SME FINANCE MONITOR

The presentation deck to Q2 2026

An independent report by
Ipsos, September 2026

UK Finance

The SME Finance Monitor

The go-to source of SME insight

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PAST

Finance used

Borrowing events in the past 12 months and their outcomes

Reasons for not borrowing

CURRENT

Attitudes towards finance

Growth and innovation

International trade

Business demographics: size, sector, region, age of business, owner demographics such as age, gender and ethnicity

FUTURE

Future plans for finance

Future growth ambitions

Optimism about the future

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Presentation to YEQ2 2026 to inform the debate on the key issues facing SMEs:
'Balancing growth with challenges'

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The key challenges facing SMEs

Costs	Staff	Compliance	Growth

SMEs with an appetite for finance

Supply of finance

Ipsos

The key challenges for SMEs

The current economic climate is now the main barrier for SMEs (42% YEQ2 26), with a further increase over time. Covid 'peak' was 47% in Q2 2020, but levels of concern now are in line with Q3 and Q4 of that year.

Concern around political uncertainty/future government policy (39%) remains higher than previously seen and more of a barrier for those with 1-9 or 10-49 employees, as is higher costs (38%) which is more stable over time.

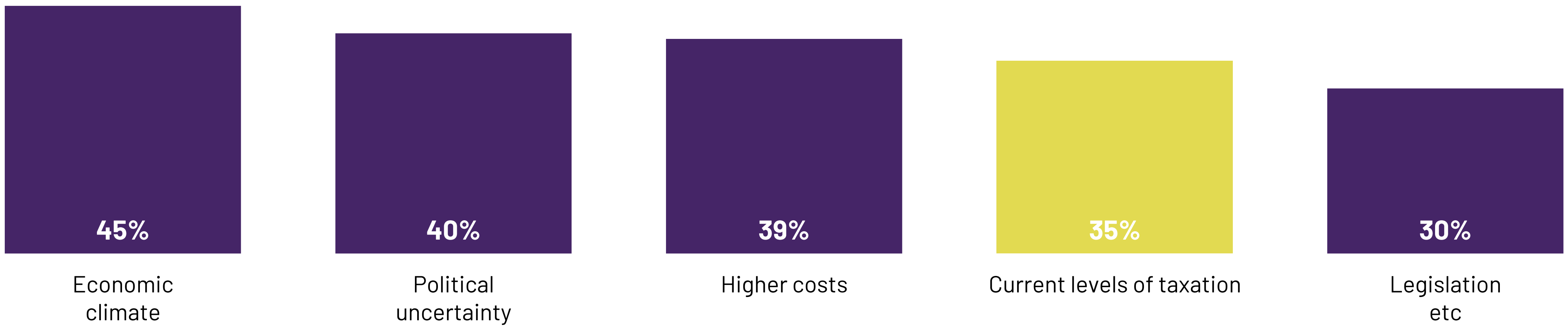
These two groups are also most likely to see the new metric 'levels of taxation' as a barrier (35% overall in H1 2026) and it is the 2nd or equal 2nd barrier for employers

Twice as many employers have no plans to recruit (39%) as say they are struggling to find people (20%) but with clear difference by size. Those with 1-9 employees have seen a steady increase in having no plans to recruit (15% H2 22 to 42% YEQ2 26)

KEY CHALLENGES:
HIGHER COSTS, THE ECONOMIC CLIMATE ETC

This H1 2026 “snapshot” of top barriers, which includes the new ‘current levels of taxation on your business’ shows the economic climate establishing a lead as top barrier

H1 2026: All rated 8-10 ‘major barrier’ to business



- The new taxation barrier is 4th most important for 0 emps, but 2nd or equal second for those with employees (behind the economic climate for 1-9 emps and higher costs for larger SMEs)
- 52% in the Hospitality sector see it as a barrier (3rd most important behind economic climate and costs)

Q93 all SMEs H1 2026 7386

The smaller SMEs cite the economic climate as their main barrier in H1 2026, while for larger SMEs higher costs come top. Amongst employers, taxation is the 2nd highest barrier

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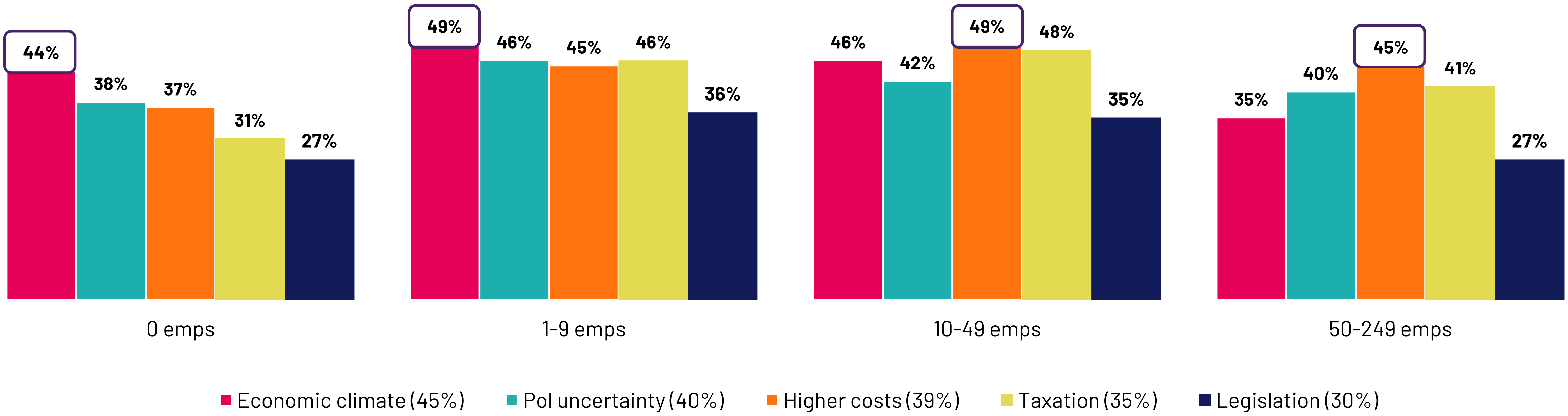
Key barriers H1 2026



Q93 all SMEs H1 2026 7386

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Key barriers H1 2026 – key differences

MORE LIKELY

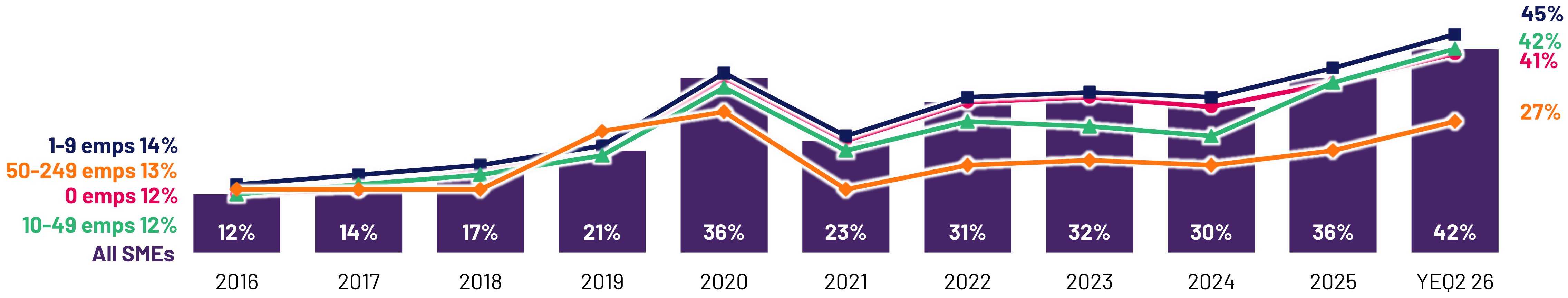
Economic climate (45%)	Political uncert. (40%)	Higher costs (39%)	Taxation (35%)	Legislation/regln (30%)
59% Hospitality	**51%** Hospitality	**58%** Hospitality	**52%** Hospitality	**47%** Agriculture
57% Future WBS	**51%** Future WBS	**58%** Future WBS	**43%** Future WBS	**39%** Future WBS
54% Plan to apply	**48%** Plan to apply	**49%** Manufacturing	**42%** Plan to apply	**36%** Plan to apply
54% Wholesale/Retail	**47%** W/Retail and Agric	**48%** Agriculture	**40%** 6-9 yrs	**36%** 15+ yrs
52% 10-15 yrs	**45%** ART	**48%** Plan to apply		
52% Use external finance		**47%** ART		
50% Not grown		**46%** Use external finance		
		46% Import only		

LESS LIKELY

Economic climate (45%)	Political uncertainty (40%)	Higher costs (39%)	Taxation (35%)	Legislation/regulation (30%)
31% PNBs	**29%** PNBs	**23%** Export only	**21%** Health	**20%** PNBs
35% Starts	**32%** Export only	**24%** PNBs	**25%** PNBs	**21-22%** Starts-5 yrs
36% Have grown	**33%** Health	**30%** Property/Bus Services	**29%** Fully international	**22%** Health
38% Property/Bus Services	**33%** Have grown	**32%** Have grown		

The annual view shows that after several years of stability 2022-24, the current economic climate has become an increasing barrier across all size bands, with the biggest increase for those with 10-49 employees

Recent time series: Current economic climate an 8-10 major barrier– by size of SME



YEQ2 2026, the economic climate (42%) was more of an issue for:

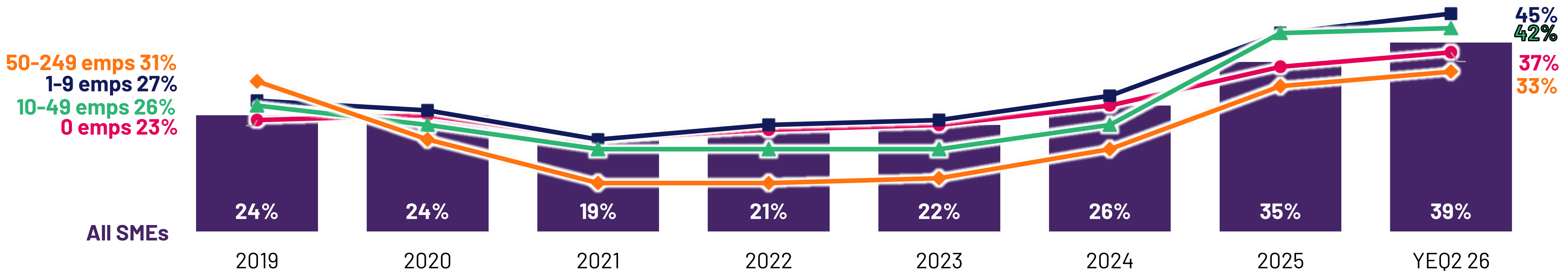
- Those with 1-9 employees (45%) and those in Hospitality (51%) as well as for those using finance (48%), or with a future appetite for finance (52% if plan to apply and 55% for Future WBS)
- It was less of an issue for those with 50-249 employees (33%), Starts (35%) those in Agriculture (37%) and PNBs (30%)

In 2020, concern about the economic climate peaked at 47% in Q2 (from 20% in Q1), then 41% and 36% in Q3 and Q4

Q93 Base : All SMEs Q2 2026 3,861

Political uncertainty/future government policy has become an increasing barrier over the past 18 months, to 4 in 10 SMEs in 2026 to date led by those with 1-9 or 10-49 employees

Time series: Political uncertainty/future government policy 8-10 barrier



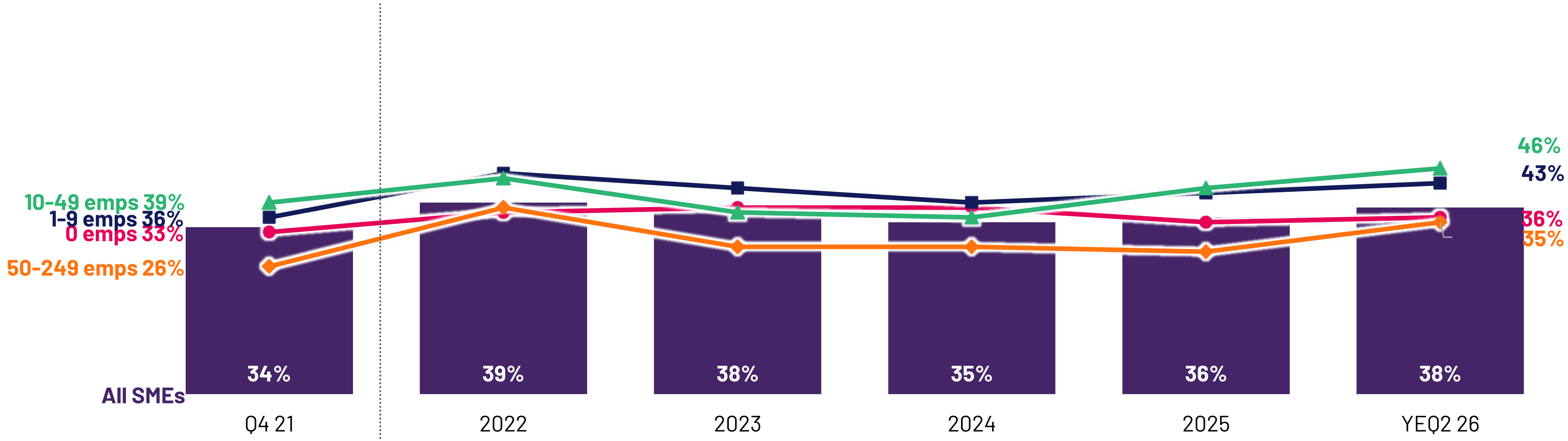
YEQ2 2026, political uncertainty and future government policy (39%) was more of an issue for:

- Those with 1-9 employees (45%) those in Agriculture (48%) and Hospitality (46%), those fully international (43%), as well as for those using finance (44%) or with a future appetite for finance (46% if plan to apply and 50% for Future WBS)
- It was less of an issue for the largest SMEs (33%), those in Health (29%) export-only SMEs (34%) and PNBs (30%)

Q93 Base : All SMEs Q2 2026 3,861

Higher costs have been a consistent barrier from their introduction, but since 2024 have increased more markedly for employers, notably those with 10-49 employees

Time series: Higher costs 8-10 barrier (asked as Increasing costs to Q2 2024)



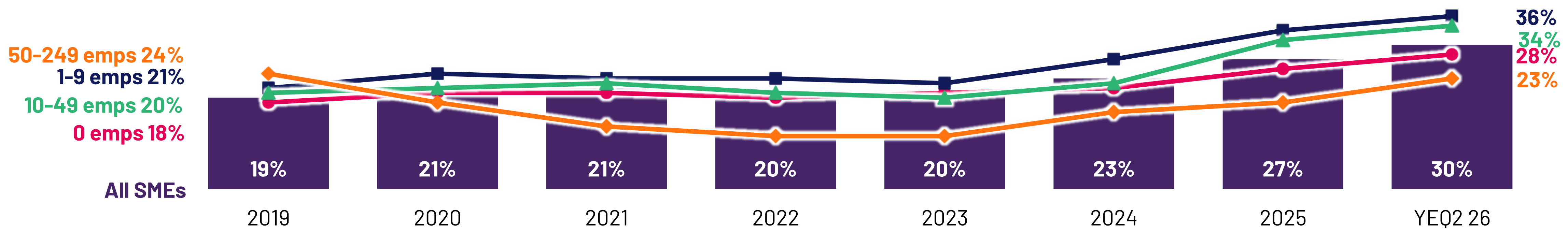
YEQ2 2026, higher costs (38%) were more of an issue for:

- Those 10-49 employees (46%) and those in Hospitality (55%), and also for those using finance (43%) or with a future appetite for finance (48% if plan to apply and 51% for Future WBS)
- They were less of an issue for those in Property/Business Services or Health (29% and 31%) export-only SMEs (23%) and PNBs (25%)

Q93 Base : All SMEs YEQ2 26 15,605

After a number of years of stability, concern around legislation etc increased during 2025 to 27% and again in 2026 to 31% in Q2, led by those with 1-9 or 10-49 employees

Time series: Legislation, regulation and red tape 8-10 barrier



- YEQ2 2026, 30% of SMEs saw legislation, regulation and red tape as an 8-10 barrier, a further increase from 24% in 2024 and higher than has been typically seen (19-21% to 2023)
- It was more of an issue for those in Agriculture (43%) and for fully international SMEs (33%), as well as those planning to apply (37%) or Future WBS (39%)
- It was less of an issue for Starts (20%), those in Health or Other Community sectors (23%) and PNBs (22%)

Q93 Base : All SMEs YEQ2 26 15,605

KEY CHALLENGES:
STAFF RECRUITMENT AND RETENTION

Over time, more employers have reported no plans to recruit (to 39%) as slightly fewer struggled to hire (to 20%)

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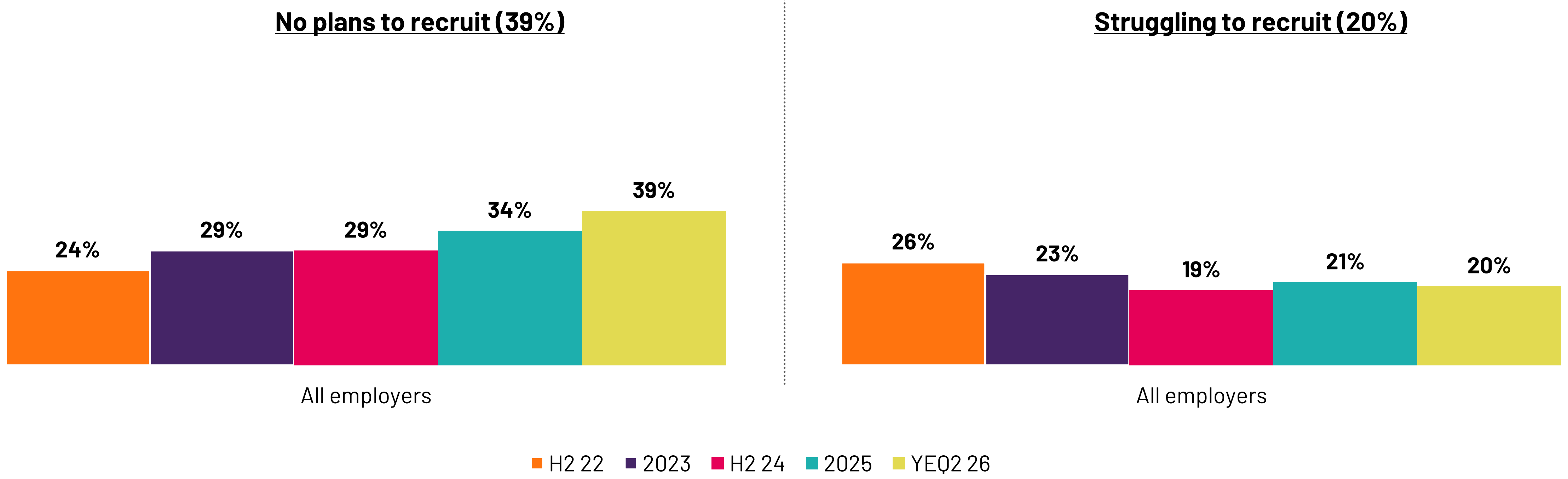
Key Staff resources (employers) over time



- Those more likely to say they have no plans to recruitYEQ2 26 include employers that either have not grown or have no plans to grow (43%), Import only (43%), those Struggling (44%) and Future WBS (48%)
- Those more likely to be struggling to recruit include employers in Construction (27%), Start ups (27%), Ambitious innovators (26%) and those planning to apply for finance (27%)

NSTAFF all SMEs with employees YEQ2 2026 12,025 7,672/3,294/1,059

The proportion of employers with no plans to has increased steadily over time for up to 50 employees, while the largest SMEs were more likely to be struggling to recruit

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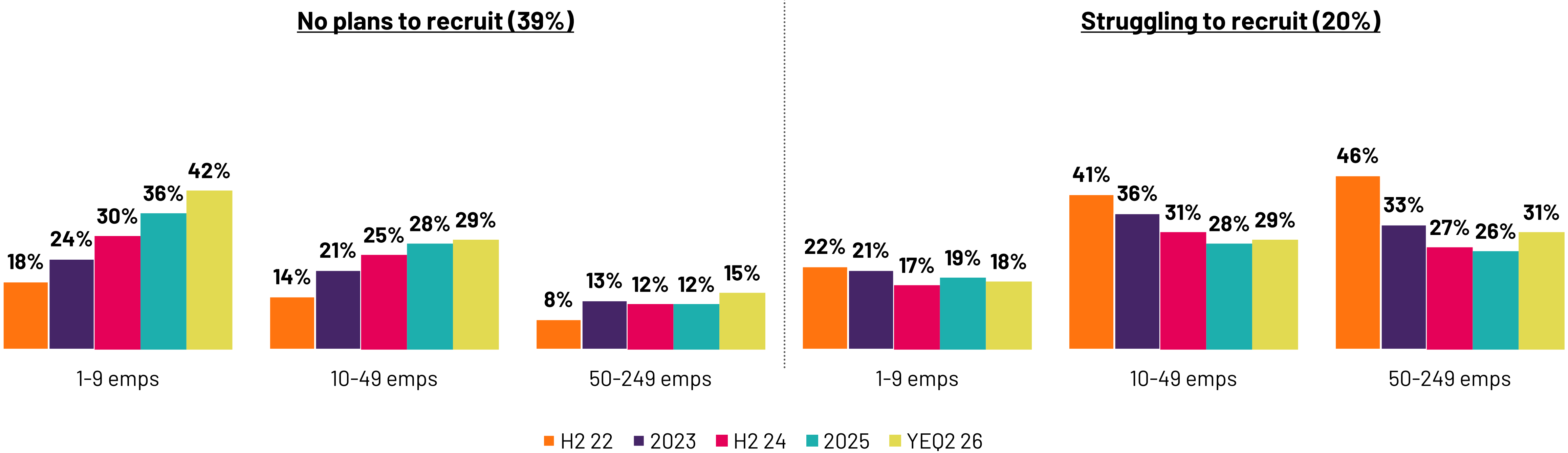
Key Staff resources (employers) by size of employer



- Those more likely to say they have no plans to recruit include employers that either have not grown or have no plans to grow (43%), Import only (43%), those Struggling (44%) and Future WBS (48%)
- Those more likely to be struggling to recruit include employers in Construction (27%), Start ups (27%), Ambitious innovators (26%) and those planning to apply for finance (27%)

NSTAFF all SMEs with employees YEQ2 2026 12,025 7,672/3,294/1,059

Growth and innovation

A stable 27% of SMEs had grown, still below pre-pandemic levels but now led by those with 50-249 employees (49%). There remains a string link between past and future growth, with 44% of those planning to grow saying that they grew in the past year.

33% of SMEs have declined, stable over time and for those with 0 or 1-9 employees (36% and 26%). Larger SMEs remain less likely to have declined (20% and 17%) but these proportions have increased somewhat over recent years

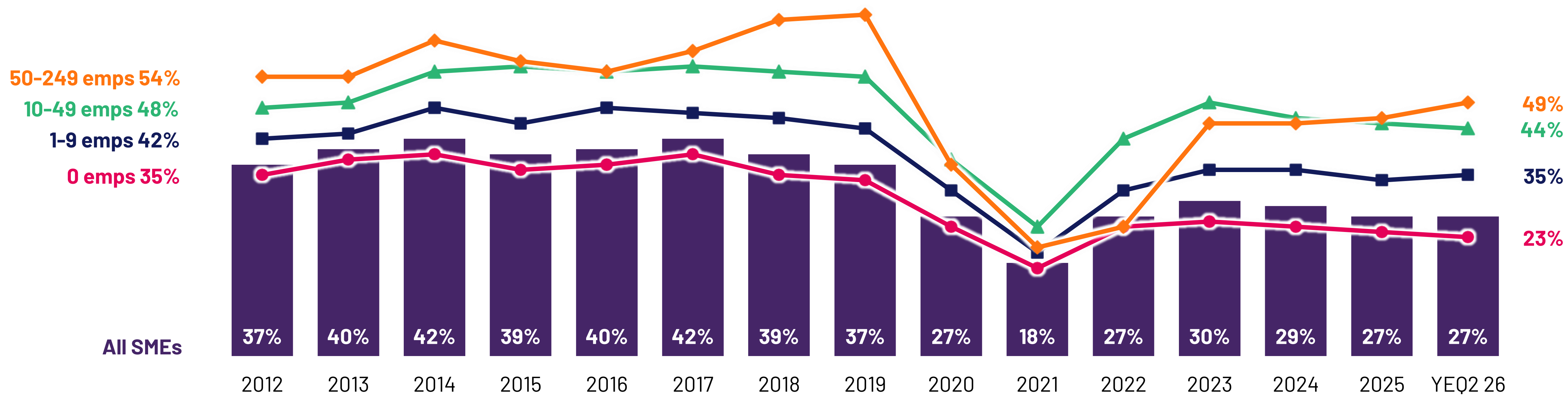
Levels of past and/or future innovation remain stable at 57% and increase by size of SME

Planned future growth is also stable at 42%, again led by those with 50-249 employees (63%). SMEs remain less likely to be able to accurately predict future growth than pre-pandemic

That said, a stable 28% of SMEs are 'Ambitious innovators' planning to grow and innovate and more likely see future opportunities, use finance and plan to apply for more

The proportion of SMEs that had grown remained stable, both overall and by size, with the exception of those with 50-249 employees, where growth is now closer to pre-pandemic levels

