

Finance Platforms

Call for Expressions of Interest

24th March 2015



British Business Bank plc is a public limited company registered in England and Wales. (registration number 08616013, registered office at Foundry House, 3 Millsands, Sheffield, S3 8NH). As the holding company of the group operating under the trading name of British Business Bank, it is a development bank wholly owned by HM Government which is not authorised or regulated by the Prudential Regulation Authority (PRA) or the Financial Conduct Authority (FCA). It operates under its own trading name through a number of subsidiaries, one of which is authorised and regulated by the FCA. British Business Bank plc and its subsidiary entities are not banking institutions and do not operate as such. A complete legal structure chart for British Business Bank plc and its subsidiaries can be found at www.british-business-bank.co.uk.

1. Introduction

1.1 Role of the British Business Bank

In line with Government commitments to increase access to finance for smaller businesses, regulations on finance platforms (FPs) proposed to be made under the Small Business, Enterprise and Employment Bill ('the Proposed Legislation'), aims to open up the market for lending to both businesses seeking finance and lenders willing to provide finance.

HM Treasury (HMT) has requested British Business Financial Services Limited, an arm of the British Business Bank (BBB) conduct a process to assess the suitability of FPs for designation, in order to make a recommendation to HMT as to FPs for designation.

HMT announced the British Business Bank call for expressions of interest in the [2015 Budget](#). This is the first stage of an assessment process to inform advice provided to HMT on the designation of FPs under the Proposed Legislation. The final decision on designation of FPs will be made by HMT.

This call for expressions of interest (EOI) comprises the first stage of this process. The intention is that the BBB will analyse EOI responses in order to make recommendations to HMT on those considered suitable for Stage 2 of the process - HMT will then invite selected respondents to submit a Formal Proposal (RFP).

It should be emphasised that the process outlined in this document is a preparatory process. The Proposed Legislation has not yet been made and draft legislation may be subject to change. It may therefore be necessary to revisit the process outlined in this document after the relevant legislation has been made.

The call for EOI includes:

- an overview of the proposed policy on FPs;
- a guide to the planned assessment process;
- an indicative timetable for the planned assessment process; and
- an overview of the information sought against given criteria

1.2 Overview of small business finance platforms policy

There is an increasingly diverse range of finance options for smaller business in the UK. However, with small businesses typically time-poor, data shows that a large number of small businesses turn first to a bank, often their existing providers of banking services, for finance. Awareness of different financing options remains low as does an understanding of how finance providers make credit decisions. Banks will continue to play an important role in providing finance for the UK's small businesses. However, the rejection rate for finance is greater for smaller businesses, this includes small viable businesses that are rejected because they fall outside of a bank's risk appetite and strategic focus. The Proposed Legislation will open the market to challenger banks and alternative finance providers with different business models and risk appetites that may be willing to lend to these small and medium sized businesses.

The Government announced at [Budget 2014](#) that it would consult on whether, and if so how, to take legislative action to help match SMEs that have been rejected for finance with challenger banks and alternative finance providers that are looking to offer finance.

The consultation ran from 28 March to 28 April 2014, and sought views on whether there should be a process backed by legislation whereby smaller business that are rejected for finance could have information about them provided to platforms that would help them to make contact with alternative lending opportunities. The Government published a summary of responses in August 2014, confirming respondents' support for these proposals, and that it would proceed with legislation.

Following this, the Government tabled an amendment to the Proposed Legislation on 14 October 2014 containing provisions giving HMT power to make regulations with respect to:

- a. requiring designated banks to share information on businesses that they reject for finance (where those businesses have agreed) with designated finance platforms that will help them to make contact with alternative lenders;
- b. enabling HMT to designate finance platforms; and
- c. enabling HMT to de-designate finance platforms.

On 18 December 2014, the Government published draft regulations that detailed how it intends to use these powers. The current EOI relates to point b. above. Further details on the [consultation and draft regulations](#) are available online.¹

HM Treasury announced details in the 2014 [Autumn Statement](#) of the banks it intends to designate. These are: Royal Bank of Scotland, Barclays, Lloyds Banking Group, HSBC, Santander, Clydesdale and Yorkshire Banks, Bank of Ireland, Allied Irish Bank, and Danske Bank.

