

SME Expert Index

Q2 2022

iwoca's SME Expert Index provides insight from brokers on the SME lending market, and focuses on the trends seen in the types and value of finance being accessed. The findings provide a regular snapshot on what's driving small business owners to borrow, and how these patterns change over time.

Q2 2022 results: SMEs are concerned about the possibility of a recession as demand for finance rises

Based on insight from UK brokers who collectively submitted over 1350 applications for unsecured finance on behalf of their SME clients in June.

Showing data from Q2 2021 onwards. See [archive](#) for earlier results.

Most common loan purposes for SMEs

	2021			2022	
	Q2	Q3	Q4	Q1	Q2
Grow the business	23% (-2pp)	35% (+12pp)	43% (+8pp)	43% (+/-0pp)	40% (+3pp)
Manage day to day cash flow	32% (-9pp)	26% (-6pp)	24% (-2pp)	31% (+7pp)	37% (+6pp)
Recovery from lockdown or closure	21%	20% (-1pp)	9% (-11pp)	8% (-1pp)	2% (-6pp)
Make large stock purchases	6% (-1pp)	11% (+5pp)	2% (-9pp)	6% (+4pp)	4% (-2pp)
Bridge occasional cash flow gaps	13% (-7pp)	7% (-6pp)	14% (+7pp)	10% (-4pp)	12% (+2pp)

Most common SME loan purpose by quarter:

Manage day to day cash flow [Q2 21]

Grow the business [Q3 21]

Grow the business [Q4 21]

Grow the business [Q1 22]

Grow the business [Q2 22]

Most impactful factors when brokers present competing loan offers to SMEs

	2021			2022	
	Q2	Q3	Q4	Q1	Q2
Approved amount	23% (-2pp)	20% (-3pp)	17% (-3pp)	15% (-2pp)	18% (+3pp)
Monthly repayment amount	15% (-2pp)	15% (+/- 0pp)	17% (+2pp)	17% (+/-0pp)	12% (-5pp)
Total cost of borrowing	19% (+4pp)	17% (-2pp)	20% (+3pp)	23% (+3pp)	6% (-17pp)
APR	6% (-7pp)	17% (+11pp)	16% (-1pp)	14% (-2pp)	18% (+4pp)
Monthly interest rate	19% (+2pp)	13% (-6pp)	14% (+1pp)	10% (-4pp)	29% (+19pp)
Length of loan	9% (+3pp)	15% (+6pp)	9% (-6pp)	12% (+3pp)	6% (-6pp)
Flexibility of product	9% (+2pp)	2% (-7pp)	7% (+5pp)	9% (+2pp)	12% (+3pp)

Most impactful factor for brokers by quarter:

Approved amount [Q2 21]

Approved amount [Q3 21]

Total cost of borrowing [Q4 21]

Total cost of borrowing [Q1 22]

Monthly interest rate [Q2 22]

Factors which most often impacted which lender brokers sent an application to

	2021			2022	
	Q2	Q3	Q4	Q1	Q2
No arrangement fee	13% (-7pp)	15% (+2pp)	7% (-8pp)	8% (+1pp)	9% (+1pp)
Speed of receiving a decision	68% (+2pp)	67% (-1pp)	57% (-10pp)	60% (+3pp)	75% (+15pp)
Duration requested meets lender's offering	47% (+11pp)	67% (+20pp)	28% (-39pp)	23% (-5pp)	23% (+/-0pp)
Amount requested meets lender's offering	68% (+12pp)	59% (-9pp)	44% (-15pp)	40% (-4pp)	42% (+2pp)
Commissions available	34% (+16pp)	17% (-17pp)	26% (+9pp)	30% (+4pp)	26% (-4pp)
Level of operational support provided by the lender	43% (+6pp)	41% (-2pp)	27% (-14pp)	28% (+1pp)	18% (-10pp)
Number of documents required by the lender compared to size of loan	26% (-4pp)	43% (+17pp)	29% (-14pp)	30% (+1pp)	23% (-7pp)
Pricing				52%	49% (-3pp)

