SME FINANCE MONITOR

Q4 2025 Report

Chapter Summaries

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Growth summary

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Past growth (which excludes Starts) remained stable (27%) but below pre-pandemic levels with little change since 2022 and still below the 4 in 10 growing pre-pandemic:

- Larger SMEs remained more likely to have grown (45-46% 10-249 employees), as did younger SMEs (40% trading 2-5 years), and those in Manufacturing (32%) ,Agriculture (31%) or Property/Business Services (30%)
- Those trading for more than 15 years were the least likely to have grown (22%)

Fewer SMEs in 2025 were planning to grow (41%), down 6 points on 2024 and now back below pre-pandemic levels. A stable 18% of SMEs had both grown and planned to grow again:

- Again, larger SMEs were more likely to be planning to grow and as a result, 34% of those with 10-49 or 50-249 employees had both grown and were planning to grow, compared to 15% with 0 employees and 24% with 1-9 employees
- Over half of younger SMEs were planning to grow, and 30% of those trading for 2-5 years had both grown and planned to grow again
- Of the 3 sectors more likely to have grown:
    - those in Manufacturing were also more likely to be planning to grow (51%) and therefore more likely to be in the 'grown and plan to grow' group (23%);
    - those in Property/Business were slightly more likely to be planning to grow (45%) and so slightly more likely to be in the 'grown and plan to grow' group (20%);
    - those in Agriculture were somewhat less likely to be planning to grow (37%) or to be in the 'grown and plan to grow group' (15%)
- Those trading for more than 15 years were also less likely to be planning to grow (30%) and therefore less likely to be in the 'grown and plan to grow' group (14%)

A consistent quarter of SMEs (26%) met the definition of an Ambitious Innovator, an SME that is both planning to grow and to be innovative in the coming year:

- This proportion increased by size of SME to 42% of those with 50-249 employees and declined by age to 17% of those trading for more than 15 years. It was also higher for those in Manufacturing (37%) and Health (35%) compared to 17% in Construction

Comparing Ambitious Innovators (planning to grow and innovate) with those that had already achieved growth (accepting some overlap between them) showed that:

- Ambitious Innovators:
- Were more likely to plan and to have innovated in the past year as well as to be planning to innovate in the coming year and to have a mentor
- They were more likely to be using any business funding, being more likely to have injected personal funds and slightly more likely to be using external finance, as well as being more likely to be planning to apply for finance and to agree that they were happy to borrow to grow, though they were not as confident as others that an application would be successful

Those who had grown felt more positive than their peers:

- They were the most likely to hold more than £10,000 of credit balances, to feel the future offered opportunities, and not to feel that the future looked uncertain so they should be cautious with plans
- They were less likely to see key barriers to their business, including higher costs, the current economic climate and lower demand
- They were slightly more likely to be using finance, more confident of success were they to apply, and less likely to feel it could be difficult for them to get finance.

The general context

Summary

A quarter of SMEs (27%) reported having grown in the previous year, down slightly on 2023-24 (29%) and back in line with 2022. Growth remained well below pre-pandemic levels when, typically, 4 in 10 would have grown, with a more noticeable 'gap' in 2025 for larger SMEs. The proportion reporting a decline was stable at 32%, lower than the 2021 'peak' of 56% but still higher than the more typical 19% that reported a decline in 2019:

- In 2025, the proportion of SMEs that had grown increased by size from 24% of 0 employee SMEs to 34% with 1-9 employees, 45% with 10-49 employees (each slightly lower than in 2024) and 46% for the largest SMEs with 50-249 employees
- As with other similar metrics, the proportion that had grown declined by age of SME, from 40% trading 2-5 years to 22% of those trading for more than 15 years
- Other SMEs more likely to have grown included those in Manufacturing (32%) , Agriculture (31%) or Property/Business Services (30%)
- A quarter of SMEs excluding Starts (26%) had achieved scaleup growth of 20% or more over 3 consecutive years in the last 10. This proportion has been stable overall since 2021, but has increased steadily over that period for the largest SMEs (18% to 24%)
- The 2025 growth figure was 10 points lower than in 2019 when 37% of SMEs had grown. Analysis by size showed a drop of 9 points between these two dates for those with 0, 1-9 or 10-49 employee SMEs, compared to 20 points for those with 50-249 employees
- The 2025 decline figure of 32% was 13 points higher than in 2019 when 19% of SMEs had declined. Analysis by size between the two years showed an increase in declines of 14 points for 0 employee SMEs (to 35%), 11 points for 1-9 employee SMES (to 26%), 8 points for those with 10-49 employees (to 18%) and 6 points for the largest SMEs with 50-249 employees (to 14%)

Whilst growth levels remained lower than previous seen, **profitability** was more in line with pre-pandemic levels. A stable 79% of all SMEs reported making a profit, maintaining the increase seen since 65% reported a profit in 2021. An increasing proportion said that improving their profit margins was a priority (51%):

- The proportion making a profit increased by size of SME from 78% of those with 0 employees to 91% of those with 50-249 employees (the latter up 6 points on 2024)
- There was limited variation by age, apart from amongst Starts where 62% made a profit, down 11 points from 2024 and compared to 77-82% of those trading for more than 2 years
- There was limited variation in profitability by sector (76-82%) with the exception of the Hotel and Restaurant sector which remained less likely to have made a profit (68%)
- Half of SMEs in Q4 2025 said improving their profit margins was a priority, a further increase from H2 2023 when 39% said it was a priority, and back to levels seen in 2020. All sizes of SME saw an increase in this priority in Q4 2025, notably 0 employee SMEs (up 11 points to 48%), as those with 50-249 employees remained the most likely to see this as a priority (72%)

An increasing proportion of SMEs in 2025 (23%) described themselves as '**Struggling**' with income failing to match outgoings, while 32% felt they were 'well off/comfortable'. Those who were Struggling were smaller, less likely to have grown (though they have ambitions to), but more likely to be using external finance (including still repaying pandemic funding) and to have an appetite to apply for more. Very few of them felt that the future offered opportunities:

- 23% of SMEs in 2025 described themselves as 'Struggling', a steady increase over time from the 18% in this position in 2023. This proportion declined by size of SME from 25% with 0 employees to 10% with 50-249 employees, and by age of SME, from 33% of Starts to 20% trading for over 15 years
- SMEs in Construction and Property/Business Services were less likely to be in this category (both 20%) compared to 29% in the Health sector

- The profile of those who said they were 'Struggling' remained different to their peers. They were:
    - Less likely to have employees (19% v 26% overall), or to have grown (12% v 27%) though they showed some future ambition (39% planned to grow v 41% overall), despite being much less likely to feel the future offered them opportunities (7% v 28%)
    - 54% were already using external finance, including 22% repaying pandemic funding (v 46% and 19% overall) and they were the most likely to either be planning to apply for finance (18% v 11%) or to be a Future would-be seeker (24% v 14% overall)