2. Assessment process

2.1 Indicative timetable

The BBB welcomes expressions of interest from respondents able to demonstrate the extent to which they are able to satisfy the assessment criteria as set out at section 3.

Stage 1 – Expression of Interest (EOI): Respondents are expected to submit their EOI responses to the BBB by 30th April 2015.

EOI responses should include information against specified criteria listed in section 3. The BBB will analyse EOI submissions in order to make recommendations to HMT on those considered suitable for Stage 2 of the process - HMT will then invite selected respondents to submit a Formal Proposal (RFP). The process of assessing EOI responses may involve the convening of an expert panel to assess responses and/or respondents being called to attend in-person meetings with the BBB and/or HMT.

¹ Under the proposed SBEE Bill, HM Treasury also has the power to extend the remit of the Financial Ombudsman Service (FOS) so that a complaint may be referred to the FOS about all designated finance platforms. This will allow the remit of the FOS to be amended such that a person who would be able to seek a FOS decision when dealing with a finance platform authorised by the Financial Conduct Authority is also able to seek a FOS decision when dealing with a designated finance platform that is not authorised. And it will also enable all those businesses that generally have recourse to the FOS to seek FOS decisions in respect of the activities of designated finance platforms, rather than just individuals and small firms as at present.

Stage 2 – Request for Formal Proposal (RFP): Details on the requirements of the RFP will be set out in documentation provided to relevant respondents in due course. Following the RFP stage selected respondents will be invited to a due diligence stage.

The BBB will provide feedback to the EOI and RFP respondents upon request once the assessment process has been completed. It is expected that assessment process will be re-opened to the market within 2 years, after designation has been awarded. The BBB and HMT reserve the right to amend proposed timescales on re-designation.

The assessment process is intended to comprise the stages set out below. All dates are subject to change at the discretion of the BBB and/or HMT, and assessment and designation timetables are subject to the progress of the Bill and associated secondary legislation.

Stage	Indicative timings
EOI publication	24 March 2015
Deadline for submission of EOI responses	30 April 2015
Assessment of EOI responses	May to June 2015
RFP issuance (tentative)	June to July 2015
Deadline for submission of RFP responses (tentative)	July to August 2015
Assessment of RFP responses and due diligence (tentative)	September to November 2015
BBB recommendation to HMT (tentative)	September to December 2015
HMT decisions on designation (tentative)	September to December 2015

2.2 Delivery of responses

Pre-Submission Engagement: Respondents are invited to direct questions in advance of submitting a response to financeplatforms@british-business-bank.co.uk. Questions (posted anonymously) and answers in relation to the policy, objectives or information schedules will be made available to all respondents [online](#) to ensure that all respondents have access to the same information about the process. Questions can be submitted until 23 April.

Completion of proposals: Respondents are asked to provide information against criteria outlined in Section 3. If any information is unavailable, or cannot be disclosed, respondents should make this clear in their responses and explain why this is the case. Respondents also are asked to complete Annex 1 and Annex 2.

EOI responses should not exceed 35 pages in length. Any accompanying spreadsheets should be compatible with Microsoft Excel.

EOI responses should be submitted by email and in portable document format (“PDF”) to financeplatforms@british-business-bank.co.uk by 30 April 2015.

2.3 Evaluation of EOI responses

EOI responses will be evaluated, *inter alia*, by reference to:

- a) whether or not responses achieve a minimum required score of 5 (as per the table below) in any of the six indicative criteria set out in section 3 of the EOI ;
- b) respondents' overall scores in relation to other responses (see table below); and
- c) the need to ensure designated finance platforms comprise a compatible network, capable of effectively operating in conjunction with one another.

Hence, information provided in response to the EOI will be assessed in line with criteria as outlined in Section 3. Scores between 0-10 will be assigned to the following criteria; data handling, business model and SME journey, strategy and transparency, legal arrangements and conflicts of interest, financials and management team. A minimum required score of 5/10 will apply to each of these categories. In addition to scores assigned to individual proposals, respondents will be assessed against one another to ensure the functioning of individual finance platforms will be conducive to the operation of a system of finance platforms as a whole.

