

# Increasing access to finance for ethnic minority led businesses





# Contents

**04**

Foreword

**06**

Executive summary

**07**

Diversity across  
ethnic minority  
business owners

**08**

Engagement

**10**

The personal touch

**12**

Communication and  
data

**14**

Recruitment

# Foreword

**'Ethnic minority business owners from Black, Asian, and other ethnic minority groups, make a significant contribution of an estimated £25 billion to the UK economy annually. However, these entrepreneurs face barriers in accessing finance, which hinders their potential to grow.'**



**Diana Chrouch OBE**  
**Special Advisor to APPG for Ethnic**  
**Minority Business Owners**  
**Chair of National Ethnic Minority Business**  
**Policy for FSB**

---

Numerous reports have documented these barriers and their negative impact. A 'one size fits all' approach to lending has contributed to complaints about ethnic minority led businesses being underserved by the financial services industry.

This report by the Lending Standards Board presents considerations for firms as they look to address challenges relating to access and inclusion for ethnic minority led businesses. Systemic and structural changes need to be considered to address issues of access and inclusion, and traditional industry standards have so far perpetuated an exclusive lending model that fails to match the requirements of a diverse and evolving UK economy.

Through my collaboration with ethnic minority led business community leaders, I have come across several areas of concern. These include varying lending practices, challenging eligibility requirements, obstacles to accessing business banking services, and limited alternative options for applicants rejected for finance. Additionally, there have been instances of mistrust and demoralisation amongst ethnic minority business owners. This was exacerbated during the Covid-19 pandemic, when numerous business owners encountered difficulties in accessing government support.<sup>1</sup>

This report aims to drive the development of more inclusive lending standards that better serve the UK's diverse multi-ethnic business communities. The goal is to enable these communities to maximise their economic potential for the benefit of all. I am pleased to have worked with the Lending Standards Board on this important work, and it is my hope that the industry takes positive action to drive up standards and improve inclusivity.'

<sup>1</sup> BAME Business Owner's COVID 19 Response – [Voice from the Grassroots](#) - APPG for Ethnic Minority Business Owners

# 1m

of the 6 million businesses in the UK are ethnic minority led\*

\*Minority Businesses Matter

# £25

billion contributed to the UK economy by business owners from Black, Asian, and other ethnic minority groups\*\*

\*\* FSB

# 1/3

of UK unicorns are ethnic minority founded\*\*\*

\*\*\*Sifted

'Ethnic minority led businesses have a huge amount to offer both as business banking and lending customers and to the economy as a whole. However, research shows that some ethnic minority led businesses are dissuaded from accessing finance. In part, this is due to the cumulative effect that being hindered in accessing finance has had on ethnic minority led businesses and communities. When ethnic minority led businesses experience banking and lending that is not designed with them in mind, the impact of this often manifests in disengagement. A lack of access to business banking in this way holds back their potential and limits opportunities to grow and flourish.



I am proud to be releasing this report which examines how both registered and non-registered firms can help promote a fair and inclusive business lending environment. By doing so, the sector can deliver better outcomes for all business customers, regardless of background.'

**Emma Lovell, Chief Executive of the Lending Standards Board**

# Executive summary

A lack of confidence in the banking and lending sector means that some ethnic minority led businesses (EMBs) are not requesting or accessing the finance they need. There are numerous reasons for this, some of which have been reported on previously.<sup>2</sup> These include cultural differences, and experiences of discrimination or a perception of unfair treatment.<sup>3</sup> Research completed on EMBs within the UK show that there is the potential to increase their scale and number, with benefits for the businesses themselves and the wider economy.<sup>4</sup>

**Banks and lenders are a vital piece of the puzzle when it comes to increasing EMB activity. The right product at the right time can enable a business to begin or grow, and business banks and lenders have the potential to support SMEs to reach their goals.** As this relates to EMBs, there may be opportunities for further development in how firms engage with both communities and individuals. Within this piece, we will explore how this can be done and provide considerations for best practice.