"23% of SMEs are 'Struggling'. These are more likely to be smaller SMEs, and those who feel the future offers threats rather than opportunities"

Almost all SMEs held some **credit balances**, with a stable 30% holding more than £10,000, increasing by size of SME. Most holding such sums agreed it reduced their need for external finance, the equivalent of 16% of all SMEs:

- 14% of SMEs held no credit balances, the highest proportion seen recently (in 2022 and 2023, 3% had no credit balances). 4 in 10 held less than £5,000, declining by size of SME from 47% with 0 employees to 3% with 50-249 employees
- 30% of SMEs held £10,000 or more in credit balances, unchanged from 2024 but slightly lower than the 33-35% with such balances 2021-23, a decline seen slightly more amongst larger SMEs though they remained more likely to hold such balances, increasing from 23% with 0 employees to 85% with 50-249 employees
- With the exception of Starts (17%) there was limited variation in £10,000 balances by age of SME (29-34%), while increases in such balances held in Manufacturing, Agriculture and Hotels and Restaurants saw them become the most likely to hold £10,000+ (37%)

A quarter of SMEs had **employees** (26%). Amongst employers, the proportion with no plans to recruit in the coming months has increased over recent years, while fewer employers reported issues recruiting the people they needed. The proportion employing staff from overseas remained lower than previously seen:

- In 2025, 34% of employers said they had no plans to recruit, a further increase from the 17% with no plans to recruit in H2 2022. 36% of those with 1-9 employees had no plans to recruit, compared to 12% of those with 50-249 employees

- Meanwhile, 21% of employers said they were struggling to recruit, down from 26% in H2 2022. 19% of those with 1-9 employees were struggling to recruit, increasing to 28% of those with 10-49 employees and 26% with 50-249 employees

These groups have changed over time:

- Back in 2023, employers were as likely to say they were struggling to recruit (23%) as they were that they had no plans to recruit (24%) but by 2025 there was a 13-point gap between the 34% of employers with no plans to recruit and the 21% struggling to recruit
- This gap varies by size of employer: for those with 1-9 employees ,36% had no plans to recruit compared to 19% struggling to do so, for those with 10-49 employees the two percentages were the same (28%) while the largest employers remained more likely to be struggling to recruit (26%) than to have no plans to recruit (12%)
- 7% of employers in 2025 said they employed people from overseas, increasing by size of employer to 32% with 50-259 employees. This was unchanged from 2024 but remained lower than previously seen - between 2018 and 2021, 15-17% of employers had staff from overseas

Business activities and innovation – while the proportion of SMEs trading internationally, or with a mentor, was stable in 2025, fewer SMEs reported any planning or innovative activity, or said they had a high level of trust in their main bank. 4 in 10 were using accounting software to help manage their finances. All of these activities increased by size of SME while levels of planning, innovation and a mentor decreased with age. In 2025:

- A stable 20% of SMEs were trading internationally, with 11% exporting and 14% importing. The largest SMEs (22%) and those in Manufacturing (18%) remained the most likely to be exporting. 1 in 5 of all exporters (22%) said more than 50% of their overall sales came from exports, while 40% said they were very/fairly reliant on exports to hit their overall sales targets
- A stable 15% had a mentor to advise the business
- 49% of SMEs reported any planning activity, down from 54% in 2023 and 2024, as fewer SMEs reported producing regular management accounts (down 5 points to 40%), while a stable 23% reported having a business plan

- 41% of SMEs reported doing any innovative activity in the past year, down 5 points from 2024 but in line with previous years from 2020. The 2025 figure reflected fewer SMEs that had improved an aspect of their business (down 5 points to 35%) and slightly fewer launching a new product or service (down 2 points to 21%)
- Reported use of accounting software in 2025 was 41%, up from 34% when this question was first asked in H2 2024. Use increased with the size of SME from 36% of those with 0 employees to 78% of those with 50-249 employees
- 52% reported a high level of trust in their main bank, increasing to 65% of those with 50-249 employees. This proportion has declined steadily since the 60% reported for 2021 and 2022, particularly for smaller and younger SMEs

"41% of SMEs reported any innovative activity in the past year, down 5 points from 2024 as fewer SMEs improved an aspect of their business"

In a new question for Q4 2025, 8% of SMEs were aware of a **cyber attack**, with 6% having suffered a cyber-attack themselves/on a key service they use, while 4% were aware of a cyber-attack on an important client:

- Incidence increased by size of SME from 7% of those with 0 employees to 12% of those with 50-249 employees. This was due to higher awareness amongst larger SMEs of an important client being affected (3% to 8%), rather than the SME themselves (5-6% across size bands)
- Those in Property/Business Services (12%) and fully international SMEs (16%) were more likely to be aware of an attack, with 11% of these fully international SMEs reporting an attack on themselves/a service they use, twice the level of domestic only SMEs (5%)

Financial context
Part 1

Summary

A stable 46% of SMEs were using any form of external finance, including 19% who were still repaying pandemic funding. A quarter of finance users were borrowing more than £25,000 in total and a similar proportion said some or all of this finance was secured:

- 46% of SMEs reported using any form of finance in 2025, little changed from 2023 (when changes to the questionnaire meant that the repayment of pandemic funding was recorded more accurately)
- This proportion increased from 42% of 0 employee SMEs to 65% of those with 10-49 employees. Since the pandemic the largest SMEs with 50-249 employees have been somewhat less likely to be using external finance (46% in 2025) having previously been the most likely
- There was a similar pattern for use of finance by age of SME, which increased from 31% of Starts to 54% trading for 6-9 years, and was then somewhat lower for the oldest SMEs (47% for those trading for 10 years or more)
- 28% of SMEs reported having applied for pandemic funding and almost all were successful. 19% of SMEs were still repaying this funding increasing to a quarter of those with 1-9 or 10-49 employees
- In most years since 2020, around 3 in 10 SMEs have used one or more forms of core finance (loans, overdrafts or credit cards) and this was also the case in 2025 (30%), with credit cards remaining the most popular of these forms of finance (18%)
- Meanwhile around 2 in 10 SMEs (21% in 2025) have used one or more of a range of other forms of finance, of which leasing and HP continued to be the most popular (12% in 2025)

Amongst those using any form(s) of finance:

- A quarter (24%) said they were borrowing more than £25,000 overall, increasing by size to 57% of those with 10-49 employees and 76% of those with 50-249 employees

- This proportion remained lower than the 35% borrowing £25,000 or more in H2 2022, with the decrease seen across finance users of all sizes, but notably for those with 1-9 employees (down 18 points to 36%) or 10-49 employees (down 20 points to 57%)
- A stable quarter of these SMEs (26%) said some or all of their finance was secured, and the proportion increased by size of borrower from 22% of those with 0 employees to 42% of those with 50-249 employees

