



20th February 2009

One in ten SMEs turn to family and friends for funding as bank credit dries up

Confidence in ability to access bank lending drops from 73% to 6%.

Over 540,000* SMEs across the UK are turning to family and friends for cash rather than the banks – six times as many as when polled in early 2008 – according to research from Close Invoice Finance, part of the FTSE 250 City merchant bank, Close Brothers Group Plc.

The survey of over 500 SME owners indicates they are having to rely on family and friends as bank funding dries up. Less than 6% of SMEs said they were confident their bank would extend them credit into 2009 compared to 73% of those polled last year.

David Thomson, Chief Executive Officer of Close Invoice Finance said: “The relationship between banks and SMEs has collapsed with severe repercussions for the sector as a whole. With banks now closing their doors to SMEs, owners are relying on friends and family for financial support, placing immense pressure on these most precious relationships.” ►



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CEO, Close Invoice Finance

* Figure extrapolated from the BERR 2008 statistics that calculates 4.7million SMEs in total in the UK. Figures on the number of SMEs in the UK provided by Department for Business Enterprise & Regulatory Reform.

He continued: “As the recession takes hold, the adage ‘Cash is king’ has never been so true. SMEs need to be far more creative in how they source working capital and deadly serious about tackling late payment.”

The central premise of invoice finance is that it allows companies to raise cash quickly and easily against their sales ledger, affording businesses a greater degree of flexibility and control over their cash flow.

Despite the deterioration of the credit profile of many businesses, the fundamentals of factoring and invoice discounting haven't changed. Close Invoice Finance is interested in the integrity of debt not the company balance sheet or rate of growth and therefore approach businesses in a very different way to traditional lenders who are focused on more obvious indicators of business success. Invoice finance can represent a lifeline to companies that have seen other forms of trade finance dry up.

Research findings are based on a survey of 505 UK SMEs commissioned by Close Invoice Finance and indexed against the findings of the first Small Business Finance Barometer completed in March 2008.

Find out more about Close Invoice Finance and iDeal™ at www.closeinvoice.co.uk ●

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