To enable us to understand this important area, we engaged with a number of individuals who were experts either by experience or profession, but usually both. These contributors shared their experiences of business lending and we are grateful for their views and insight. We also spoke to one LSB registered firm<sup>5</sup>, NatWest, about the work it has done to support ethnic minority led businesses.<sup>6</sup> We would like to thank NatWest, and the team led by Julie Baker, for their time.

To deliver better outcomes for EMBs, firms should consider how they engage with diverse communities and seek to harness the potential within them. There was said to be a feeling that banks and lenders were often ignorant of the religious or cultural differences that can

affect EMBs. This in turn effects the confidence that EMBs have in firms and could impact the likelihood of them attempting to access finance. A proactive and strategic approach to working with different communities could be valuable to increase firms' understanding of what is needed to build trust with EMBs.

EMBs want clear information about what products and services are available and how to utilise them. This may include, for example, clear information about what is needed to apply for a business bank account. There is a feeling that the information is 'out there' but many EMBs are unsure how to access it. Better signposting and explanations (such as when rejected for borrowing), the availability of relationship managers (RMs), and tailored approaches to underwriting are options that can help contribute to increased access for EMBs.

The lack of trust between some EMBs towards banks and lenders means that any effort to promote access needs to be honest, empathetic, and effective. By reviewing how they currently approach and support EMBs, banks and lenders can continually develop to deliver better outcomes. Sometimes this could require taking an unorthodox or tailored approach, for example, on how credit decisions are made for certain groups. This is an independent business decision, but it may be that those firms who make such choices will be rewarded through the untapped potential of emerging EMBs.

<sup>2</sup> APPG for Ethnic Minority Business owners, [BAME Business Owners Covid 19 Response \(p13\)](#)

<sup>3</sup> CRÈME, [Time to Change: a blueprint for advancing the UK's ethnic minority businesses \(p.21\)](#)

<sup>4</sup> FSB, [Unlocking Opportunity](#)

<sup>5</sup> LSB, [Why register](#)

<sup>6</sup> NatWest, [Supporting ethnic minority businesses](#)

# Diversity across EMBs

The Government uses the term ethnic minorities to 'refer to all ethnic groups except the white British group.'<sup>7</sup> It moved away from the previously commonly used term BAME due to its lack of diversity, with BAME standing for Black, Asian, and minority ethnic. This can lead to exclusion for some (for example, including Gypsy, Roma, and Traveller groups) and the Commission on Race and Ethnic Disparities recommended BAME was no longer a helpful term.<sup>8</sup>

Throughout this report, we will use the Government's definition of ethnic minorities. It also raises an important consideration for firms

when thinking about supporting EMBs. The scope and lived experience across all the groups within the definition is vast. The needs of different community or business groups, for example, those EMBs from Caribbean backgrounds when compared to Bangladeshi, may not align. For that reason, **firms should not think of EMBs as one group that should be targeted as a whole.** Instead, ethnic minority strategies should consider how to support a variety of different customer groups that may need additional support or attention.

<sup>7</sup> Gov.uk, [Writing about ethnic minorities](#)

<sup>8</sup> Gov.uk, [Commission on Race and Ethnic Disparities](#)



# Engagement

A lot has been written about EMBs and the challenges they face when accessing finance.<sup>9</sup>

**During the interviews we conducted, it was explained how an overall perception that 'the system doesn't support us' can impact some EMB customers.** This can affect their likelihood of approaching banks and lenders in the first place, whilst also meaning they may not seek other finance options if initially rejected for borrowing.

It was repeatedly stated that the right way for the banking and lending sector to focus on EMBs was to think about unleashing the untapped potential, rather than seeing it purely as a matter of inclusion. The benefits are there to be made both for customers and the firms themselves (in terms of banking profitable and sustainable businesses).

As previously referenced, the interviews reflected a sense that banks and lenders do not understand religious and cultural differences, and this in turn affects their ability to support EMBs. Some EMBs may have alternative ways of doing business which could be influenced by their cultural background. An example was given of communities where physical cash is highly valued and seen as good to have available. This may give an unclear picture of a business's finances when looking at a balance sheet or other overview of assets.