Score table for evaluation of EOI responses

Score	Description
0-2	The response is missing relevant information or is completely unacceptable. It does not meet the minimum requirement or respondents have completely missed the point.
3-4	Fails to meet the minimum requirement/standard. Information provided indicates that major work would be required for the respondent to submit an acceptable proposal.
5-6	Response mainly satisfies the minimum requirement/standard with some useful evidence provided. Indicates some obstacles but correctable.
7-8	Response is acceptable and meets minimum requirement but remains basic and could have been expanded upon. Response is sufficient but does not inspire. Good probability of success, weaknesses can be readily corrected.
9-10	Response is acceptable and meets minimum requirement and demonstrates respondent can meet the specified performance or capability. The response includes extensive relevant and evidenced information.

3. Criteria

This section outlines a set of six preliminary criteria against which EOI responses will be assessed. Respondents are advised to bear in mind the proposed requirements of the associated draft regulations in preparing responses.

3.1 Data handling

Finance platforms should be able to demonstrate that they have in place processes and standards to ensure correct handling, storing and transfer of data.

3.1 (a)	Demonstrate satisfactory compliance with the Data Protection Act 1998. This should include the registration number provided as a data controller at the point of registration with the ICO
3.1 (b)	Evidence of procedures in place to ensure correct staff handling for processing or having access to data – including how data will be disclosed or barred to users.
3.1 (c)	Please describe any data security standards in place and provide evidence of compliance including certification, with evidence of internal or external audit.
3.1 (d)	Respondents must be able to demonstrate their ability to receive and send data via secure electronic transfer. This should include details of the intended format and system by which this requirement is met.
3.1 (e)	If there are intentions to use SME data for anything other than that prescribed by draft legislation, please describe.

3.2 Business model and SME journey

Respondents should demonstrate how their platform will operate in practice.

3.2 (a)	SME experience	Describe the journey a SME will have to go through to obtain finance. Please illustrate by providing a flow diagram that includes the steps a SME will take in order to obtain finance, including a range of scenarios, including unsuccessful referral.
3.2 (b)		Describe the impact on a SME at various stages. Are there for instance any explicit or implicit costs? What will the impact be on their credit ratings? How much time will a SME need to invest at each stage? What data inputs will be required at different stages? Details on how underlying assumptions have been arrived at should be included
3.2 (c)		Describe any additional services that will be provided to SMEs.
3.2 (d)		Describe the procedure for handling complaints from SMEs, designated banks and finance providers.
3.2 (e)	Track Record/Capacity	Please provide evidence of proven, tested systems/processes in place (where applicable)
3.2 (f)		Describe plans of how systems/processes will be tested once ready (where applicable)
3.2 (g)		Please provide information on the time it would take for systems to become operational

3.3 Strategy and Transparency

Proposals should be focused on lending to viable UK SMEs that are rejected from a designated bank, operating in the UK. (SMEs are defined as businesses with a turnover of less than £25m.)

3.3 (a)	Market place	Please provide a list of names and short descriptions of the finance providers on the platform, in particular with respect to risk appetite, product offerings and geographical coverage.
3.3 (b)		Please provide estimates of forecasted finance provision to SMEs based on given finance providers on panel, within a 12 month period.
3.3 (c)	Transparency of referrals	What determining terms and conditions are in place to form the basis for inclusion/exclusion of lenders from the platform?
3.3 (d)		Describe the governance arrangements in place for determining how the SME will be passed on to finance providers - this should include details on how the respondent will ensure objective, transparent processes are in place.
3.3 (e)		Where relevant to the business model, how will the platform determine suitable finance options for the SME? Please describe any decision models / algorithms / mathematically derived expressions that will be used for this.

3.4 Legal arrangements and conflicts of interest

3.4 (a)	Please provide details of the legal ownership structure, including domicile of respondent and any subsidiary or parent entities.
3.4 (b)	Respondents should confirm existing and proposed arrangements with finance providers - including details of terms and conditions for finance providers.
3.4 (c)	Please provide details of any affiliations with lenders on panel
3.4 (d)	Please provide details on whether the respondent, any subsidiary or group member offers SME credit and provisions in place to ensure that designation of the respondent would not confer on such credit provider a competitive advantage.
3.4 (e)	Please provide details of any conflicts of interest that may arise from the designation of the applicant, for the respondent, any subsidiary or group member, along with details of how such a conflict would be managed.

