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PRESS RELEASE

Just one in 10 UK small businesses worried about debt – but concerns linger over future growth

- **Vast majority of UK business content with current levels of debt**
- **Profit squeeze seen as biggest barrier to future growth**
- **Third of businesses would not contact their bank if worried about finances**

Despite a big increase in the amount of borrowing by businesses since the start of the pandemic, only 11% of small and medium sized enterprises (SMEs) say they are worried about their current level of business debt, according to new research from Lloyds Bank Business.

The research, which polled SME business owners and decision makers right across the UK, found of those who are worried about debt, the main concern isn't the ability to make repayments (just 16%). Rather, more than half (54%) say that while the repayments are affordable, servicing the debt will prevent the business from investing in itself to grow for the future.

In keeping with this theme, the research found many businesses see a number of barriers to growth over the next five years.

Top of these is a lack of profit (cited by 29%), followed by high running costs (25%). Around a quarter (24%) are concerned about regulation and legislation impacting their prospects, while 15% have concerns about problems managing cashflow.

Gareth Oakley, Managing Director of Business Banking at Lloyds Bank said:

“The onset of the pandemic forced many small businesses to urgently seek new borrowing, often for the very first time. The various government-backed schemes in particular proved to be a vital source of funding at a time of huge uncertainty. For other firms with existing debts, capital repayment holidays provided the necessary breathing space to navigate those early days of lockdown.

“As the economy has reopened and begins to recover, it is reassuring that a relatively low proportion of small businesses are worried about their ability to make repayments on their debts. However, when it comes to future growth prospects, the longer-term impact of repaying those loans should not be underestimated. As the country seeks to recover, it is vital that businesses can access to the specialist support and investment they need to grow and prosper.”

Despite these challenges, around a third (35%) of SMEs say they wouldn't consider approaching their bank if they were worried about business finances.



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This was mainly because small businesses wanted to sort any problems out themselves (52%) or they don't believe their bank would be able to help (24%). A further 22% would prefer to ask someone else they know for support, while 19% believe the bank's help would work out to be too expensive.

However, fewer than one in 10 SMEs (9%) now think their business is at risk of closing due to the impact of the pandemic.

Gareth continued:

"It's a big concern that around a third of small businesses would not consider speaking to their bank when worried about their finances. A lender can provide guidance on business plans, growth goals, reaching new markets, balancing competing priorities and much more.

"If a business is in financial difficulty then the best thing to do is contact their bank as soon as possible. There are various options that can be put in place including re-financing, payment holidays, business overdrafts and loan consolidation."

Ends

Notes to editors

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This report presents findings from a survey conducted amongst small and medium sized enterprises (SMEs) defined as having less than 250 employees. The study was commissioned by Lloyds Bank with fieldwork conducted by YouGov. The survey was conducted online and completed by 'those who had some decision making involvement or influence in the SME'. Fieldwork was conducted 16th August – 12th September 2021 and 1,518 interviews were completed.

Media contacts:

Gregor Low / gregor.low@lloydsbanking.com / 07500 078 879

Lynsey Cheshire-Willis / lynsey.cheshire-willis@lloydsbanking.com / 07595 124294