Annual time series: % reporting growth in previous 12 months

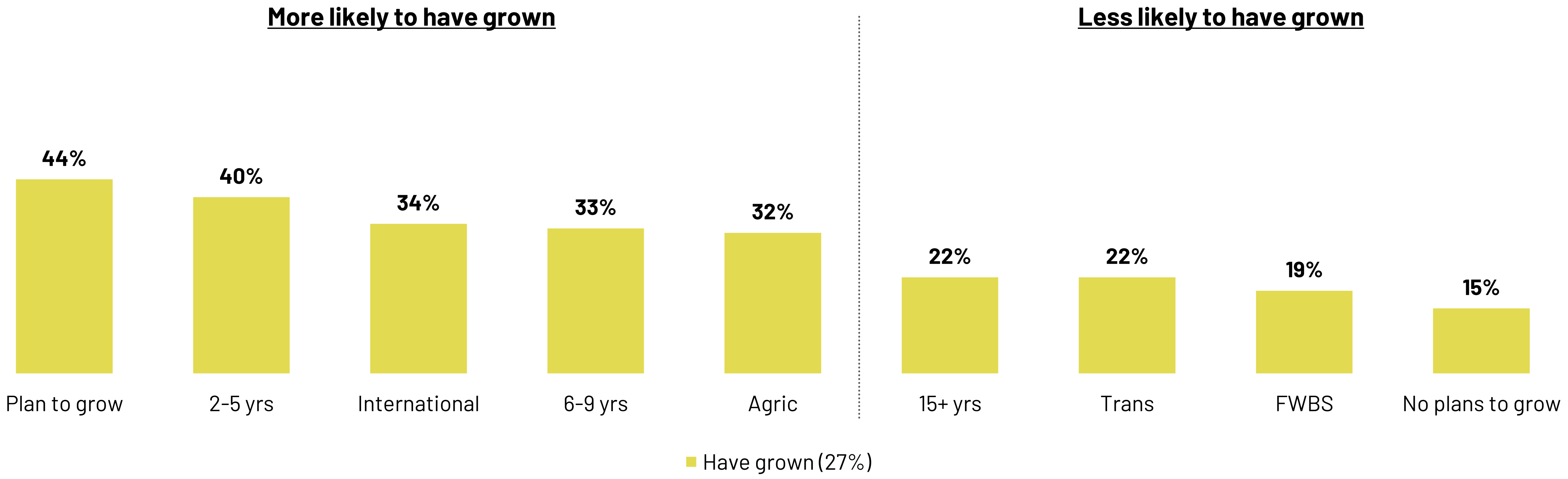


- 27% of SMEs had grown YEQ2 2026, increasing by size of SME and decreasing by age from 40% trading for 2-5 years to 22% trading for more than 15 years. Growth was highest in Agriculture (32%) compared to 23% in Construction
- 44% of those planning to grow in the coming year had grown as had 34% of fully international SMEs

Q81 all SMEs excl Starts and DK YEQ2 2026 14,899

There is a clear link between past and future growth, with past growth also more common amongst younger SMEs and those importing and exporting

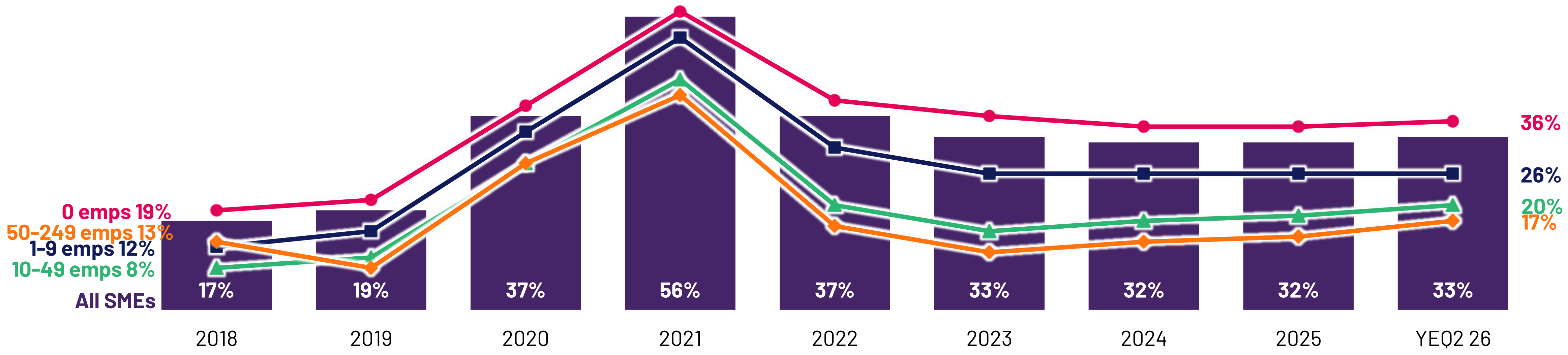
Have grown: by key demographics (excl Starts) YEQ2 2026



Q96 all SMEs YEQ2 2026 ex Starts 14,899

Declines remained above pre-pandemic levels but stable over the last 3 years. Whilst larger SMEs remained less likely to have declined, the proportion has increased slightly over this time period

Annual time series: % reporting decline in previous 12 months

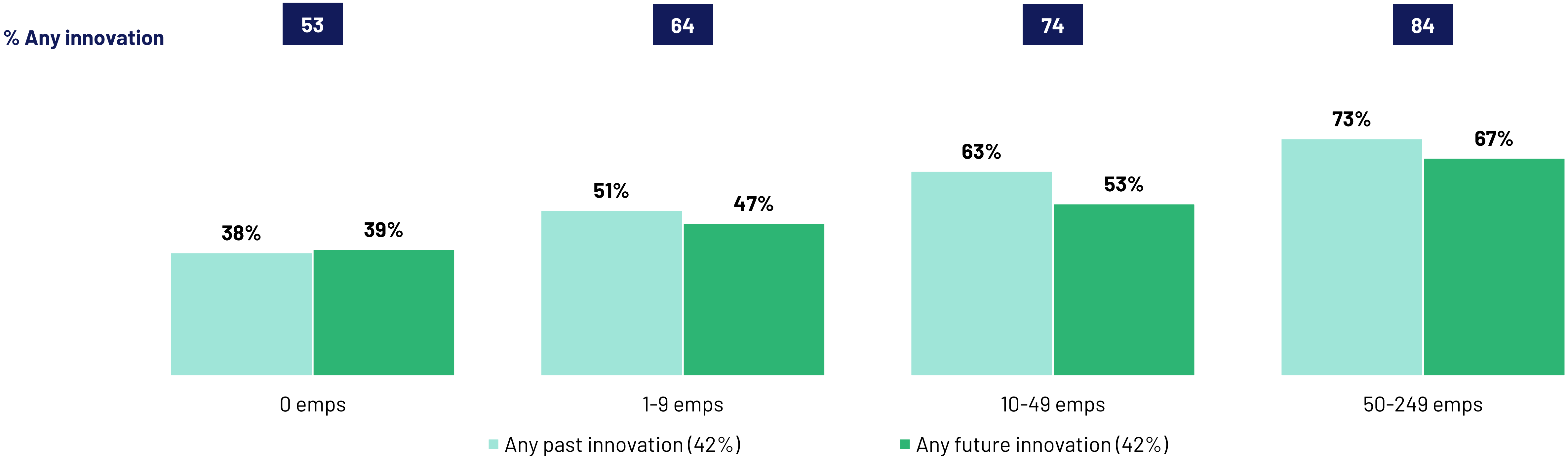


- YEQ2 2026, a stable 33% of SMEs had declined, still above pre-pandemic levels. The largest SMEs remained less likely to have declined (17% but up 4 points on 2024)
- SMEs in Transport were the most likely to have declined (37% and up 5 points on 2024) and there was also a 5 point increase for Wholesale/Retail to 36%

Q81 all SMEs excl Starts and DK YEQ2 2026 3,727

57% of SMEs overall had either innovated or were planning to do so, increasing by size of SME. All metrics were little changed from 2025

Size summary YEQ2 2026: Innovation, past and future and any



- Levels of past innovation were stable YEQ2 2026 compared to 2025 (41%) and with little change by employee band
- Levels of future innovation were also little changed overall (43% in 2025) or by employee band
- As a result, the "any innovation" figure was also unchanged (57% in 2025)

Q84/90 Base : All SMEs YEQ2 2026 15,605 Been innovative at Q84 and/or Q90 (new product/service or improving business)

Future growth levels were stable at 42% in the current period, increasing by size of SME

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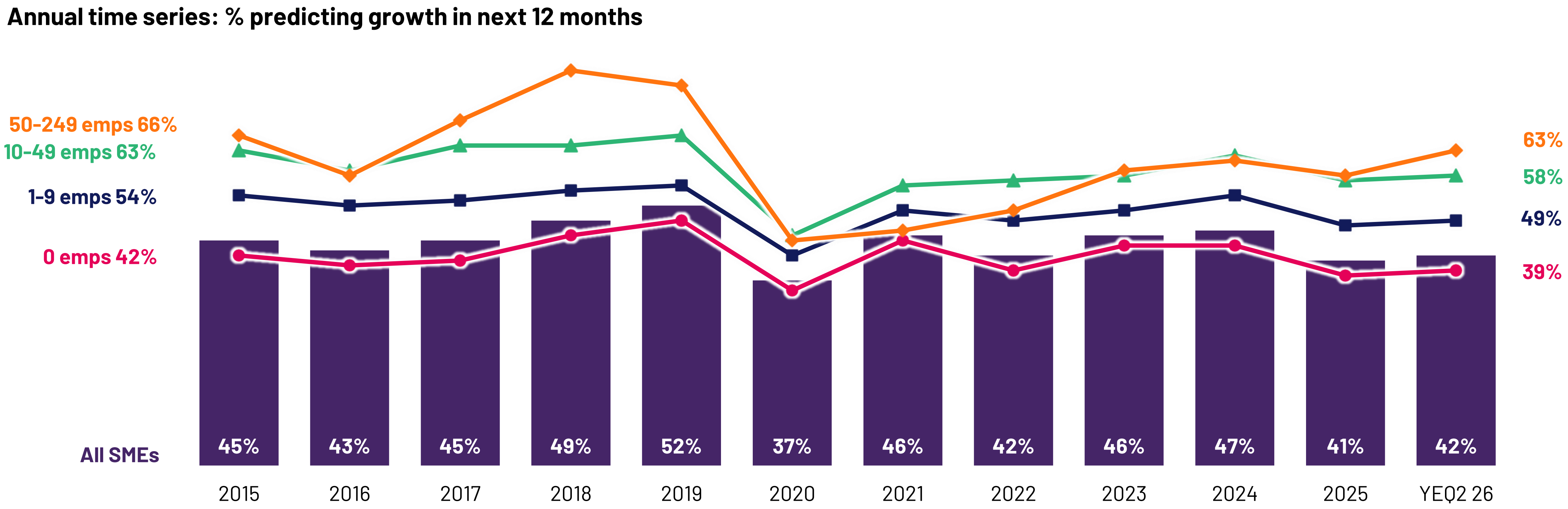
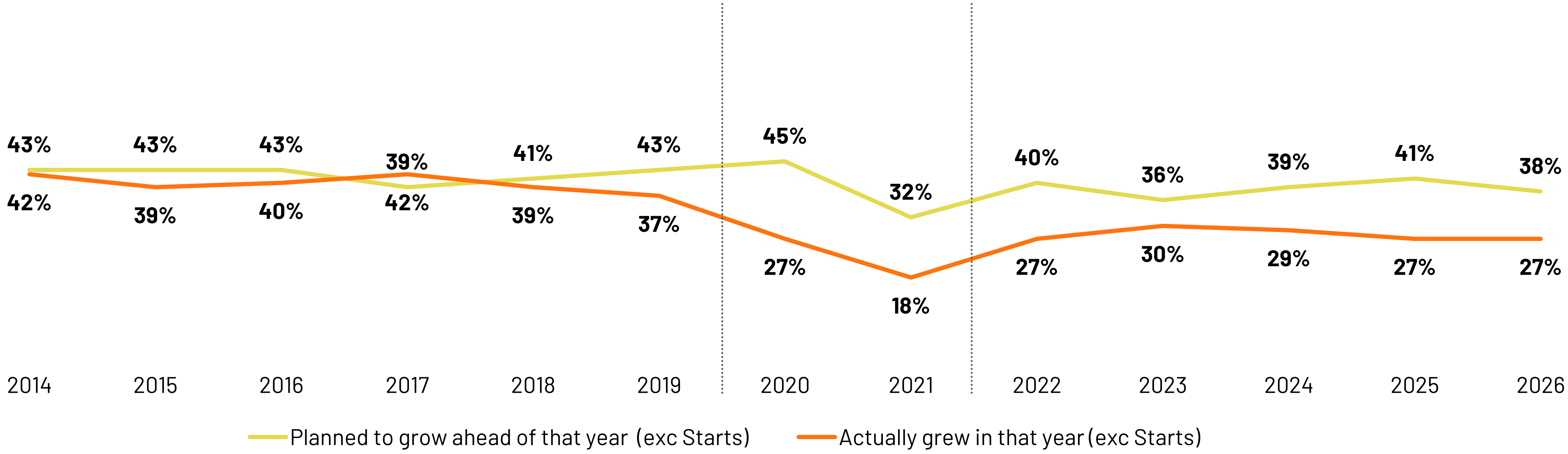