Another example was provided of how a business grown by community funding may not be understood by banks or lenders. Some ethnic minority communities run *pardners*<sup>10</sup> or similar saving schemes. It could be that an EMB begins by accessing funds through such a method and successfully manages their money and any debt obligation. Such a scheme is not linked to credit reference agencies (CRAs) or other types of reporting, and without a tailored and understanding approach, could go unrecognised by a firm assessing credit worthiness.

Credit references were seen as a stumbling block for some EMBs in a way that may not apply for other applicants. This includes those customers who may not have a low credit score but instead do not have much of a credit history. Customers who have come from living abroad may be affected, as are those who have not previously

applied for finance. This could be because they have borrowed from family or community groups or have started a business by funding it themselves through other work.<sup>11</sup> It is important that firms gather and take into account all relevant information about a business prior to making any decisions around lending. For some EMBs this will potentially require information from sources in addition to CRAs, such as from open banking. Firms will need to work constructively and creatively with ethnic minority led businesses, and avoid a 'one size fits all' approach, to ensure that no customers are left behind.

When EMBs are rejected for finance, they may be told it is due to their credit rating. But there was concern that without more education on CRAs and how they work, EMBs will not be in a position to improve their scores. It could be beneficial for firms to think about the information they provide businesses of all types who are rejected for credit.

---

'Banks and lenders don't understand or appreciate the cultural or religious influences when it comes to how ethnic minority businesses operate, and they need to take a more innovative approach to help do so.'

---

**Ammar Mirza CBE**

<sup>9</sup> ICAEW, [Female and ethnic minority entrepreneurs miss out on lending](#)

<sup>10</sup> Bloom, [What is a pardner and how can it help me save money?](#)

<sup>11</sup> The i, [The UK has an ethnicity credit gap – we just don't know it yet](#)



Without making endorsements of particular product providers, firms could signpost to credit reference platforms that can provide an overview of the customer's credit position and the steps needed to make a difference. For example, customers may have inaccurate information on their credit reports, and this will only be resolved if the customer gets a copy of it in a format they can understand. Such platforms may also be useful for customers to see what products are available for them in a 'soft search' manner, rather than having to go to other lenders without a clear idea of where they stand.

**Reaching out to communities is an important step to getting a better understanding of EMBs' wants and needs.**

However, this outreach needs to go beyond the surface level and should lead to positive change across the product and customer journey. For example, it was mentioned how some ethnic minority communities feel there is a sense of things being 'done to' them, rather than 'done with.' When a good outreach strategy is achieved, firms can consider at what stage they should involve communities, for example, when it comes to product design or deciding the best way to manage business banking relationships.

Along with differences between ethnic groups, there are differences across locations and within groups themselves. Muslim women in business could face different challenges and have different needs to Muslim men in business. Similarly, Sikh business communities in the North East of England may have little in common with Sikh businesses



in London. Understanding this means that firms should not rely on a small pool of organisations to reflect the views of large and differing communities.

To solve this requires a community engagement strategy that seeks to get a mixture of views reflecting different ethnicities, regions, and customer types. Stakeholder mapping exercises can show which organisations or groups could be engaged with to get a clearer understanding of what is needed. It is worth firms considering post-engagement assessment exercises, to see if their stakeholder mapping achieved what it was designed to do. For example, if a product was targeted at a particular community but did not result in an uptick of those customers accessing it, it is important to understand why to improve future engagement opportunities.

---

'Maybe what you do is say "would you like to see a minority manager?" Because some people feel comfortable with those who can relate to their background.'

---

**Colin Francis – Founder and Chair, Recocoa**

# The personal touch

One way to increase access to finance and business banking services more widely is to improve awareness and understanding of what is available. For large corporates, this sort of knowledge may be institutional due to the wide range of professional support they possess (such as legal and finance teams etc.) However, for entrepreneurs, start-ups, or those from underserved communities, education could be extremely beneficial. When thinking about EMBs, this could also help to increase confidence in the bank or lender.