3.5 Financials

3.5 (a)	Please provide latest available financial accounts, if applicable.
3.5 (b)	Please provide financial forecasts, ideally integrated profit & loss, balance sheet and cash flow statements (3 year projection). Detail on underlying assumptions should be included, inserting reference to criteria 3.3(b).

3.5 (c)	Please provide a breakdown of agreed and planned sources of funding over the next two years.
3.5 (d)	Please provide a description of your charging structure / fees as well as detail on rationale for given methodology of charging structure. Where disparate pricing structures for finance providers apply, you must be able to evidence this leads to equitable outcomes.

3.6 Management team

3.6 (a)	Please provide a management organisation structure chart - with some detail on the senior management team including individual roles and responsibilities.
3.6 (b)	Please provide brief CVs , with relevant experience only, of senior management team members.
3.6 (c)	How many staff will be employed by your organisation and on what basis will staff be remunerated (e.g. salaried)?

4. Terms and Conditions of Process

By responding to this EOI, all respondents are deemed to acknowledge and accept the terms contained herein including in particular this section 4.

HMT, British Business Bank plc and its subsidiaries reserve the right at any time not to continue with the current process and /or cancel or withdraw from the process at any stage and any costs or expenses incurred by respondents will not be reimbursed. HMT, British Business Bank plc and its subsidiaries exclude their liability for any costs, expenses or losses incurred by respondents to the full extent permitted by law.

HMT, British Business Bank plc and its subsidiaries reserve the right to amend any timetable and/or other aspects of the current process at their discretion.

HMT, British Business Bank plc and its subsidiaries may request clarification of information and additional information regarding a response and/or may also request face to face meetings. Refusal to provide such clarification, information or meetings may cause a submitted response to be rejected. Where no reply to a request for information or for clarification is received within ten business days, HMT, British Business Bank plc and its subsidiaries may assume that the submission has been withdrawn.

Respondents should note that information received by HMT, British Business Bank plc and its subsidiaries as part of the current process, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act (DPA) and the Environmental Information Regulations 2004. In view of this, should respondents consider that any information should be treated as confidential and/or commercially sensitive, it would be helpful if respondents could set out why they consider this to be the case in each instance. Automatic confidentiality disclaimers generated by IT systems will not, in themselves, be regarded as binding.

If HMT or British Business Bank plc and its subsidiaries receive a request for disclosure of information provide full account will be taken of any explanation, but no assurance can be given that confidentiality will be maintained in all circumstances. Decisions on disclosure remain the responsibility of HMT or British Business Bank plc and its subsidiaries and ultimately the Information Commissioner and courts. Personal data will be processed in accordance with the DPA: in the majority of circumstances this will mean that personal data will not be disclosed.

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British Business Bank Financial Services Ltd is a wholly owned subsidiary of British Business Bank plc, registered in England and Wales registration number 09174621, registered office at Foundry House, 3 Millsands, Sheffield, S3 8NH.

Neither British Business Bank plc nor British Business Bank Financial Services Ltd is authorised by the FCA or PRA to carry out regulated activity or regulated by the FCA or PRA. British Business Bank plc and its subsidiaries will be unable to consider responses where receipt or processing would require any form of regulatory authorisation or permission.

A complete legal structure chart for British Business Bank plc and its subsidiaries can be found at www.british-business-bank.co.uk.

Annex 1: Respondent details

Respondent Details
Name of legal entity
Type of organisation (e.g. partnership, limited company).
Administrative details (e.g. registration number, registered address, location, date of formation).
Website

Principle Contacts(s)
Telephone
Email

Annex 2: Certification and Authority to Submit

I confirm that I am duly authorised to submit this information on behalf of the respondent organisation(s).
I confirm that, to the best of my knowledge this information provides an accurate representation of the current performance and future intentions of the respondent organisation(s). I understand that designated of finance platform is discretionary and that submission of this information does not convey any particular status or entitlement upon the respondent organisation(s)

Name
(Please print)
Title / Role
(please print)
Signature
Date

Received on behalf of the BBB by;

Name
(Please print)
Signature
Date