- YEQ2 2026 42% of SMEs were planning to grow, increasing by size of SME from 39% of 0 employee SMEs to 63% with 50-249 employees (and up 5 points on 2025)
- Growth aspirations remained lower for older SMEs (82% of Starts v 35% trading for more than 15 years) and for SMEs in Construction or Agriculture (both 33%)
- More likely to be planning to grow were those in Manufacturing (48%) the fully international SMEs (62%) and those planning to apply for finance (59%) as were those who had grown, with 65% planning to grow again

Q91 all SMEs YEQ2 2026 3,861

Aspirations to grow and actual growth used to track fairly closely but since 2022 there has been more of a shortfall between aspirations and the growth subsequently achieved

Time series : Growth predictions the previous year v performance that year (both excluding Starts)



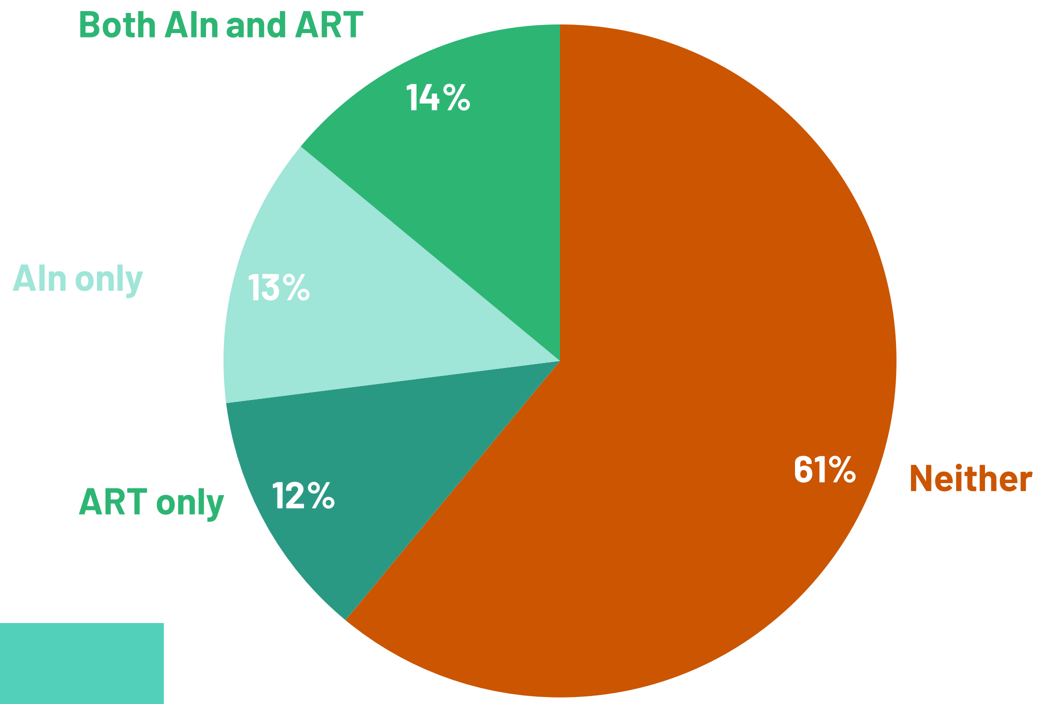
- Planned growth on one year has been matched to the growth achieved in the following year (2024 shows the % planning to grow in 2023 v those who actually grew in 2024)
- Up to 2018 there was on average a 1 point gap between predicted and actual growth, and growth would have had to have been just 3% higher to match the aspiration
- Since 2022, the gap has been 10 points on average as growth aspirations remained similar to pre-pandemic levels but growth achieved remained lower

Q81/91 all SMEs (excl Starts and DK at Q81) YEQ4 2025 Chart plots actual growth in each year against the % planning to grow when asked in the previous year

4 in 10 SMEs exhibited particular ambition for the future, either as an Ambitious Innovator, an Ambitious Risk Taker, or both

- **Ambitious Innovators:** SMEs that were both planning to grow and to innovate in the coming year. YEQ2 26, this applied to 26% of SMEs
- **Ambitious Risk Takers:** SMEs that agreed both that they wanted to be a significantly bigger business and that they were prepared to take risks to be successful. YEQ2 2026, this applied to 27% of SMEs

- 39% of SMEs were either an Ambitious Innovator or an Ambitious Risk Taker, including 14% who were both
- 61% of SMEs did not meet either definition



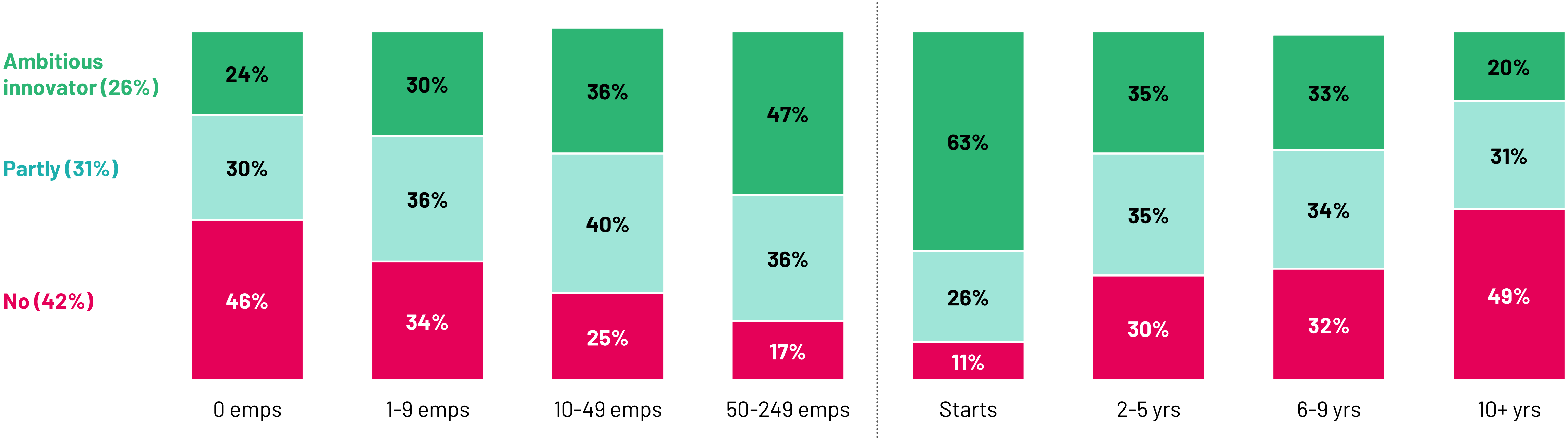
As well as planning to grow and innovate, **Ambitious Innovators** were:

- More likely to have grown (45% v 27%) and innovated (69% v 42%)
- More likely to see opportunities (29% v 24%) and less likely to see threats (29% v 35%)
- More likely to be using finance (57% v 51%) and to be planning to apply (24% v 15%)
- More likely to plan (62% v 48%) and trade internationally (33% v 21%)

Q90/91 all SMEs YEQ4 2025 16,729

As with other similar metrics, the proportion of Ambitious Innovators increased with size of SME and decreased with age

Ambitious Innovators (plan to grow and innovate) – YEQ2 2026

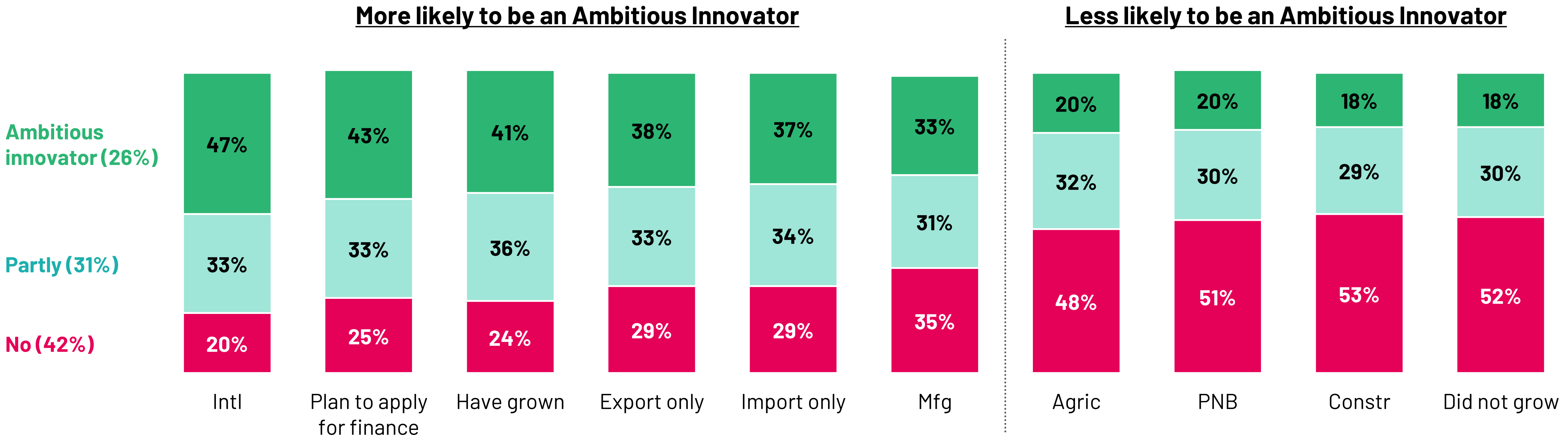


- Like many similar metrics, the proportion of Ambitious Innovators increases by size of SME (24% to 47%) and decreases by age (63% of Starts to 20% trading 10+ years)
- Those more likely to meet the definition included Manufacturing (33%), fully international SMEs (47%) and those planning to apply for finance (43%)
- Those more likely to <u>not</u> meet the definition at all included Construction (53%), those that have not grown (52%), and PNBs (51%)

Q90/91 all SMEs 3,580/7,672/3,294/1,059 391/1,157/1,608/12,449

The proportion of Ambitious Innovators was also higher amongst those trading internationally, manufacturers and those that have grown or who plan to apply for finance, and much lower amongst those in Construction and Agriculture, PNBs and those who did not grow

Ambitious Innovators (plan to grow and innovate) by key demographics – YEQ2 2026



Q90/91 all SMEs 3,580/7,672/3,294/1,059 391/1,157/1,608/12,449

How are SMEs feeling?

As more SMEs report the future offering mainly threats (35%) and fewer see it offering mainly opportunities (24%), the net metric is firmly in negative territory (-11) and for all except the largest SMEs (+2)

32% of SMEs feel they are 'Well off / Comfortable' increasing by size of SME to 51% of those with 50-249 employees. Meanwhile a stable 22% are 'Struggling' and this is more common amongst the the smaller SMEs and those with an appetite for finance

After a number of years of a steady increase in threats while the proportion seeing opportunities remained stable, the current period has seen a further small increase in threats and a decrease in opportunities to a net score of -11

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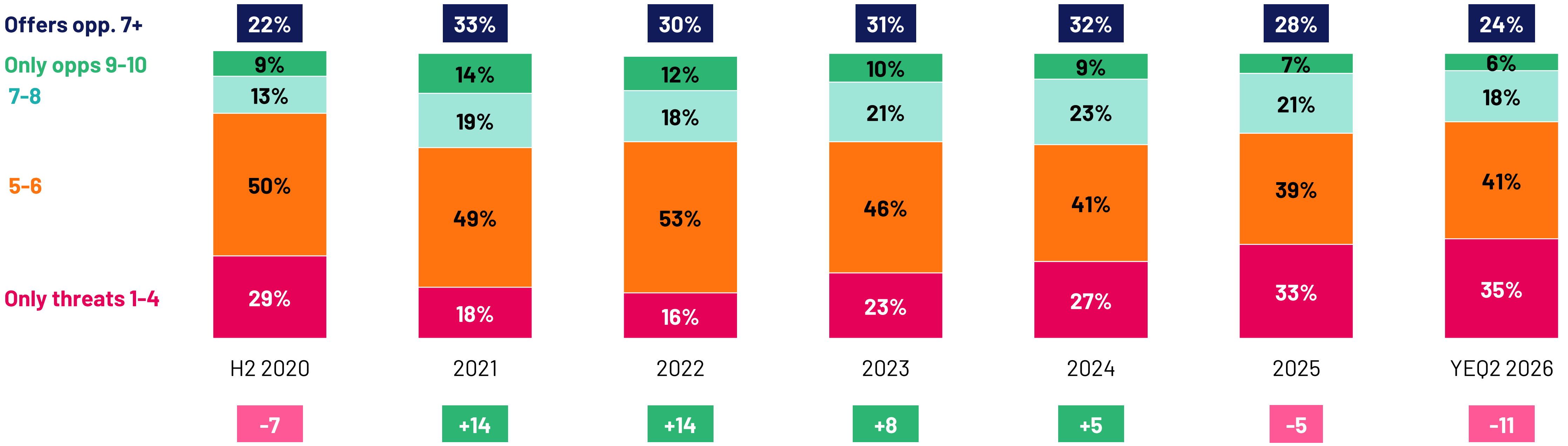
Annual time series: Does the future offer opportunities or threats



