

SME Expert Index

Q3 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.

Q3 2022 results: Cash flow becomes top priority for small businesses as economic storm brews

Based on insight from UK brokers who collectively submitted over 3000 applications for unsecured finance on behalf of their SME clients in September.

Showing data from Q3 2021 onwards. See [archive](#) for earlier results.

Most common loan purposes for SMEs

	2021		2022		
	Q3	Q4	Q1	Q2	Q3
Grow the business	35% (+12pp)	43% (+8pp)	43% (+/-0pp)	40% (+3pp)	41% (+1pp)
Manage day to day cash flow	26% (-6pp)	24% (-2pp)	31% (+7pp)	37% (+6pp)	42% (+5pp)
Recovery from lockdown or closure	20% (-1pp)	9% (-11pp)	8% (-1pp)	2% (-6pp)	1% (-1pp)
Make large stock purchases	11% (+5pp)	2% (-9pp)	6% (+4pp)	4% (-2pp)	2% (-2pp)
Bridge occasional cash flow gaps	7% (-6pp)	14% (+7pp)	10% (-4pp)	12% (+2pp)	8% (-4pp)

Most common SME loan purpose by quarter: Grow the business [Q3 21] Grow the business [Q4 21] Grow the business [Q1 22] Grow the business [Q2 22] Manage day to day cash flow [Q3 22]

Most impactful factors when brokers present competing loan offers to SMEs

	2021		2022		
	Q3	Q4	Q1	Q2	Q3
Approved amount	20% (-3pp)	17% (-3pp)	15% (-2pp)	18% (+3pp)	21% (+3pp)
Monthly repayment amount	15% (+/- 0pp)	17% (+2pp)	17% (+/-0pp)	12% (-5pp)	14% (+2pp)
Total cost of borrowing	17% (-2pp)	20% (+3pp)	23% (+3pp)	6% (-17pp)	17% (+11pp)
APR	17% (+11pp)	16% (-1pp)	14% (-2pp)	18% (+4pp)	24% (+6pp)
Monthly interest rate	13% (-6pp)	14% (+1pp)	10% (+4pp)	29% (+19pp)	13% (-16pp)
Length of loan	15% (+6pp)	9% (-6pp)	12% (+3pp)	6% (-6pp)	7% (+1pp)
Flexibility of product	2% (-7pp)	7% (+5pp)	9% (+2pp)	12% (+3pp)	4% (-8pp)

Most impactful factor for brokers by quarter: Approved amount [Q3 21] Total cost of borrowing [Q4 21] Total cost of borrowing [Q1 22] Monthly interest rate [Q2 22] APR [Q3 22]

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

	2021		2022		
	Q3	Q4	Q1	Q2	Q3
No arrangement fee	15% (+2pp)	7% (-8pp)	8% (+1pp)	9% (+1pp)	6% (-3pp)
Speed of receiving a decision	67% (-1pp)	57% (-10pp)	60% (+3pp)	75% (+15pp)	63% (-12pp)
Duration requested meets lender's offering	67% (+20pp)	28% (-39pp)	23% (-5pp)	23% (+/-0pp)	31% (+8pp)
Amount requested meets lender's offering	59% (-9pp)	44% (-15pp)	40% (-4pp)	42% (+2pp)	43% (+1pp)
Commissions available	17% (-17pp)	26% (+9pp)	30% (+4pp)	26% (-4pp)	17% (-9pp)
Level of operational support provided by the lender	41% (-2pp)	27% (-14pp)	28% (+1pp)	18% (-10pp)	24% (+6pp)
Number of documents required by the lender compared to size of loan	43% (+17pp)	29% (-14pp)	30% (+1pp)	23% (-7pp)	21% (-2pp)
Pricing			52%	49% (-3pp)	45% (-4pp)

Most frequent deciding factors for brokers by quarter: 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] Speed of receiving a decision [Q3 22]

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

	2021		2022		
	Q3	Q4	Q1	Q2	Q3
Significantly less (down by over 50%)	2% (-4pp)	10% (+8pp)	4% (-6pp)	0% (-4pp)	3% (+3pp)
Less (down by 10% to 50%)	15% (+6pp)	19% (+4pp)	10% (-9pp)	12% (+2pp)	12% (+/-0pp)
Broadly the same (give or take 10%)	50% (+3pp)	42% (-8pp)	51% (+9pp)	42% (-9pp)	45% (+3pp)
More (up by 10% to 50%)	22% (+3pp)	17% (-5pp)	18% (+1pp)	32% (+14pp)	26% (-6pp)
Significantly more (up by over 50%)	11% (-8pp)	11% (+/-0pp)	16% (+5pp)	14% (-2pp)	14% (+/-0pp)

Comment on Q3 2022 volume: 40% submitted more lending applications for unsecured finance compared to 4 weeks prior. 15% submitted fewer.

Most commonly requested loan amount by SMEs

	2021		2022		
	Q3	Q4	Q1	Q2	Q3
Up to £25,000	32% (+15pp)	17% (-15pp)	26% (+9pp)	17% (-9pp)	19% (+2pp)
£25,001 to £50,000	29% (-9pp)	20% (-9pp)	21% (+1pp)	13% (-8pp)	22% (+9pp)
£50,001 to £100,000	26% (+/- 0pp)	26% (+/- 0pp)	21% (-5pp)	33% (+12pp)	28% (-5pp)
£100,001 to £200,000	9% (-6pp)	26% (+17pp)	20% (-6pp)	25% (+5pp)	19% (-6pp)
Over £200,000	4% (+/- 0pp)	11% (+7pp)	12% (+1pp)	13% (+1pp)	12% (-11pp)

Most commonly requested amount by SMEs by quarter: 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] £50,001 to £100,000 [Q3 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	Q3
Already returned	30%	26% (-4pp)	21% (-5pp)
In 3 months	10%	18% (+8pp)	7% (-11pp)
In 6 months	21%	11% (-10pp)	13% (+2pp)
In 9 months	6%	11% (+5pp)	4% (-7pp)
In 12 months	8%	16% (+8pp)	8% (-8pp)
Over 12 months	10%	7% (-3pp)	19% (+12pp)
Don't know	16%	12% (-4pp)	28% (+16pp)

Comment on Q3 2022 demand: 19% think believe the market will take over 12 months to return. 28% are unsure.

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

(top 5 sectors each quarter)	2022			
	Q2		Q3	
1 Construction	32%	31%	1 Construction	31%
2 Hospitality	14%	17%	2 Hospitality	17%
3 Manufacturing	12%	13%	3 Retail	13%
4 Retail	12%	12%	4 Manufacturing	12%
5 Transport & Storage	7%	5%	5 Wholesale	5%
Property	5%			

Sector seeing most demand by quarter: Construction Construction

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

	2022	
	Q2	Q3
Very concerned	19%	19% (+/-0pp)
Concerned	58%	56% (-2pp)
Neither concerned nor unconcerned	15%	20% (+4pp)
Unconcerned	5%	5% (+/-0pp)
Very unconcerned	2%	0% (-2pp)

Comment for Q3 2022: 75% of brokers said their small business clients are concerned about the possibility of a recession.

How concerned are your SME clients about their businesses surviving the increased energy prices?

	2022	
	Q2	Q3
Very concerned	28%	28%
Concerned	55%	55%
Neither concerned nor unconcerned	12%	12%
Unconcerned	4%	4%
Very unconcerned	0%	0%

Comment for Q3 2022: 83% of brokers said their SME clients are concerned about their businesses surviving the increased energy prices.

/ - pp refers to change in percentage points

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

press@iwoca.co.uk