A limited number of SMEs were using a **personal** bank account for their business banking, but facilities in a personal name were somewhat more common, with both primarily seen amongst the smallest SMEs:

- The proportion using a personal account for their business banking decreased from around 1 in 5 in the early years of this study to 7%in 2023, a likely influence being the availability of pandemic funding to business bank account holders only. Since then, there has been a small increase in personal accounts, to 10% in 2025, but in all years most of these personal account holders have been 0 employee SMEs (94% in 2025)
- A quarter of SMEs using finance had one or more facility in a personal name, the equivalent of 9% of all SMEs. Similar proportions of SMEs using finance said they had an overdraft (13%), a loan (13%) and/or another facility (15%) in a personal name, with a smaller number saying they had these facilities in both a personal and a business name (7%, 4% and 8%)

Alongside external finance, 32% of SMEs reported an injection of **personal funds** into the business, a slightly lower proportion than in 2023-24:

- 32%of SMEs reported an injection of personal funds, made up of 21% who felt they had no choice and 12% who chose to do it to help the business grow
- Such injections of personal funds remained more common amongst smaller SMEs with 0 (34%) or 1-9 employees (31%) than amongst larger SMEs with 10-49 (18%) or 50-249 employees (9%), and were also more common amongst younger SMEs (60% of Starts compared to 25% of those trading for over 15 years)

- The 32% reporting an injection of personal funds in 2025 was slightly lower than in 2023-24 (36% and 37%), with fewer mentions of either having to, or choosing to, inject funds

4 in 10 SMEs were using **trade credit**, little changed over time. Taken together with external finance, and injections of personal funds, 7 in 10 SMEs were using some form of 'business funding':

- 38% of SMEs used trade credit, stable since 2019 and more common amongst larger SMEs, ranging from 31% of those with 0 employees to 80% of those with 50-249 employees. Just over half of those using trade credit (57%) said this reduced their need for external finance, the equivalent of 22% of all SMEs, again increasing by size of SME, to 52% of all SMEs with 50-249 employees
- 72% of SMEs were using 'business funding' defined as any combination of external finance, trade credit and/or injections of personal funds, down slightly from 2023-24 (75%)
- Again, the proportion increased with the size of SME. 69% of 0 employee SMEs had any business funding, increasing to 81% of those with 1-9 employees, 88% of those with 10-49 employees and 87% with 50-249 employees

17% of finance users were concerned about **repaying** the finance they had. A minority of those with concerns (22%) had already spoken to their lender while most of the rest had no plans to speak to them. Around a quarter of those who had not (yet) spoken to their lender thought they would definitely be treated fairly, be offered practical help and/or that the bank would be supportive:

- 17% of SMEs using finance were concerned about repaying that finance and this was more likely to be the case for smaller finance users (17% of finance users with 0 employees and 16% with 1-9 employees) than larger ones (11% with 10-49 employees and 8% with 50-249 employees). This is the equivalent of 7% of all SMEs, and this proportion has been stable since 2022
- 22% of SMEs with repayment concerns had already spoken to their lender (with almost half of them,43%, happy with the outcome of the conversation). Almost as many (18%) planned to speak to their lender while the largest group (61% of those with repayment concerns) had no such plans

"17% of finance users were concerned about repaying the finance they have, but only a minority have spoken to their lender about this"

Amongst all those that had not yet spoken to their lender:

- As many thought their bank would definitely treat them fairly (25%) as thought they wouldn't (22%)
- Slightly fewer thought their bank would definitely be supportive (23%) than thought they wouldn't (30%)
- Fewer thought their bank would definitely offer practical help (20%), than thought they wouldn't (37%)

All three 'definitely' scores were somewhat lower in 2025 than in 2023 or 2024, and those with plans to speak to their lender were no more likely to think they would be treated fairly etc than those with no plans to speak to them.

Financial context Part 2

Summary

While 46% of SMEs used external finance, almost as many, 40% in 2025, seem firmly disinclined to borrow and so met the definition of a 'Permanent non-borrower'. Historically there have been more PNBs than those using finance but since 2019 the two groups have been closer and since 2023 there have been more finance users than PNBs (aided by the inclusion of those still repaying pandemic funding):

- Permanent non-borrowers are those SMEs that are not using /have not applied for finance (and did not apply for pandemic funding), nor do they have any plans to apply but say that nothing has stopped or would stop them from doing so. In 2025, 40% of SMEs met that definition, up 5 points from 2023 and 2024 (both 35%) and back in line with 2019-2021
- The smallest and largest SMEs were most likely to be a PNB, from 43% of SMEs with 0 employees, to 31% with 1-9 employees, 25% of those with 10-49 employees and 41% with 50-249 employees. The increase 2024 to 2025 was led by the smallest SMEs (up by 5 points) with smaller, 2 point, increases for the other size bands
- Starts were the most likely age band to be a PNB (47%) reducing to 34% of those trading for 6-9 years, but then slightly higher again amongst older SMEs (39% for those trading for 10+ years)
- SMEs in the Health sector remained much more likely to be a PNB (59% and up 8 points from 2024), compared to 32% in Agriculture and 33% in Transport

The relative proportions of PNBs and finance users continued to vary by size of SME:

- 0 employee SMEs have typically been more likely to be a PNB than to use finance . In both 2023 and 2024 the balance tipped to finance users but currently the two groups are around the same size (42% external finance v 43% PNBs in 2025)
- Those with 1-9 employees have almost always been more likely to be using finance than to be PNB, though the gap has varied. It is currently at one of the widest levels seen (55% external finance v 31% PNBs in 2025)

- Those with 10-49 employees have also always been more likely to be using finance than to be PNB, with a wider gap seen in recent years (65% external finance v 25% PNBs in 2025)
- The pattern for the largest SMEs is somewhat different. Pre-pandemic they were much more likely to be using finance than to be a PNB, but lower use of finance from 2021 and a higher proportion of PNBs saw a clear swing in favour of PNBs to 2023 since when the two groups became somewhat closer again (46% external finance v 41% PNBs in 2025)
- Compared to their peers, PNBs were more likely to have made a profit, to feel 'Well off/Comfortable' and as likely to hold £10,000 or more of credit balances, but they were also less likely to have been innovative or to be planning to grow

Attitudinally, in H2 2025, many SMEs continued to agree that they would rather grow more slowly than borrow to grow and 6 in 10 (in Q4) were being cautious with their plans due to the future feeling uncertain. Around a third were happy to borrow to grow, but similar proportions thought it could be difficult for them to get finance and/or that lenders perceived them as riskier than they really were, with 1 in 6 SMEs both happy to borrow but thinking it could be difficult:

- Three-quarters of SMEs (77%) agreed that they were happy to grow more slowly rather than borrow to grow, with limited differences by size with the exception of the largest SMEs where half agreed. When asked why this was, those who strongly agreed with the statement said that they preferred to be self-reliant (71%), with 35% saying finance was too risky/ expensive and 19% that the trading environment was too uncertain
- More broadly, 6 in 10 agreed that, because the future felt uncertain, they were being cautious with their plans for investment and growth in the business, again with limited differences by size with the exception of the largest SMEs where half agreed
- 33% were happy to borrow to grow, increasing by size of SME to 50% of those with 10-49 employees but somewhat lower for the largest SMEs (41%). A similar proportion (37%) thought that it could be difficult for them to get finance and/or that financial providers saw them as more risky than they really were (34%). Agreement with each statement decreased with the size of SME, to 17% of the largest SMEs

- Overall, 17% of SMEs in 2025 agreed both that they were happy to borrow to grow but also that they thought it could be difficult for them to get finance. This was again less likely to be the case for larger SMEs (10% for those with 50-249 employees)

- The PNBs described above were as likely as their peers to agree that they would grow more slowly rather than borrow to grow (77%) , and almost as likely to agree that the future feels uncertain (54%). Across other metrics, they were less happy to borrow to grow (18%) but also less likely to think it could be difficult for them to get finance, or that lenders perceive them as riskier than they really are (30% and 25%)

The '**Ambitious Risk takers**' are defined by agreeing that they want to be a significantly bigger business and are prepared to take risks to grow. 29% of SMEs met this definition in 2025, and this proportion has changed very little since 2020. These ARTs were more likely to be using finance, to be innovative, international and to plan, to have grown and to be planning to grow, making them a key group of SMEs:

- Except among those with 0 employees (27%), there was little difference in Ambitious Risk Takers by size of SME (34-38% amongst those with employees), but a clear difference by age of SME, declining from 54% of Starts to 18% of those trading for more than 15 years

- Those in Wholesale/Retail were the most likely sector to be an ART (33%), compared to 23% in Agriculture and Construction

- ARTs are an interesting group, given that they were more likely to be using external finance (54% v 43% not meeting the definition), to be innovative (57% v 35%), international (26% v 17%) and to plan (61% v 44%) as well as more likely to have grown (37% v 23%) and to be planning to grow (69% v 30%) and/or apply for finance (20% v 7%).

"29% of SMEs were 'Ambitious Risk takers' who agreed that they wanted to be a significantly bigger business and were prepared to take risks to grow"

Need for funding

Summary

A small minority of SMEs reported having had a need for external funding in the previous year (6%) with limited variation over time or by types of SME. In 2025, the funding was as likely to have been needed for cash flow reasons as for business development, with a third of those with a funding need looking to borrow more than £25,000:

- Need for funding has been 3-7% in all recent years with the exception of the pandemic years 2020 (9%) and 2021 (12%)
- In 2025, it varied little by size of SME (6% for 0 employees, 7% for those with 1-9 employees, 8% for 10-49 employees and 4% for those with 50-249 employees) and only slightly more by age (10% for Starts and those trading for 2-5 years, 9% trading for 6-9 years and 4% trading for more than 10 years). Excluding the PNBs with no appetite for finance increased the proportion of remaining SMEs with a need for funding to 10%

Amongst those that had a need for funding:

- 52% needed it for cash flow purposes, primarily as working capital, up from 40% in 2024
- 54% said that the funding was for business development reasons, typically to invest in new plant, machinery, etc., or to fund UK expansion, down slightly from 2024 (57%)
- Larger SMEs (10-249 employees) with a need for funding in 2025 were somewhat more likely to have wanted funds for business development (56%) and less likely to have wanted it for cash flow (46%)
- The proportions looking for funding for each of these broad purposes has typically been around 50/50, except 2020 and 2021, when most funding was needed for cash flow purposes (81%). The balance then moved back in favour of business development (a 60/40 split), but the increase in funding needed for cash flow in 2025 took it back to an even split

35% of SMEs with a funding need had been looking to borrow more than £25,000:

- This varied markedly by size (32% of these SMEs with 0-9 employees were looking for £25,000 or more, amongst those with 10-249 employees the figure was 79%) and also age of SME (15% of these Starts were looking for such sums compared to almost half of those trading for 10 years or more)
- Those looking to fund business development were also more likely to be looking to borrow more than £25,000 (41% v 26% of those looking for cash flow funding)

Most of those with a need for funding took some **action** (86%), typically talking to a bank or advisor, looking online or discussing it within the business. Whilst only a few took no action, the proportion has increased over recent years:

- 37% of SMEs with a need for funding said they had spoken to a finance provider or advisor, including 17% who spoke to their main bank
- Larger SMEs with a need for funding were more likely to have spoken to someone than smaller ones (59% v 36%) and to have spoken to a wider range of people, including the main bank (22% v 16%)
- Over time, the proportion speaking to someone has been as high as 55% (2020) before declining to 29% in 2023, with similar fluctuations in contact with the main bank, but a steadier decline in those using an accountant or other professional (19% in 2019 to 5% in 2025)
- In the last few years, around a quarter of these SMEs had looked online for providers, comparison sites and/or advice on applications (21% in 2025) with little difference by size of SME in 2025
- Discussions within the business were mentioned by 18% of those with a need for funding (and 25% of larger SMEs with a need) and a similar proportion (17%) said they considered finding some or all of the funds needed from within the business, with limited variation over time for either action, other than during the pandemic when they were less likely to have been mentioned
- 14% of SMEs with a need for funding said that they took no action, and whilst this is a small minority, it has increased steadily since 2021 when 4% took no action. Smaller SMEs with a need for funding were more likely to be in this category than larger ones (14% v 5%)

Just over half of those who took any action about their funding need went on to consider **applying for finance**, and in the end half did. 24% applied to their main bank, little changed from recent years, but there were slightly more applications to a new provider than previously seen:

- 56% of those taking action on their need for funding then considered making an application for funding, including 28% that considered applying to their main bank. Larger SMEs with a need for funding were more likely to consider any application (74% v 55%) and also to consider an application to their main bank (38% v 28%)
- In the end, 50% of SMEs with a need for finance who took any action made an application, increasing to 75% of those with 10-249 employees. 24% applied to their main bank (31% for larger SMEs), while 18% applied to a new provider and 13% to an existing provider that was not the main bank (35% for larger SMEs). This was a slightly smaller share of applications for the main bank and a slightly higher share for new providers
- Overall, 43% of all those who initially identified a need for funding reported an application for finance, little changed from 2023-24 but somewhat lower than previously seen when just over half went on to apply
- In terms of other ways of meeting a funding need, there were more self-funders, in whole or part, in 2025 than typically seen (25%) increasing to 36% of those wanting funding for cash flow issues (v 16% of other applicants). There were also slightly more who decided not to take funding (16%), increasing to 20% of those looking for funding for business development (v 9% of other applicants)