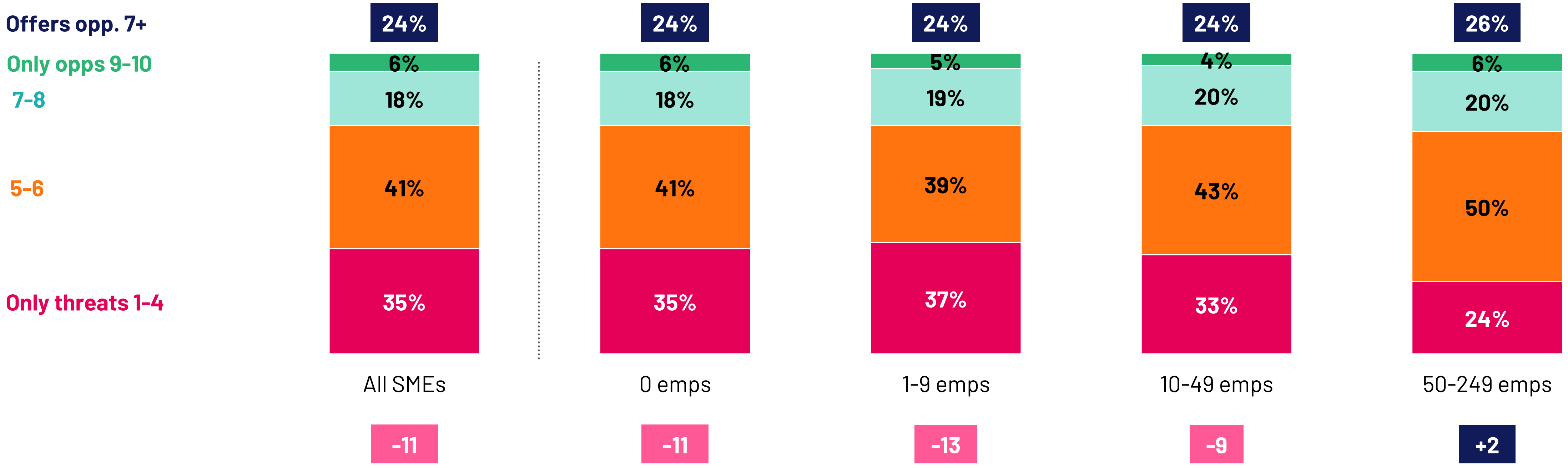
- The most likely to see future opportunities included Starts (31%), those planning to grow (29%) , PNBs (30%) and those who are Comfortable (42%) or Well off (57%)
- Those more likely to see threats included Hospitality (43%), Future WBS (49%) and those Struggling (68%)

NEWcv7 all SMEs YEQ2 2026 15,605

Ipsos

SMEs with 50-249 employees were the only size band with a positive net score, and no change in the proportion seeing opportunities compared to 2025.

Does the future offer opportunities or threats – YEQ2 2026



NEWcv7 all SMEs YEQ2 2026 15,605 3,580/7,672/3,294/1,059 391/1,157/1,608/12,449

Younger, ambitious SMEs not using finance were less likely to see future threats, compared to over 4 in 10 in Agriculture and Hospitality and Future WBS

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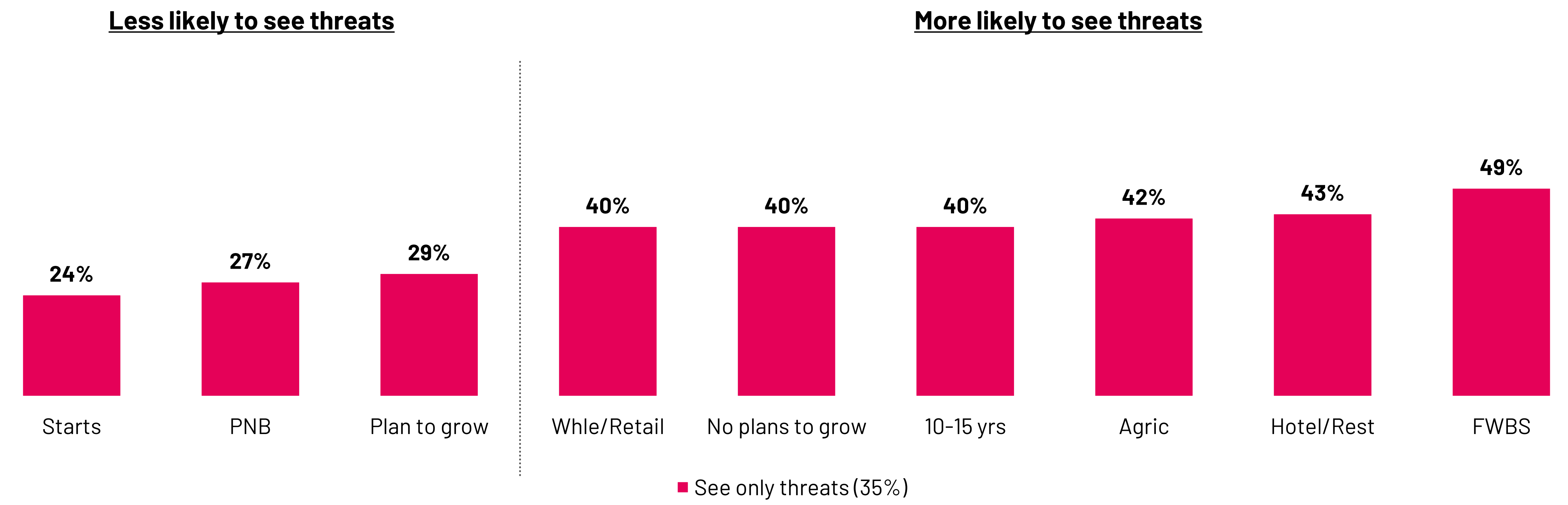
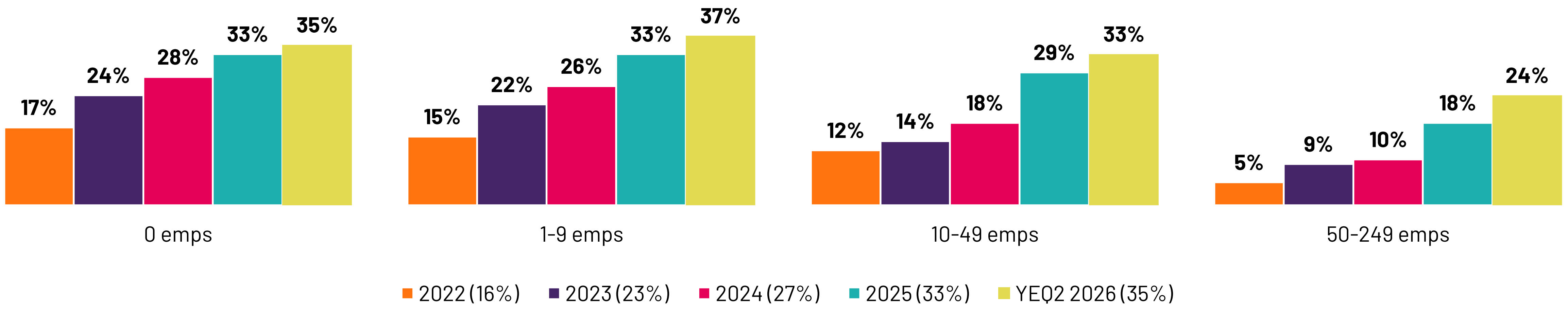
See future threats: by key demographics (excl Starts) YEQ2 2026



Q96 all SMEs YEQ2 2026 15,605

All sizes of SME saw an increase in the proportion seeing mainly threats, notably those with 50-249 employees (+6 points), though they remained less likely to be in this group

Future offers threats– from 2022



Comparing 2024 to YEQ2 2026, the proportion seeing mainly threats has increased by 7 points:

- Those particularly more likely to now see threats included those with 10-49 employees (up 15 points) , in Agriculture (up 16 points) and Wholesale/Retail (up 13 points)

NEWcv7 all SMEs YEQ2 2026 3,580/7,672/3,294/1,059

A new metric from 2023 provides an overall assessment of the financial situation of each SME:

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Struggling

Our monthly revenue does not meet our needs and the business has no savings or investments

Managing

Our monthly revenue meets our needs but the business has no real savings or investments

Comfortable

Our monthly revenue meets our needs and the business has some savings as a cushion

Well off

Our monthly revenue more than meets our needs and the business has a decent sum in savings/investments

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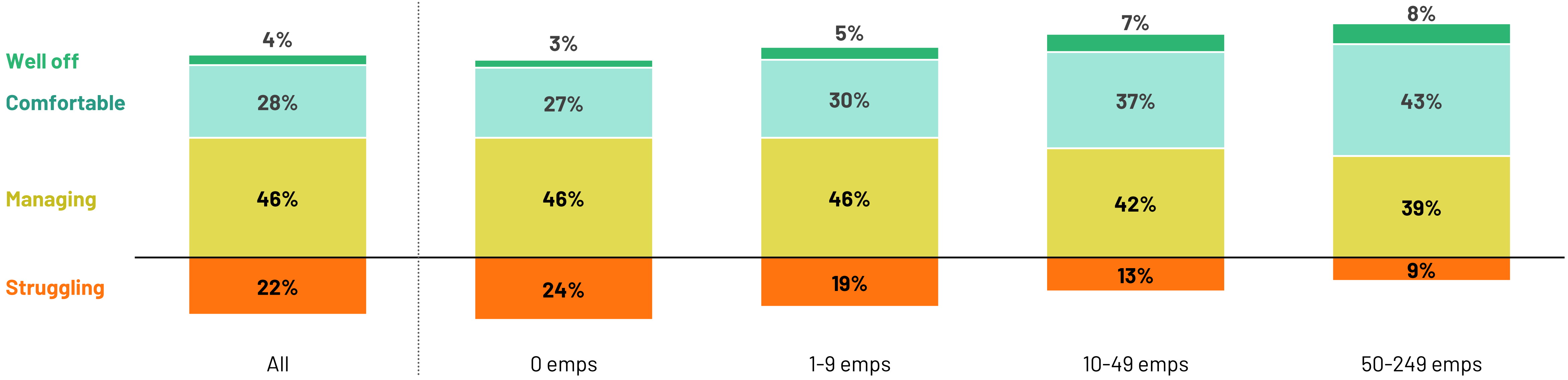
1 in 3 SMEs felt they were currently Comfortable/Well off, increasing to half of the larger SMEs. 1 in 5, mainly smaller SMEs were Struggling (22%), with monthly revenue not meeting their needs (up from 18% in 2023)

Overall assessment by size and age – YEQ2 2026



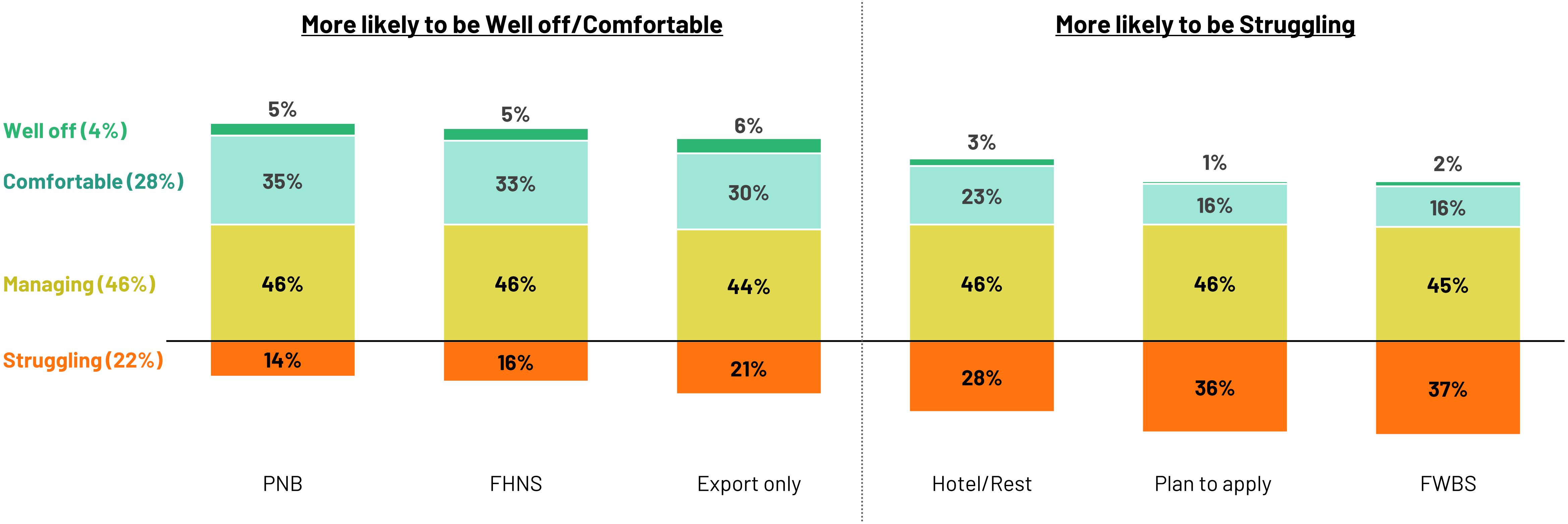
- Those more likely to be Well off/Comfortable also included those that have grown (50%), in Property/Business services (35%), export-only SMEs (36%), Future happy non-seekers of finance (38%) and PNBs (40%)
- Those more likely to be Struggling also included those in Hospitality (28%) those with any future appetite for finance (36% planning to apply and 37% FWBS) and ARTs (28%)