Some firms registered to the business Standards of Lending Practice (the Standards) already have in place consumer outreach or other awareness schemes. These may include, for example, business banking or accelerator hubs, specific workshops or mentoring schemes, or webpages which explain the process for accessing finance. Such informational pages, as described in the LSB's report, Inclusion in Business Banking, can help make the process easier by, for example, setting out the information and format needed prior to application.<sup>12</sup>

Relationship managers (RMs) were seen as an extremely valuable tool when it comes to informing and supporting EMBs. Although there was an understanding that the general direction of travel is to a more online and remote working culture, the personal touch provided by RMs who knew the EMB was highly rated. This is mainly due to the fact there was someone on hand who understood the business and the people involved, and in instances of good practice, the RM could give a more tailored approach to banking and lending decisions.

It was felt that one area where EMBs may benefit was from having the option to have a RM and, as one interviewee suggested, even having a RM from a particular community. This is not something that is practicable for all firms and would depend on the bank or lender's strategy. However, it does demonstrate the type of potential options that firms could take to differentiate themselves from their competitors and, possibly, increase EMB confidence at the same time.

From an underwriting perspective, during the interviews it was recognised there may be increased levels of risk associated with some

potential applicants. This could be for a variety of reasons, for example, if some customers have lower credit scores than others or do not have access to security. However, it was thought that firms should balance their approach to risk with the desire to promote inclusion and growth. For example, it may be that a new EMB does not hit all the usual credit assessment ratings, but firms decide to lend on the basis of accepting higher risk to improve access. This is a matter for individual firms to decide, but there was a feeling that the firms that make such tailored credit decisions could reap the benefits by accessing untapped EMBs. As one interviewee put it, there may simply be a 'more risk, more reward' element to attracting EMBs.

There was a feeling that some lending decisions are explained away as 'the system not allowing' it or 'the rules won't allow it.' This results in the customer not understanding the reason for the declined application and it is also impersonal, taking away from the empathetic approach that may increase customer confidence. **It would be beneficial for firms to consider the training and guidance that customer facing employees get on communicating reasons for any declined applications.** It may be that the staff themselves do not know the exact reason – depending on the firm's operational structure and individual processes – but it would be beneficial to move staff away from blaming 'the system' or other amorphous reasons. Firms signed up to the Standards have committed to, as a minimum, provide customers with the primary reason in writing why their finance application has been declined.

Pairing this with specific and relevant signposting to alternative sources of finance would also be likely to have a beneficial impact in building trust between EMBs towards banks and lenders. Ensuring that customers are provided with alternative sources, which are regularly reviewed, up-to-date, and culturally and business appropriate, would demonstrate a positive commitment to customers.

<sup>12</sup> LSB, Inclusion in Business Banking & Credit – supporting information (p.11)



---

'A business relationship manager was a real benefit in terms of improving things.'

---

**Moslek Uddin, CEO, UK Curry Connect**

# Communication and data

'There is still a trust and confidence issue out there. There is a perception that there is unequal treatment towards ethnic minority business owners.'

## **Efuru Obua – Chair, British African Business Network**

How firms communicate with EMBs and their communities was said to be a critical component when it comes to increasing trust and engagement. This includes acting in an empathetic manner and seeking to support EMB customers through a tailored approach. It is not expected that staff will have a thorough understanding of all the different cultures and backgrounds they may interact with. In a similar way to supporting any customers with different access needs, staff should not assume they know what the customer needs or be close-minded to what their situation is like. Going that extra mile, for example, giving more time to answer questions around the application process and what documentation is needed, could help increase customer confidence.

Specific communication barriers, mentioned in a number of the interviews we conducted, were those that can arise when English is not the native or first language of some EMB owners. It was felt that, without taking steps to mitigate this, such as by providing information in a preferred language or alternative format, this raised challenges for some EMB owners to make themselves understood, and to understand and digest information they themselves were provided with. This was seen as making it particularly challenging for such EMBs to initiate and foster relationships with some finance providers, hindering their ability to access the full benefits of such relationships, including finance.