"50% of SMEs with a need for finance who took any action applied for finance, 25% decided to fund (some of) it themselves and 16% decided not to take funding"

Borrowing events

Summary

In 2025, 13% of all SMEs reported any borrowing event, including as a result of a need for funding (3%) or the automatic renewal of an overdraft (8%), in line with most recent years:

- The proportion of SMEs reporting any borrowing event increased by size of SME from 12% with 0 employees to 20% with 10-49 employees (and up 5 points on 2024) but was somewhat lower for the largest SMEs (11%)
- There were limited differences by age of SME, with 9% of Starts reporting any borrowing event compared to 14-15% of older SMEs, but slightly more variation by sector, with 25% of those in Agriculture reporting any event (including 18% with an automatically renewed overdraft) compared to 9% in Health and 11-18% in other sectors
- Excluding the Permanent non-borrowers increased the proportion of remaining SMEs reporting a borrowing event to 22%, up 3 points from 2024 and back in line with 2022

Half of those reporting any application for new or renewed funding had **applied for** a bank loan. Just 2% reported a facility being repaid early, while two-thirds of SMEs with an overdraft said that it had been automatically renewed:

- 8 in 10 applicants for new or renewed facilities had only applied for one product, with 48% applying for a bank loan, 21% for an overdraft and 18% for leasing/hire purchase
- 2% of all SMEs said either that they had chosen to repay a facility early or that the bank had asked them to repay it
- 65% of SMEs with an overdraft said that it had been automatically renewed, the equivalent of 8% of all SMEs. There were limited differences by size of overdraft user (64-66%) with the exception of the largest SMEs where an automatic renewal was somewhat less likely (51%)

Outcome of Type 1 applications

Summary

Across all applications reported as being made from Q3 2024 to Q4 2025, half were made to the main bank, and a similar proportion were applying for a product for the first time, while 4 in 10 were applications for a loan. The vast majority were made in the name of the business:

- 47% of applications were made to the main bank and a further 18% to another existing provider, with a quarter made to a new provider
- 54% of all applications involved a product that had not been applied for before and this was more likely to be the case for applications from 0 employee SMEs (60%, declining to 28% of applications from those with 50-249 employees), and applications for a loan (54% v 46% of overdraft applications)
- 88% of applications were in the name of the business rather than a personal name. Those that were made in a personal name were almost all from smaller SMEs with 0-9 employees
- 42% of applications were for a bank loan, 17% were for a bank overdraft and 13% for leasing /hire purchase

1 in 10 applications had not received a **final decision** by the time of interview. Amongst those that had, 55% had a facility (52% had been offered the facility they had applied for, 3% had their facility after issues and 1% took a different product to the one they applied for). 9% were offered a facility but chose not to take it and 36% of applications had been declined:

- 55% of all applications resulted in a facility, increasing by size of applicant from 51% with 0 employees to 58% with 1-9 employees, 78% with 10-49 employees and 92%with 50-249 employees
- Success rates were also higher for those that applied to an existing provider (81%) rather than the main bank (43%) or a new provider (65%), and for those that had applied for the product before (65% v 47% of first-time applicants)
- 43% of successful facilities were for £25,000 or more, 36% required security and 78% were on a fixed rate

- Those who took a facility 'after issues' typically mentioned the interest rate/fees. Those that chose a different product typically switched to a bank loan and those that were offered something but turned it down cited the facility offered being too expensive, with some mentions of the security required or the terms and conditions
- Those that were declined cited a range of reasons given by the lender, including credit issues (24%), current business performance (15%) or a lack of security (12%). 1 in 4 of those declined said they weren't given a reason by the lender

57% of applicants were **satisfied with the outcome** of their lending application, increasing with the size of SME and with clear variation by application outcome. 45% reported an adverse impact on their application, typically that running the business was more of a struggle or that they had not expanded as they wished:

- 57% of all applicants with a response said that they were satisfied with the outcome of their application, including 33% who were very satisfied:
  - Overall satisfaction increased by size of SME from 51% of applicants with 0 employees to 91% with 50-249 employees (where 71% were very satisfied).
  - Larger SMEs were more likely to have been offered what they wanted, and applicants who were (of whatever size) were almost all satisfied (90% v 11% who were declined)

Those who were less than 'very satisfied' with their application were asked if there had been any adverse effects as a result:

  - 55% of applicants were either very satisfied or reported no adverse effect, again increasing by size of applicant (54% with 0 employees to 80% with 50-249 employees)
  - The key adverse effect was running the business being more of a struggle (28% of all applicants). 20% had not expanded as they would have liked and 15% had not improved the business as they had wanted

Success rates were positively impacted by the government-backed schemes during the pandemic and declined immediately afterwards, especially for smaller applicants. The 55% success rate for the 18 months to Q4 2025 was up 8 points on the 18 months to Q4 2024, but still below pre-pandemic levels when around 7 in 10 were successful:

- In the 18 months to both Q4 2020 and Q4 2021, over 8 in 10 applications were successful, compared to the more common 7 out of 10 pre-pandemic. Success rates then dropped over time to 52% in the 18 months to Q4 2024, before the slight increase to 55% in the current period
- Success rates by size of SME applying showed different patterns over time. Larger SMEs have always been more likely to be successful, and their success rates went up only slightly during the pandemic. Smaller SMEs saw a bigger positive impact during the pandemic followed by more of a decline afterwards, with some improvements in the most recent 18 months
- Whilst success rates were somewhat higher in the current 18 months to Q4 2025 compared to the previous period, they remained markedly below pre-pandemic levels:
- The gap to success rates in the 18 months to Q4 2019 (16 points overall) was 12 points for those with 0 employees, 18 points for those with 1-9 employees, 9 points for those with 10-49 employees and 6 points for those with 50-249 employees.
- By product the gaps were 23 points for overdrafts, 16 points for loans, but 4 points up for leasing/hp.