NEWCV8 (v2) All SMEs YEQ2 2026 15,547 3,576/7,657/3,277/1,037 390/1,155/1,606/12,396

Struggling: Our monthly revenue does not meet our needs and the business has no savings or investments , and Well off: Our monthly revenue more than meets our needs and the business has a decent sum in savings and investments

Those with no appetite for finance, and export only SMEs were more likely to be 'Well off/Comfortable' while those in Hospitality and with a future appetite for finance were more likely to be 'Struggling'

Overall assessment by key demographics– YEQ2 2026



NEWCV8 (v2) All SMEs YEQ2 2026 15,547

Struggling: Our monthly revenue does not meet our needs and the business has no savings or investments , and Well off: Our monthly revenue more than meets our needs and the business has a decent sum in savings and investments

The proportion 'Struggling' is back in line with 2024 overall, and for smaller SMEs but remains at the highest level seen for larger SMEs

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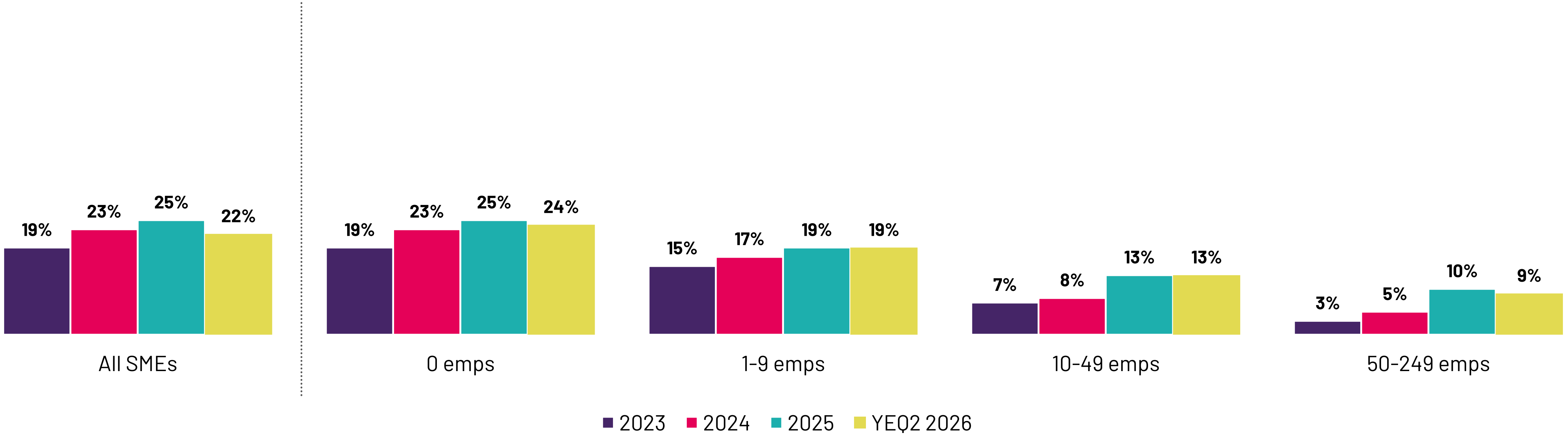
Time series: Feel that they are 'struggling'



- YEQ2 2026 22% of SMEs were 'Struggling' down 3 points on 2025 and back in line with 2024 for the smaller and younger SMEs. Those with more than 10 employees or trading for more than 10 years remained more likely to be 'Struggling' that they were in 2024
- Also in a worse position than in 2024 were those in Construction, Wholesale/Retail, Hospitality and Health

NEWCV8 v2 all SMEs excluding DK YEQ2 2026 3,850 3,576/7,657/3,277/1,037 390/1,155/1,606/2,874/9,522

How SMEs feel about external finance

SMEs have a range of sources of funding available, with 35% holding £10,000 or more of credit balances Increasing by size of SME) and 33% reporting an injection of personal funds (decreasing by size of SME)

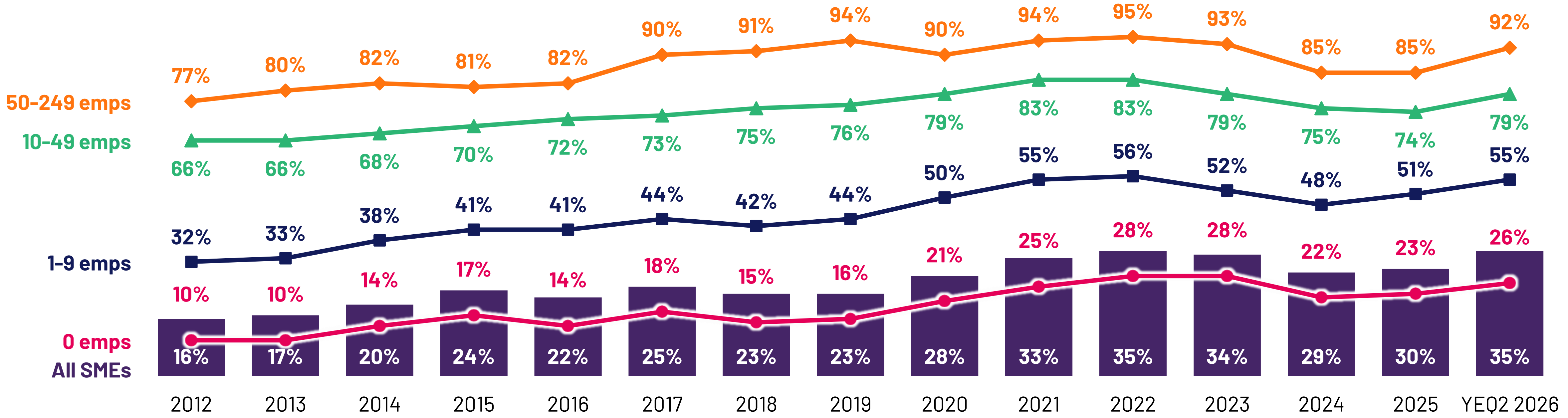
51% of SMEs were using any form of external finance, up across all sizes of SME with the largest SMEs now more likely to be reporting use of (66%) external finance. As a result, the proportion of PNBs has fallen to 34%

Attitudinally, many SMEs continued to agree that they would rather grow more slowly than borrow to grow, and a stable 6 in 10 were being cautious with their plans due to the future feeling uncertain.

16% SMEs were happy to borrow to grow but also thought it could be difficult for them to get finance, especially younger SMEs and those using, or with an appetite for, finance

1 in 3 SMEs held £10,000 or more in credit balances, with clear differences by size of SME and an improvement across all size bands in the current period

Annual time series: £10k or more of credit balances held over time



1 in 3 SMEs held £10k+ of credit balances YEQ2 2026:

- By size, this varied from 26% of 0-employee SMEs to 92% of those with 50-249 employees
- By sector it ranged from 40% in Hospitality and Property/Business Services to 27% in the Other Community sector
- Other SMEs more likely to have such balances included the fully international (50%)

In 2025, 14% of SMEs did not hold any credit balances, and a higher proportion than typically seen (3-6% pre-2024). YEQ2 26 the figure was 8%, led by the 0 emps (8%)

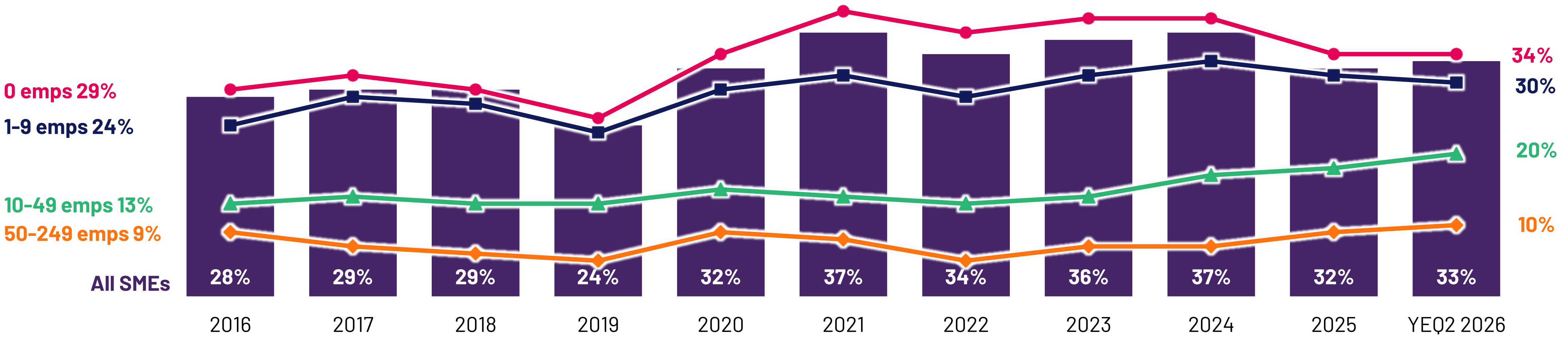
A further 42% of SMEs held £1-5,000 of credit balances, so net 50% of SMEs have credit balances of less than £5k, down from 55% in 2025 and more in line with earlier years

Q117 Base : All SMEs excl DK YEQ2 2026 10,350

The drop in injections of funds since 2024 has been led by those with 0 or 1-9 employees. Whilst larger SMEs were much less likely than their peers to have injected funds, the proportions have increased slightly since 2022

UK Finance

Annual time series: Any injection of personal funds



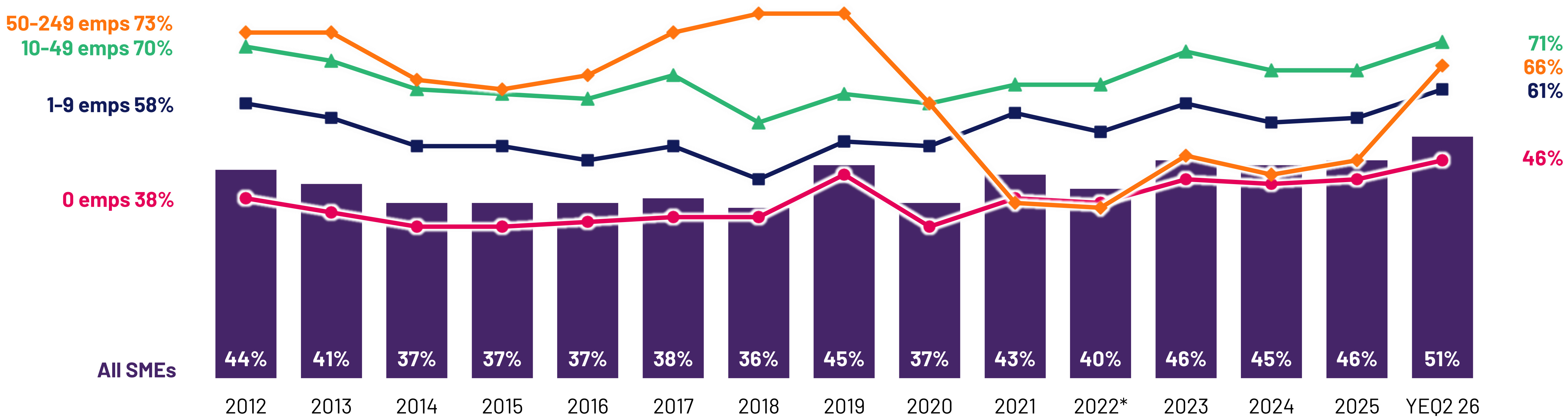
- Pre-pandemic, around 3 in 10 SMEs reported any injection of personal funds, with smaller SMEs always more likely to report such an event. though the gap to larger SMEs narrowed somewhat in 2025
- YEQ2 2026 there has been a further slight increase in the proportion of larger SMEs reporting an injection of funds and a slight decline for those with 1-9 employees, narrowing the gap between them
- Injections of funds decreased by size of SME (34% of 0 emps to 10% with 50-249 emps) and also by age (62% Starts v 29% trading for more than 10 years)

Q15d/d2 All SMEs YEQ2 2026 15,605

There has been a marked increase in the use of finance in the first half of 2026, across all SMEs but notably the largest