During interviews, it was said how the most vocal

customers are often those who have not received the product or service they wanted. This could include, for example, those customers who have been rejected for finance and do not understand why. Engaging with such customers and trying to win back any trust can be challenging, but it is important in order to reach better outcomes. It is especially so where a complaint is raised on the grounds of discrimination. As the Financial Ombudsman Service describes, 'Firms may find complaints about discrimination challenging. It can be a difficult subject to discuss. There may be a nervousness about saying or doing the wrong thing. But sometimes this results in firms not investigating or responding fully to the issues a consumer raises.'<sup>13</sup>

Banks and lenders could consider their strategy for dealing with EMB customers who make a complaint along these lines; a decision could be made to have a phone conversation with these customers, in order to give a more tailored response to any complaint (alongside any responses required by regulation).<sup>14</sup> Such a step may help in assuring EMB customers that they are being listened to, even in situations where the end result may not be what they wanted.

**Because of the negative perception of banks and lenders held by some EMBs, firms need to ensure that any work focused on ethnic minority communities leads to better outcomes.** This means implementing material changes that improve confidence and, in turn, leads to greater access to finance. Marketing or promotional material directed at ethnic minority communities can be tied to this, but firms should be aware of 'performative inclusivity'.<sup>15</sup> This is where marketing is aimed at certain underserved groups despite the product or service not being inclusive or accessible. As described by Deloitte, 'While the marketing function is increasingly focusing on more inclusive advertising, consumers—who are increasingly diverse—expect brands to follow through on these promises.'<sup>16</sup>

<sup>13</sup> Financial Ombudsman Service, [Handling discrimination complaints](#)

<sup>14</sup> FCA, [DISP Dispute Resolution: Complaints](#)

<sup>15</sup> The Drum, [In 2023, marketers' understanding of minority groups is more important than ever](#)

<sup>16</sup> Deloitte, [Authentically inclusive marketing](#)

**It is important that firms share the work they are doing on inclusion and engagement widely, and they should celebrate success in terms of increases in EMB customer numbers or similar metrics.** This is because potential EMB customers want to know that there is a strategy in place to cater for them and what this entails. For example, if new community hubs are established, this needs to be communicated in a targeted way to drive engagement and improve trust.

The publication of data relating to EMBs is an area where firms could demonstrate their progress, and interviewees thought it would be greatly beneficial to potential EMB customers. This could include publishing data showing, for example:

- The number of EMB customers as a proportion of total SMEs.
- The percentage of EMB customers accepted for credit when compared to others.
- The increase/decrease in EMB customers over the last quarter, year, etc.

Publishing data in this manner has the incentive of keeping firms honest when it comes to efforts relating to inclusion and access.



# Recruitment

---

'Ethnic minority business owners are often stereotyped and seen as risky businesses by financial institutions.'

**Dionne Edwards – Nubian Noire**

There was seen to be a need to get greater representation within business banking, to reflect the diverse nature of both the country and its SME businesses. **A more diverse workforce has the potential to increase confidence within some ethnic minority communities.** For example, one interviewees' experience was isolating; she stated that when she goes in branch in the very diverse area where she lives, every member of staff is white. This can lead to a feeling that there is no interest in diversity or recognition that different communities and people face different problems.

When thinking about recruiting and employing a more diverse range of employees that represents the local community, firms could consider targeting and publishing adverts within local forums or newspapers, in an attempt to widen the



pool of candidates. It would be a matter for the individual firm to decide, but it could be that a commitment is made to interview every ethnic minority candidate who reached a certain minimum standard relating to the role. This could help boost confidence in candidates from underserved communities that their application will get a fair hearing.

Just as important as recruitment is retention. There is no advantage to hiring more diverse team members if they leave soon after. Monitoring the attrition rate of new hires, including those from ethnic minorities, is important to understand if current onboarding, coaching, and support frameworks are appropriate.

There should also be thought given to the level and roles in which ethnic minorities are being recruited. For example, to improve representation in business banking, firms may want to look at,

amongst others, those being hired in relationship management roles.

---

If you have any comments about this piece, please contact us using the details below or by emailing [insight@lstadb.org.uk](mailto:insight@lstadb.org.uk). We are keen to receive feedback on this piece and you can provide it by using the QR code below.

Anna Roughley - Head of Insight and Engagement

[annaroughley@lstadb.org.uk](mailto:annaroughley@lstadb.org.uk)  
07392 867 176