“Larger SMEs have always been more successful with applications, while smaller SMEs saw a bigger positive impact during the pandemic followed by more of a decline afterwards”

Not looking to borrow

Summary

All SMEs were allocated to one of three categories depending on their financial behaviour in the previous 12 months, in order to identify those with an unfulfilled need for finance. 13% of SMEs reported a borrowing event, 81% had been a Happy non-seeker of finance and 5% had been a Would-be seeker with something stopping them applying for finance:

- In all size bands the Happy non-seekers, who had not applied for finance and said that nothing had stopped them from doing so, were the largest group (78-82% amongst those with up to 49 employees and 88% of the largest SMEs). 37% of this group were using external finance as the definition is based on applications for, and not use of, finance
- 13% had reported a borrowing event, increasing to 17% of those with 1-9 employees and 20% of those with 10-49 employees, and covered in detail in earlier chapters

This left 5% of SMEs as Would-be seekers of finance, where something had stopped them applying:

- This decreased by size of SME from 6% with 0 employees to 1% with 50-249 employees.
- 9% of Starts were in this category, together with 7% trading for 2-5 or 6-9 years, and 7% in Transport and the Other Community sectors.
- This has always been a small group of SMEs, though the 5% meeting the definition in 2024 and 2025 was at the top of the range seen
- Excluding the Permanent non-borrowers with no apparent appetite for finance increases borrowing events to 22% of remaining SMEs and Would be seekers to 9%. Happy non-seekers remained the largest group at 69% of remaining SMEs

For Would-be seekers, issues with the process of borrowing were the **key barriers** to an application and the main reason for not applying for 4 in 10:

- In H2 2025, 45% of Would-be seekers mentioned any issue with the process of borrowing and 39% gave it as their main reason for not applying for borrowing, citing in particular the expense (13%), the impact of increasing interest rates (9%) and the hassle involved (6%)

- 23% of Would-be seekers mentioned any issue with the current economic climate and 17% gave it as their main reason for not applying, with 12% saying they did not want to borrow in the current economic climate and 5% that the performance of their business in the current climate meant they didn't want to borrow
- 18% of Would-be seekers mentioned any issue with discouragement and 15% gave it as their main reason for not applying, with 7% saying they thought they would be turned down and so didn't apply (compared to 1% who mentioned it informally to their bank and felt put off by their response) and 4% that they were already borrowing as much as they thought they could
- 16% of Would-be seekers mentioned any issue with the principle of borrowing and 11% gave it as their main reason for not applying, with 6% not wanting to lose control of the business and 5% saying they can raise personal funds if needed

The future

Summary

4 in 10 SMEs in 2025 reported that they were planning to grow, increasing by size of SME and declining by age. This was down 6 points from 2024 and is the lowest level seen since 2022 when 42% were planning to grow. Overall, a stable 18% of SMEs (excluding Starts) had both grown and planned to grow again:

- The proportion of SMEs planning to grow declined during the second half of 2025 and was 41% for the year as a whole, down 6 points from 2024:
    - Ambition to grow increased by the size of SME from 38% of 0 employee SMEs to 48% with 1-9 employees and then to 57% with 10-49 employees and 58% with 50-249 employees. All size bands were less likely to be planning to grow in 2025 than in 2024, down 5-6 points for those up to 49 employees and 3 points for those with 50-249 employees
    - Younger SMEs remained more likely to be planning to grow. 68% of Starts and 56% of those trading for 2-5 years planned to grow, compared to 48% trading for 6-9 years, 39% trading for 10-15 years and 30% of those trading for more than 15 years. All age groups were less likely to be planning to grow in 2025 than in 2024, notably those trading for 2-5 years (down 6 points)
    - SMEs in Manufacturing were the most likely to be planning to grow (51%) compared to 33% in Construction (and down 11 points on 2024). The Health sector saw a 9-point improvement in growth aspirations in 2025, to 45%
- 18% of SMEs (excluding Starts) had grown in the previous year and planned to grow again:
    - This increased by size of SME from 15% of 0 employee SMEs to 24% of those with 1-9 employees, and to 34% of those with either 10-49 or 50-249 employees
    - The proportion decreased with the age of business from 30% of those trading 2-5 years to 14% of those trading for more than 15 years
    - This proportion increased from 11% in 2021 to 19% in 2023 with little change since
- At the other end of the scale, 20% of SMEs (excluding Starts) had not grown in the past year and did not expect to grow in the coming year:

- This proportion decreased by size of SME from 22% of 0 employee SMEs to 7% of those with 50-249 employees and increased by the age of business from 10% of those trading 2-5 years to 23% of those trading for more than 15 years
- Over time the proportion neither having grown nor planning to grow decreased from 31% in 2021 to 20% in 2023 with little change since

All SMEs, irrespective of their growth ambition, were asked if they were planning any of a series of **initiatives** that could support future growth. In Q4 2025, 60% were planning any of these activities:

- The proportion planning any activity increased by size of SME from 56% of those with 0 employees to 88% with 50-249 employees and decreased by age of SME from 79% of Starts to 54% trading for more than 15 years
- Those with plans to grow were much more likely than those with no plans to have any activities planned (84% v 45%) as were those planning to apply for finance (83%)
- In Q4 2025, the activities most likely to be planned were significantly improving an aspect of the business (38%) and developing a new product or service (24%). These constitute 'future innovation' and are reported on below
- In terms of other activities, 23% of SMEs planned to take steps to reduce the carbon footprint of the business, increasing by size to 51% of the largest SMEs and this group was also more likely to be planning to invest in plant, machinery, etc. (45% v 22% of all SMEs)
- 1 in 5 SMEs had plans to take on more staff, with a clear pattern by size of SME from 14% of 0 employee SMEs to 57% with 50-249 employees

41% of SMEs had innovated in the past year and 43% planned to do so in the coming year. As a result, 57% of all SMEs had some **involvement in innovation** (past or future) and 27% could be described as Consistent Innovators, having innovated in the past year and planning to do so again in the coming year:

- The proportion reporting any innovation (past or future) increased by size of SME, from 53% of 0 employee SMEs to 83% with 50-249 employees. It declined by age from 68% of Starts and those trading for 2-5 years, to 49% of those trading for over 15 years
- 53% of SMEs in the Manufacturing sector reported any innovation, the highest proportion by a margin, especially to those in Construction (32% and 43-48% for other sectors)

- Since this any innovation metric was first reported in 2023 it has changed very little (55-58%)
- The largest SMEs were twice as likely to be a Consistent Innovator as the smallest ones (53% v 24%) with a less marked decline by age of SME (from 34% of Starts and those trading for 2-5 years to 22% of those trading for more than 15 years)
- Those in Manufacturing were the most likely to be a Consistent Innovator (39%), compared to 18% in Construction and 19% in Agriculture and 23-32% across other sectors
- When this metric was first reported in 2023, 24% met the definition of a Consistent Innovator, increasing very slightly to 27% in both 2024 and 2025

A stable quarter of SMEs (26%) met the definition of an **Ambitious Innovator**, an SME that is both planning to grow and to be innovative in the coming year. A further 32% planned to do one of these but not both, leaving 42% with no plans for either:

- Ambitious Innovators increased by size of SME from 24% of those with 0 employees to 42% of those with 50-249 employees, and decreased by age of SME from 46% of Starts to 17% of those trading for 15+ years
- Those in Manufacturing (37%) and Health (35%) were also more likely to meet the definition, compared to 17% of SMEs in Construction
- Those more likely to have no plans to either grow or innovate included 0 employee SMEs (45%), those trading for more than 15 years (53%) and those in Construction (53%), as well as PNBs (49%)

In 2025, there were three **main barriers** for SMEs: higher costs (36%), the economic climate (36%) and political uncertainty/future government policy (35%). Each had changed in a different way over time:

- 36% of SMEs cited higher costs as a main barrier, and this has been a top barrier since its introduction at the end of 2021:
  - Those most likely to be impacted included those with 1-9 or 10-49 employees (41% and 42%) and those in the Hotel and Restaurant sector (55%), but there was limited difference by age of SME (35-38%)
  - In Q4 2021, 34% of SMEs saw this as a major barrier, increasing to 39% in 2022 and 38% in 2023. The proportion has been slightly lower since (35% in 2024 and 36% in 2025)

“The largest SMEs were twice as likely to be a Consistent Innovator as the smallest ones”

- The proportion seeing the economic climate as a barrier is currently 36%, and has varied over time:
  - SMEs with up to 49 employees were more likely to see it as a barrier (35-38%) than the largest SMEs (21%), while by age, Starts were less likely to see it as a barrier (28%) than older SMEs (36-40%)
  - By sector, this was more of a barrier for the Hotel and Restaurant sector (45% v 31-38% in other sectors)
  - Back in 2020, 36% of SMEs saw the economic climate as a major barrier, declining to 23% in 2021. It was somewhat higher between 2022 and 2024 (30-32%) before increasing again in 2025 back to 36%, closing the gap to the higher costs barrier
- Political uncertainty and future government policy as a barrier has also varied over time, with the 35% currently seeing it as a barrier up from 26% in 2024 and the highest proportion to date:
  - SMEs with 1-9 or 10-49 employees were more likely to see it as a barrier (both 41%) while by age Starts were less likely to see it as a barrier (25%) than older SMEs (34-38%)
  - It was also more likely to be seen as a barrier by those in Agriculture (44%) and Manufacturing (40%) but less of an issue for Health (25%)
  - The proportion seeing this as a barrier increased from 22% in 2023 to 35% in 2025, the highest level seen to date. The increase was seen across all sizes and age bands except Starts, but with more marked increases 2024-25 amongst those with 10-49 employees (up 19 points to 41%) as well as those in Manufacturing and Wholesale/ Retail (both up 14 points to 40% and 39%)
- Three other barriers were mentioned by around a quarter of SMEs and these were legislation and regulation (27%), lower demand (23%) and cash flow/ late payment (22%) which is now reported in its constituent parts (16% cash flow and 9% late payment). Access to finance continued to be seen as a barrier by a small minority of SMEs (7%)

The **trading arrangements** with the EU were slightly less likely to have had a negative impact in 2025. Those trading internationally remained more likely to report a negative impact, as they were for a new metric on trade with the US, but most SMEs reported no impact:

- 27% of SMEs reported a negative impact from the changes in trade with the EU post Brexit. 3% reported a positive impact and most, 70%, reported no impact:
  - Negative impacts were more likely to be reported by those with 1-9 or 10-49 employees (31% and 30%) and by SMEs in Manufacturing and Wholesale/Retail (both 36%) who were more likely to be trading internationally
  - Across the broader group of those trading internationally, 47% of those both importing and exporting reported a negative impact, compared to 41% that were just importing and 34% that were just exporting, all higher than domestic only SMEs (24%)
- The 27% negative impact score in 2025 was 6 points lower than in 2024, and back to 2021 levels (29%):
  - The change 2024 to 2025 was seen in each size band, but more notably for those with 10-49 or 50-249 employees (down 9 points and 11 points respectively)
  - Of the two sectors most likely to be trading internationally, there was a drop in negative impact for Wholesale/Retail of 12 points, but of only 1 point for those in Manufacturing
  - Those who are both exporting and importing saw a drop of 14 points, and for export-only SMEs it was 15 points, compared to 8 points for those who only exported. The drop for Domestic only SMEs was smaller at 4 points
- In a new metric for H2 2025, SMEs were asked about the changing trading arrangements with the USA. This was less likely to have had a negative impact with 14% of SMEs reporting a negative impact from the changes in trade, 2% a positive impact and most, 84%, reporting no impact:
  - The proportion reporting a negative impact was slightly higher for those with 1-9 or 10-49 employees (18% and 17% respectively) and for SMEs in Manufacturing and Wholesale/Retail (20% and 21%) and also those in Agriculture (19%)
  - As for trade with the EU, those trading internationally were more likely to report a negative impact, 38% of those importing and exporting reported a negative impact, compared to 20% that were just importing and 15% that were just exporting, all higher than domestic only SMEs (12%)

"Fewer SMEs reported a negative impact from changes to trade with the EU"

In 2025, a stable 11% of SMEs had **plans to apply/renew some finance**, with 6 in 10 wanting the funds for business development purposes. 1 in 3 were confident of a successful application, still below pre-pandemic levels, and lower than the 'hypothetical' confidence amongst those with no plans to apply:

- Future appetite for finance was higher amongst SMEs with 1-9 or 10-49 employees (16% and 18%) compared to 9% of the smallest and largest SMEs. It was also higher for those trading for 2-5 years (15%) compared to 9-12% of other age groups, and amongst SMEs in Agriculture (17%)
- Most of those planning to apply for finance were already using some (82%) up from 70% in 2024 and one of the highest proportions seen
- 42% would want the facility for cash flow purposes and 62% for business development, with limited differences by size of SME
- 36% of those planning to apply were confident the lender would say yes, up slightly from the 32% who were confident in 2024
- In 2018-19 over half of potential applicants were confident of success, with confidence then declining over time to 33% in 2022 and remaining at that level until the recent slight increase in 2025. This latest increase to 36% was due to increased confidence amongst smaller applicants with 0-9 employees (up 4 points to 35%) and those with an average or worse than average risk rating (also up 4 points to 35%), but confidence amongst applicants with a minimal or low risk rating dropped over the same period by 6 points to 43%
- Those with no plans to apply were also asked how likely they thought they would be to be successful if they did apply. 47% were confident in 2025, increasing by size of SME to 67% of those with 10-49 or 50-249 employees
- Taken together, 46% of all SMEs, irrespective of their borrowing plans, were confident of success in 2025, little changed since 2023. This remained lower than previously seen, in 2018 and 2019, 58-59% of all SMEs were confident, declining to 51% for 2020 to 2022

14% of SMEs in 2025 were **Future would-be seekers**, who thought something would stop them applying for funding (typically the current economic climate), while the largest group remained the **Future happy non-seekers** of finance, with no future need for finance (75%):

- 14% of SMEs met the definition of a Future would-be seeker, those with no plans to apply and feeling that something would stop them if they did want to apply