UK Finance

Annual time series: Currently using any external finance (new definition from Q1 2023)



Q14y/15y all UEQ2 2026 2022 annual figure adjusted to include best estimate re pandemic funding

Ipsos

The increase is use of finance is led by the largest SMEs and seen across lending products. Those using a credit card have become somewhat less likely to say they always/usually clear the balance

51% **now using external finance, up from 46% in 2025 (+5%)**

71% (+6%)
10-49 emps

66% (+20%)
50-249 emps

87% (+2%)
Plan to apply

62% (+8%)
ARTs

60% (+4%)
Agric

59% (+9%)
Import only

57% (+7%)
Mfg

38% (+7%)
Starts

Credit cards and overdrafts remained the most common forms of finance used:

20% Credit cards +2% overall, more for larger SMEs

16% Overdraft+2% overall, little difference in increase by size

13% Leasing+1% overall, more for the largest SMEs

12% Loans/equity directors +3% overall, more for 10-239 emps

Increase in proportion that do not always/usually pay off credit card in full: +7% to 35% in H1 2026 (32% YEQ2 2026)

37% Health and Transport

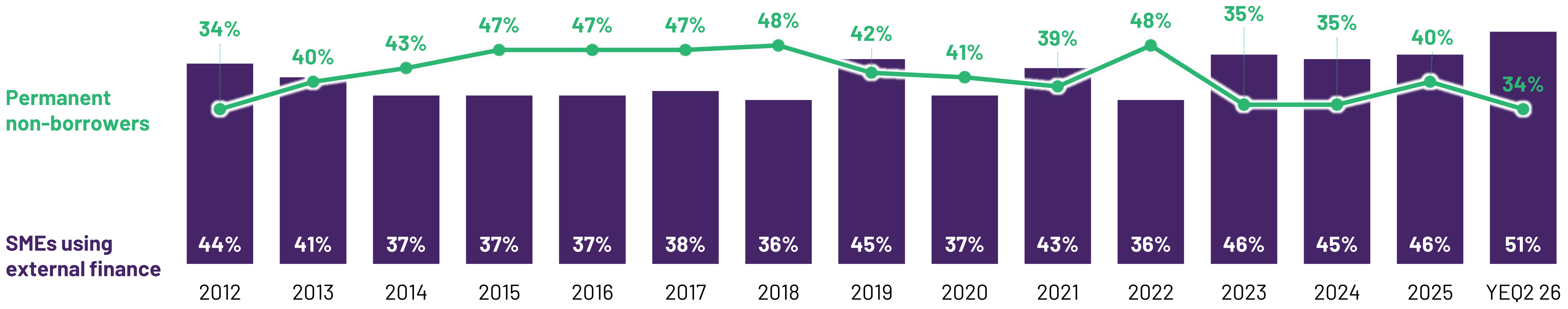
45% Trading up to 5 years

37% ARTs and AIs

21% Agriculture, **28%** trading 10+ yrs and **20%** Future HNS

As use of external finance increased, fewer SMEs have met the definition of a Permanent non-borrower, currently at one of the lowest levels seen

Annual time series: Currently using external finance and Permanent non-borrowers (new def Q1 23)



- YEQ2 2026, 51% of SMEs were using external finance while 34% met the definition of a PNB with no apparent appetite for finance. All sizes of SME were more likely to be using finance than to be a PNB, though by a narrow margin for those with 0 employees
- Those more likely to be a PNB also included those trading for 2-5 years (38%) and those in the Health sector (48%)
- Half of Future Happy non-seekers met the definition of a PNB (48%)

PNBs were:

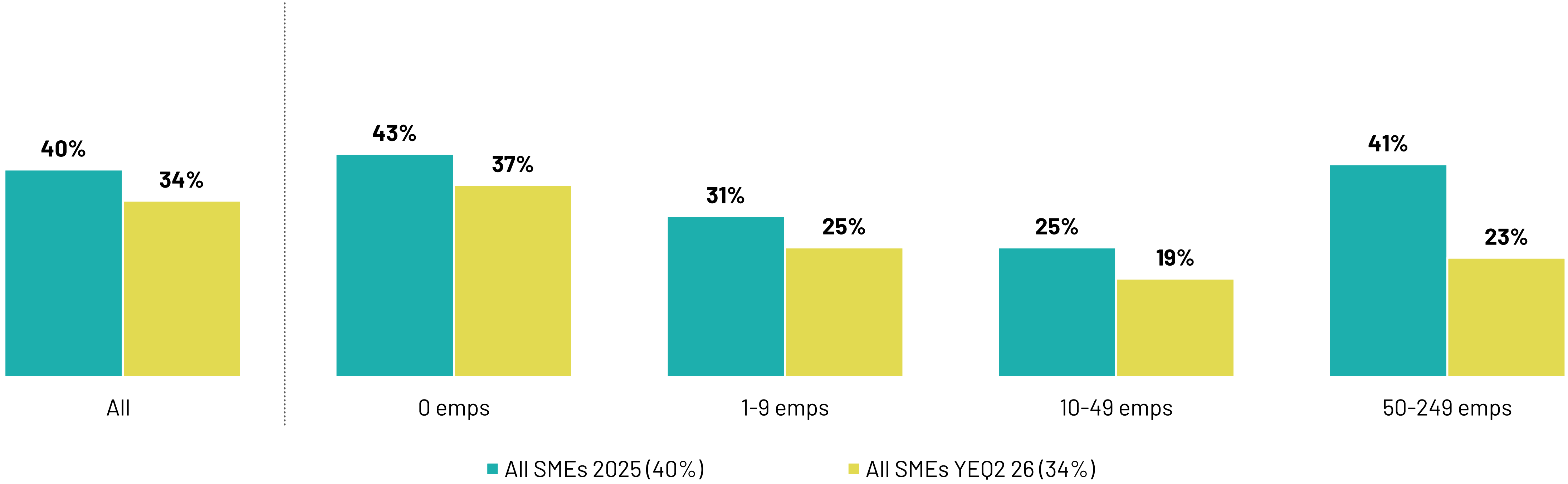
- More likely to have made a profit or to feel 'Well off/ Comfortable' and as likely to hold £10,000 or more of credit balances,
- Less likely to plan, to have innovated or to be planning to grow

Q14/15yPermanent non borrower Base : All SMEs YEQ2 2026 3,861

The smallest SMEs were more likely to be a PNB. As SMEs get bigger, they become more likely to be using finance

UK Finance

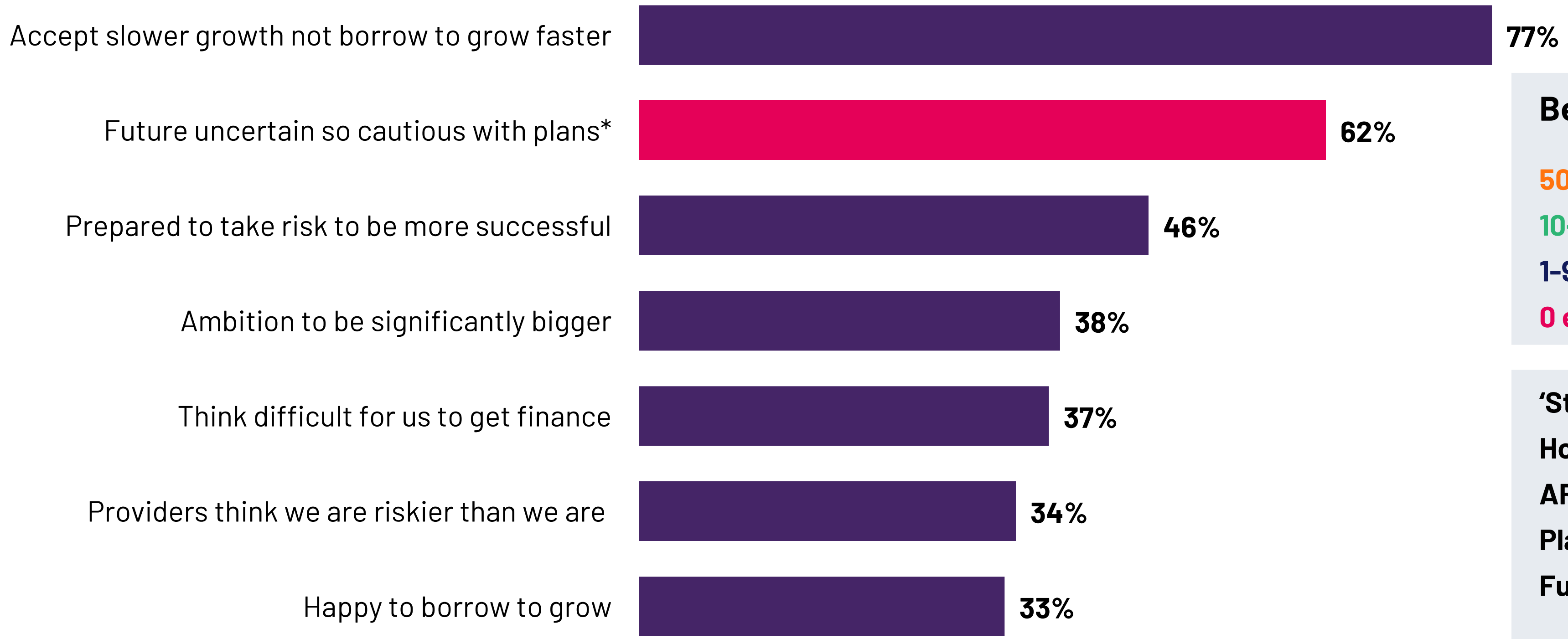
Size summary: PNBs over time



Q14yQ15y all SMEs YEQ2 2026 15,605

As in previous waves, many SMEs would rather grow more slowly than borrow to grow, set against a backdrop where 6 in 10 were being cautious due to future uncertainty. 1 in 3 were happy to borrow to grow but the same proportion thought it could be difficult to get finance

Attitudes to finance – all SMEs YEQ2 2026



Being cautious (Q4 25-Q2 26)

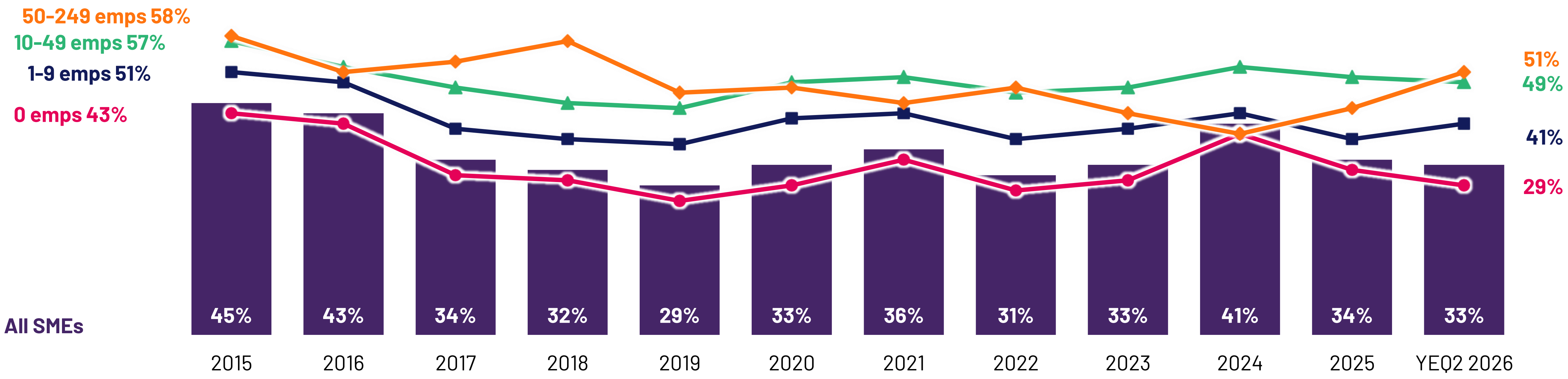
50-249 emps	53%
10-49 emps	66%
1-9 emps	68%
0 emps	60%

'Struggling'	79%
Hospitality	69%
ART	70%
Plan to apply	73%
Future WBS	75%

Q96 all SMEs YEQ2 2026 15,605 A number of changes were made to the statements during 2025, h2 provides the most consistent base on which to report *asked in Q4 only

From 41% in 2024, the proportion happy to borrow to grow has declined to around 1 in 3, a clear reflection of the views of those with 0 employees, as appetite for finance recovered for the largest SMEs