Most frequent deciding factors for brokers by quarter:

Speed of receiving a decision & amount requested meets lender's offering [Q2 21]

Speed of receiving a decision & duration requested meets lender's offering [Q3 21]

Speed of receiving a decision [Q4 21]

Speed of receiving a decision [Q1 22]

Speed of receiving a decision [Q2 22]

How the total number of applications brokers submitted in the last four weeks compares to the four weeks before that

	2021			2022	
	Q2	Q3	Q4	Q1	Q2
Significantly less (down by over 50%)	6% (-1pp)	2% (-4pp)	10% (+8pp)	4% (-6pp)	0% (-4pp)
Less (down by 10% to 50%)	9% (-2pp)	15% (+6pp)	19% (+4pp)	10% (-9pp)	12% (+2pp)
Broadly the same (give or take 10%)	47% (+1pp)	50% (+3pp)	42% (-8pp)	51% (+9pp)	42% (-9pp)
More (up by 10% to 50%)	19% (-3pp)	22% (+3pp)	17% (-5pp)	18% (+1pp)	32% (+14pp)
Significantly more (up by over 50%)	19% (+5pp)	11% (-8pp)	11% (+/-0pp)	16% (+5pp)	14% (-2pp)

Comment on Q2 2022 volume:

Almost half (46%) submitted more lending applications compared to 4 weeks prior (all time high). Only 12% submitted fewer (lowest % to date).

Most commonly requested loan amount by SMEs

	2021			2022	
	Q2	Q3	Q4	Q1	Q2
Up to £25,000	17%	32% (+15pp)	17% (-15pp)	26% (+9pp)	17% (-9pp)
£25,001 to £50,000	38%	29% (-9pp)	20% (-9pp)	21% (+1pp)	13% (-8pp)
£50,001 to £100,000	26%	26% (+/- 0pp)	26% (+/- 0pp)	21% (-5pp)	33% (+12pp)
£100,001 to £200,000	15%	9% (-6pp)	26% (+17pp)	20% (-6pp)	25% (+5pp)
Over £200,000	4%	4% (+/- 0pp)	11% (+7pp)	12% (+1pp)	13% (+1pp)

Most commonly requested amount by SMEs:

£25,001 to £50,000 [Q2 21]

Up to 25,000 [Q3 21]

£50,001 to £100,000 & £100,001 to £200,000 [Q4 21]

Up to 25,000 [Q1 22]

£50,001 to £100,000 [Q2 22]

Thinking back to the number of loan requests you had each month before the pandemic, when do you believe the market will return to that level?

	2022	
	Q1	Q2
Already returned	30%	26% (-4pp)
In 3 months	10%	18% (+8pp)
In 6 months	21%	11% (-10pp)
In 9 months	6%	11% (+5pp)
In 12 months	8%	16% (+8pp)
Over 12 months	10%	7% (-3pp)
Don't know	16%	12% (-4pp)

Comment on Q2 2022 demand:

Over half (55%) believe the market has either already returned to pre-pandemic levels or will return within the next 6 months.

Which sector do you see most demand for finance coming from?

	2022	
	Q2	
(top 5 sectors)		
1 Construction	32%	
2 Hospitality	14%	
3 Manufacturing	12%	
Retail	12%	
4 Property & Storage	7%	
5 Transport	5%	

Sector seeing most demand by quarter:

Construction

How concerned are your small business clients about the possibility of a recession?

	2022	
	Q2	
Very concerned	19%	
Concerned	58%	
Neither concerned nor unconcerned	16%	
Unconcerned	5%	
Very unconcerned	2%	

Comment for Q2 2022:

77% of brokers said their small business clients are concerned about the possibility of a recession.

+/- pp refers to change in percentage points

For more information on iwoca's SME Expert Index please contact:

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