



The impact of COVID-19 on SME business banking



Across the country, retail banks have been working hard in difficult circumstances to meet customer needs.

Thanks to that work, small and medium-sized enterprises (SMEs) are three times more likely to say they are satisfied than dissatisfied with their bank's service since the COVID-19 pandemic started.

But lockdown has changed their behaviour dramatically, in a way that points to significant changes to customer behaviour both now and in future.

The proportion of SMEs who say they regularly use a branch has dropped by almost a quarter (22%) in six months, with almost the same proportion (15%) saying their use of mobile or online banking rising.



SMEs are important to us as a key group who can use the **Current Account Switch Service (CASS)**. SMEs are identified by the Competition and Markets Authority as account holders that can benefit the most from switching.

Changes in SME views due to the COVID-19 pandemic

Since the start of the COVID-19 pandemic, the proportion of SMEs using business current accounts has increased from 69% in February to 74% in September as firms need to have a business account as a requirement to receive access to the Government backed lending schemes.

Overall, four in ten SMEs (38%) were satisfied with the support they received from their business current account provider since the pandemic began. This contrasts with only one in ten SMEs (13%) who were dissatisfied. Low or no charges for business banking is the most important factor (50%) for SMEs looking to switch their accounts. Good interest rates (35%), advanced digital features (34%) and a personal connection through a relationship manager at the bank (30%) also mattered when selecting a new account.

Almost three-quarters of SMEs (74%) said their use mobile or online banking has stayed the same throughout the pandemic.

However, 15% of SMEs said they now use mobile or online banking more often than before social distancing measures were introduced, as some businesses began using online banking for the first time.

The importance of physical branches to some SMEs has declined in the six month period. When asked in February, more than a fifth of SMEs (22%) said the availability of nearby bank branches was important when selecting their bank or building society, compared to 17% in September.

The declining importance of branches was most noticeable in the North East region where 35% of SMEs believed nearby branches were important in February, falling to 18% in September. The importance of branches also varies between industries. One in ten IT companies (11%) said nearby branches were an important factor compared to nearly three in ten (29%) leisure and hospitality businesses.

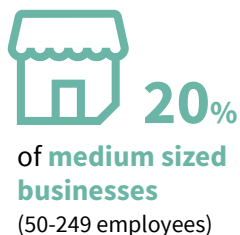
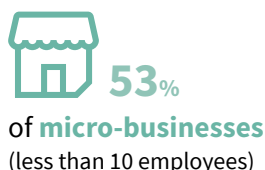


Pay.UK commissioned research in February 2020 to learn more about views within SMEs on their business bank account, and to gain further insight into the factors that encourage business switching. We partnered with **YouGov**, surveying over 2000 SMEs across the UK – from sole-traders and micro-businesses, to larger firms with over 200 employees.

We then conducted a second piece of research with YouGov in September 2020 to see how SME attitudes to business banking had changed due to the COVID-19 pandemic and the subsequent social distancing measures. We will continue to work with stakeholders in the sector to understand how SME needs continue to change.

General SME banking trends

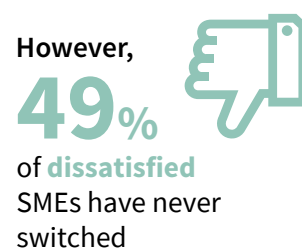
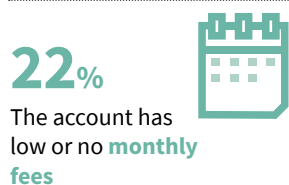
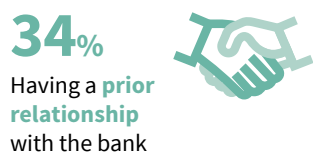
41% of SMEs have never switched their business bank account



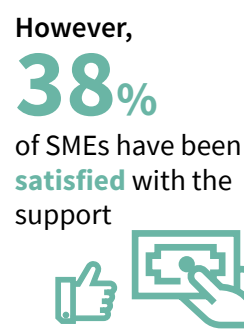
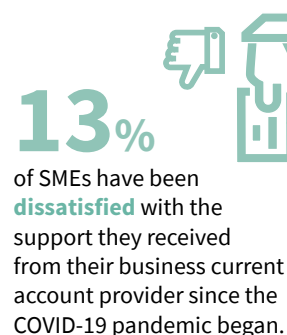
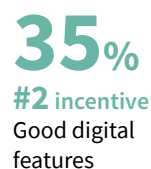
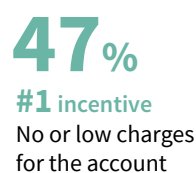
Overall, 20% of SMEs use personal current accounts for their business banking



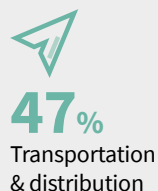
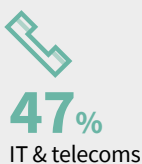
The main reasons that SMEs chose their current business bank accounts:



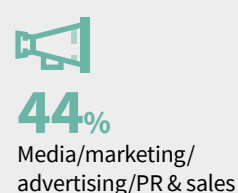
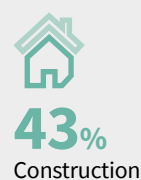
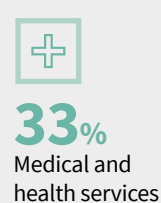
In terms of the most attractive incentives for banks to offer SMEs:



Industries with the highest proportion of business current account switchers



Industries with the lowest proportion of business current account switchers



About the research

Survey carried out on behalf of the Current Account Switch Service by YouGov amongst 2000 individuals working within UK SMEs, between 01/09/2020 and 08/09/2020.

About the Current Account Switch Service:

The Current Account Switch Service is delivered by Pay.UK.

Key features of the Current Account Switch Service include:

- The service is free to use;
- The switch will be completed in seven working days – a substantial improvement on the previous process that could take between 18 and 30 working days;
- The customer can choose and agree the switch date with their new current account provider;
- All payments going out (e.g. Direct Debits) and those coming in (e.g. salary) will be moved from the old account to the new account;
- Payments accidentally made to or requested from the old account will be automatically redirected to the new account for as long as the facility is required;
- The Current Account Switch Guarantee means that the customer will receive a refund of interest and charges on their old and new current accounts if anything goes wrong with the switch;
- SMEs with a turnover of up to £6.5 million, small charities with an annual income of less than £6.5 million, and small trusts with a net asset value of less than £6.5 million can switch their current account provider using the Current Account Switch Service. This increases the reach of the service to 99% of the UK's SME market.

About Pay.UK:

Pay.UK maintains and develops the UK retail payment systems and standards that are core to the economy being able to function on a day-to-day basis. We are the leading authority for retail payments, working in the public interest to ensure that the systems the country relies on for its banking transactions are safe, open, innovative and resilient.

Our payment systems underpin the services that enable funds to be transferred between people and institutions. Last year, the UK's retail payment systems processed 9.2 billion transactions worth £7.4 trillion via Direct Debits, Direct Credits, Faster Payments and Cheque Payments.

Every day, individuals and businesses use the services we provide to get their salaries, pay their bills and make online and mobile banking payments. Our vision for the future is to enable a vibrant economy, with Pay.UK delivering the best-in-class payment infrastructure and standards for the benefit of consumers and businesses nationwide.

