some areas for improvement such as further development in the assessment of vulnerable business customers, a need to improve early intervention strategies which in turn allows for forbearance to be applied at a suitable time and when there is still a likelihood of success. These improvements would see a more consistent approach across firms, whilst increasing the likelihood of a good customer outcome.

Individual action plans have been issued to all six firms involved with the review. The LSB will track remedial action and complete a follow up review with each firm where issues were identified.

Notes to editors

- The full Financial difficulty report can be seen here: www.lendingstandardsboard.org.uk/resources/themed-review-financial-difficulties-standards-of-lending-practice-for-business-customers/
- A business customer, at the time of this review, is a SME with a turnover of up to £6.5m.
- The Standards of Lending Practice for Business Customers can be found here: www.lendingstandardsboard.org.uk/the-standards-for-business-customers/
- A full list of the LSB's registered firms can be found here: www.lendingstandardsboard.org.uk/registered-firms/
- The LSB's new mission and strategy can be found here: www.lendingstandardsboard.org.uk/resources/mission/

- SME Finance Charter published by HM Treasury in 2019:
www.gov.uk/government/publications/sme-finance-charter
- Information on the FCA-recognised industry codes can be found at:
www.fca.org.uk/about/recognised-industry-codes