  - The proportion of FWBS declined by size of SME from 15% of those with 0 employees to 6% with 50-249 employees. Starts were more likely to be in this group (29%) with limited variation otherwise by age (11-15%)
  - This proportion has varied over time. From 11% in 2019 it increased to 21% in 2020 and has been at this level for most years since, with the exceptions of 2022 and now 2025 (both 14%)
  - The drop of 4 points from 2024 to 2025 was seen across all size bands except the largest SMEs where the proportion was unchanged at 6%
- 48% of Future would-be seekers gave an issue with the current economic climate as their main reason for not applying, with 34% saying they did not want to borrow in the current economic climate and 14% that the performance of their business in the current climate meant they didn't want to borrow:
  - Those who cited the economic climate as their main barrier went on to say that it would require a steady increase in customer demand and a more certain outlook for them to reconsider, including lower interest rates and more clarity around future government policy
- 19% of Future would-be seekers gave an issue with the process of borrowing as their main reason for not applying for borrowing, citing in particular the expense (7%), and the hassle involved (7%)
- 15% of Future would-be seekers gave an issue with the principle of borrowing as their main reason for not applying, with 9% saying they can raise personal funds if needed and 4% not wanting to lose control of the business
- 8% of Future would-be seekers gave an issue with discouragement as their main reason for not applying, with 6% saying they thought they would be turned down and so didn't apply (compared to 1% who mentioned it informally to their bank and felt put off by their response) and 2% that they were already borrowing as much as they thought they could

"Half of Future would-be seekers gave an issue with the current economic climate as their main reason for not applying"

SMEs are no longer more likely to think that the **future offers mainly opportunities** (26% in Q4 2025) than it does threats (35%). Over recent years the proportion seeing mainly opportunities had remained at around 3 in 10, but the proportion seeing mainly threats had increased from around 1 in 6 to around 1 in 3 with fewer SMEs now seeing a mix of opportunities and threats (39%):

- 26% of SMEs saw the future offering mainly opportunities in Q4 2025, with the proportion declining during the year (from 31% in Q1).
  - There was very little variation by size of SME (24-26%) but more variation by age: 33% of Starts and 28% of those trading for 2-5 years saw opportunities, compared to 20% trading for 6-9 years, with a slightly higher proportion amongst the older SMEs (24% and 25%)
  - Opportunities were most likely to be seen by those in Agriculture (38%) and Construction (30%), compared to 17% in Hotels and Restaurants and 18% in Transport
- 35% of SMEs saw the future offering all threats, resulting in a negative net score (opportunities-threats) of -9:
  - There was clear variation in the proportion seeing threats by size of SME, from 35% of 0 employee SMEs and 37% of those with 1-9 employees, to 30% with 10-49 employees and 19% of those with 50-249 employees.
  - As a result, the net scores were negative for all SMEs up to 49 employees (with the worst negative score for those with 1-9 employees at -11), but +5 for the largest SMEs who were less likely to see threats
  - Starts were less likely to perceive future threats (16%) resulting in a positive net score of +17. All other age bands were more likely to see threats (32% for 2-5 years and 36-38% for older SMEs) and all had negative net scores, notably those trading for 6-9 years at -18
  - As reported above, those in Agriculture were much more likely to see future opportunities, so whilst 32% saw future threats, their net score was positive at +6, the only sector where this was the case. This was in contrast to those in Hotels and Restaurants (46% saw threats with a net negative score of -29), and also Wholesale/Retail (43% saw threats with a net negative score of -22) and Transport (39% saw threats with a net negative score of -21)

- Back in Q4 2021 the net score was +18 (36% saw mainly opportunities and 18% mainly threats) . This then declined over time to +3 in both Q4 2023 and Q4 2024 as more SMEs reported threats. This is the first Q4 negative score, caused in Q4 2025 by not only fewer seeing opportunities (down 7 points from Q4 2024) but also more seeing threats (up 5 points from Q4 2024)

Awareness of initiatives

Summary

In 2025, 1 in 5 SMEs were aware of the British Business Bank and/or its Finance Hub, with little change since 2021:

- Awareness increased slightly by the size of SME, from 20% with 0 employees to 25% with 50-249 employees (up 6 points from 2024). There was limited variation by age (21-23%, except for those trading for 15+ years, 19%)
- Awareness was also higher for those in Property/Business Services (28%), compared to 13% in Construction, and 14% in Agriculture and Hotels and Restaurants (down 7 points from 2024).
- Excluding the Permanent non-borrowers with no apparent appetite for finance increased awareness amongst remaining SMEs to 23%

Awareness remained limited for the **other support measures** included in H2 2025, the Standards of Lending Practice (14%), the Growth Guarantee Scheme (1%) and/or CDFIs (6%):

- Awareness of the Standards of Lending practice increased steadily by size of SME from 14% with 0 employees to 24% with 50-249 employees, with limited variation by age (13-17%) Awareness increased to 16% once the PNBs were excluded
- Awareness of the Growth Guarantee Scheme was limited (1%) but was somewhat higher amongst larger SMEs (9% with 10-49 employees and 7% with 50-249 employees) again with limited variation by age (1% or less) Awareness was also 1% once the PNBs were excluded
- Awareness of CDFIs did not vary much by size of SME (5-7%) but was somewhat higher for Starts (8%) than older SMEs (5-6%). Awareness remained at 6% once the PNBs were excluded

6 in 10 SMEs (excluding the PNBs) were aware of **different forms of finance**, such as Venture Capital, Business Angels and equity funding or peer-to-peer lending platforms:

- In Q4 2025, 51% of these SMEs were aware of Venture Capital, with limited variation by size of SME (50-53%) with the exception of those with 10-49 employees (56%)

- 45% were aware of equity crowdfunding platforms with limited variation by size of SME (43-47%) again with the exception of those with 10-49 employees (50%)
- 40% were aware of peer-to-peer lending platforms. Those with 0 employees were somewhat less likely to be aware (39%) with little variation otherwise (42-43%)
- 36% were aware of Business Angels. Those with 0 employees were again somewhat less likely to be aware (35%) with little variation otherwise (38-41%)
- 61% of SMEs (excluding PNBs) were aware of 1 or more of these sources of finance, initially increasing by size from 60% with 0 employees to 67% with 10-49 employees but then somewhat lower for the largest SMEs (61%).
- This overall awareness was unchanged from Q4 2024 when the question was last asked, and also in line with most previous years, though awareness was slightly higher in Q4 2022 and Q4 2023 at 65%

Half of SMEs (excluding the PNBs) were aware of **equity crowdfunding platforms and/or peer-to-peer lending**. Usage remained limited, with a minority saying they would consider it as a form of finance in the future:

- 52% of SMEs were aware of either of these forms of funding with limited variation by size (51-55%). This was somewhat lower than in Q4 2024 when 60% were aware, and towards the lower end of the range of awareness previously seen
- Very few were using these forms of finance (1%). 9% said they would consider using them in future but most, 42, said they would not consider them, all with limited variation by size
- The 9% who were aware and would consider using these forms of funding were the equivalent of 17% of all those aware of the funding. This was also slightly lower than in Q4 2024 (20%) but in line with Q4 2023.

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