Annual time series: Happy to borrow to grow

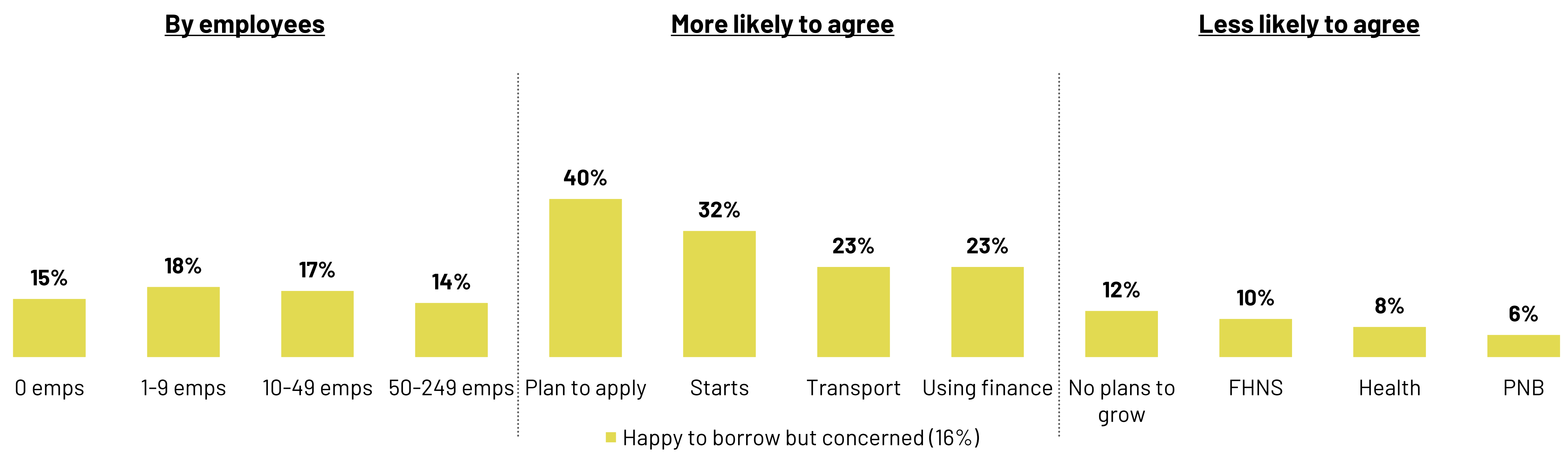


- YEQ2 2026, 33% of SMEs were happy to borrow to grow, increasing by size to 51% of those with 50-249 employees. Those more likely to be happy to borrow to grow included Starts (52%), those in Agriculture (43%), and those planning to grow (44%) or to apply for finance (67%) or to currently be using it (44%)
- Less likely to be happy to borrow to grow were those trading for more than 15 years (28%), those in Health (21%) export only SMEs (28%) and PNBs (17%)

Q96 Base All SMEs YEQ2 2026 3,861

Younger SMEs, those using or planning to apply for finance or to grow were more likely to be happy to borrow to grow but feel they could face difficulties, with limited difference by size of SME

Happy to use finance but think it could be difficult to get: by key demographics YEQ2 2026



- 16% of SMEs agreed that whilst they were happy to borrow to grow, they thought it could be difficult for them to get finance. This increased to 32% of Starts, 21% of those planning to grow and 23% in Transport. It was higher for those using finance (23%) and higher still for those planning to apply (40%)

Q96 all SMEs YEQ2 2026 15,605

Appetite for finance and applications

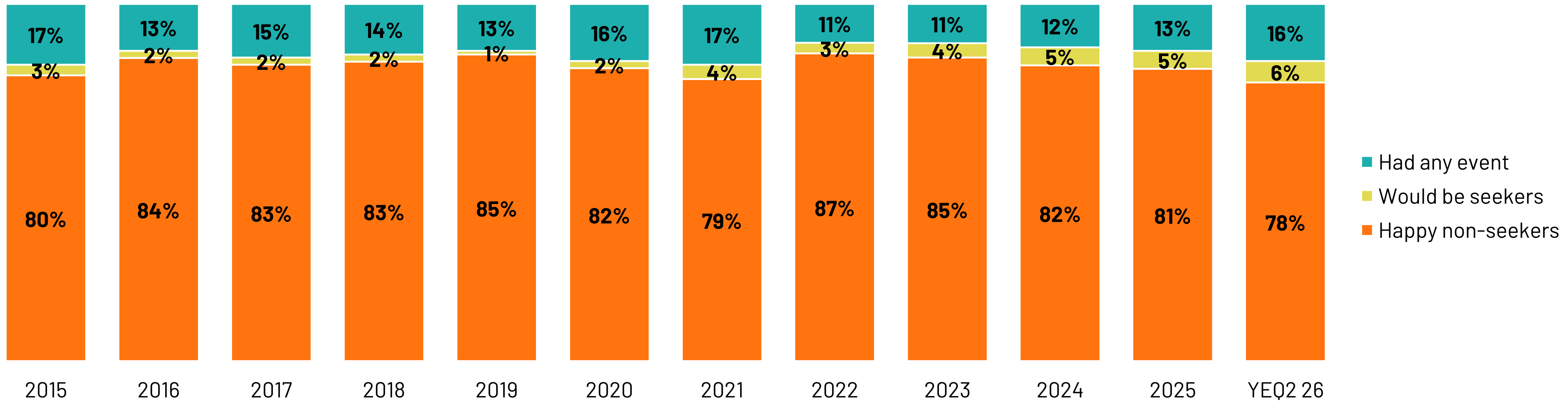
Overall, 16% of SMEs reported any borrowing event, and 6% had been a Would-be seeker with something stopping them applying for finance – both slightly higher in line with increased use of finance

In the 18 months to Q2 2026, 52% of all applications for new or renewed finance resulted in a facility. 9% were offered a facility but chose not to take it and 39% were declined. Success rates remained higher for larger applicants (81% for 50-249 emps and 78% for 10-49 emps) than for smaller ones (64% 1-9 emps and 42% 0 emps)

Looking forward, 15% of SMEs planned to apply for finance while 16% were Future would-be seekers, mainly put off by the current economic conditions. 45% of all SMEs were confident they would be successful were they to apply (39% amongst those with plans to do so)

After a gradual increase in reported appetite for finance 2023-2025, there has been a further increase in those reporting a borrowing event, or to have been a Would-be seeker of finance

Annual time series: Borrowing profile (past 12 months)

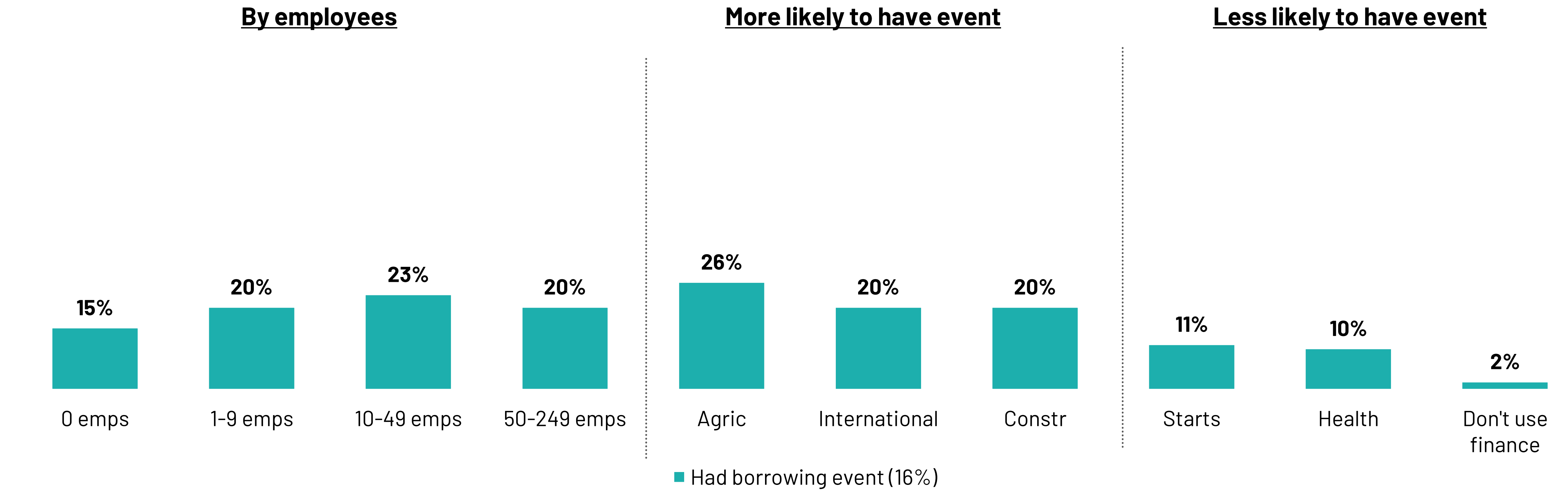


- 16% of SMEs reported a borrowing event YEQ2 2026, with the proportion increasing during that period. A small minority of SMEs said they wanted to apply but something stopped them (6%)
- Those more likely to report a borrowing event YEQ2 2026 included those with 10-49 employees (23%), those in Agriculture (26%) and those using any form of external finance (30%)

Pastfin Base : All SMEs

Those already using finance were more likely to report a borrowing event, as were those with 10-49 employees or in Agriculture

Had a borrowing event: by key demographics YEQ2 2026



Q96 all SMEs YEQ2 2026 15,605

Those with a need who took some action were somewhat more likely to consider applying for funding YEQ2 26 (63%) , but in the end half did, in line with other years, with more self-funding at least part of the need (36%)

UK Finance

Reported a funding need ▶	Q2-4 20: 10%	2021: 12%	2022: 6%	2023: 4%	2024: 7%	2025: 6%	YEQ2 26: 7%
To fund Cash flow	**81%***	**81%***	**69%***	**43%***	**40%***	**52%***	**49%***
To fund Bus Development	**24%**	**24%**	**37%**	**56%**	**57%**	**54%**	**47%**
Spoke to bank/advisor	**55%**	**48%**	**43%**	**29%**	**34%****	**37%****	**33%****
Spoke to main bank	*38%*	*27%*	*23%*	*10%*	*19%*	*17%*	*15%*
Considered applying	**81%**	**80%**	**58%**	**56%**	**57%**	**56%**	**63%**
To main bank	*67%*	*64%*	*47%*	*30%*	*34%*	*28%*	*35%*
Applied	**80%**	**80%**	**61%**	**50%**	**51%**	**50%**	**51%**
To main bank	*65%*	*61%*	*47%*	*25%*	*27%*	*24%*	*24%*
Self-funded element	**12%**	**12%**	**29%**	**19%**	**18%**	**25%**	**36%**

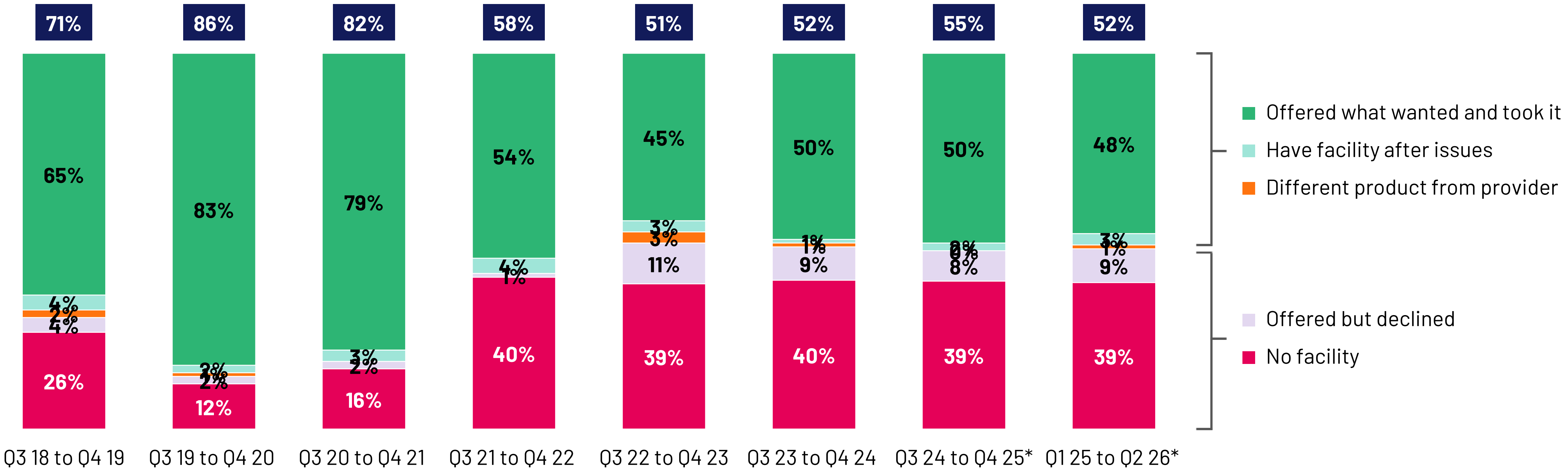
Base varies, those who took no action excluded after each stage * from Q2 2020 this includes "Coping with impact of Covid 19" changed to "through trading difficulties" from Q1 2023. **From Q1 includes "Spoke to a finance broker"

Ipsos

Post the era of Government backed schemes, around half of applications have been granted. 1 in 10 turned down the facility offered to them

UK Finance

Global success rate: all applications reported from Q3 2018 to Q2 2026, occurring in the periods shown

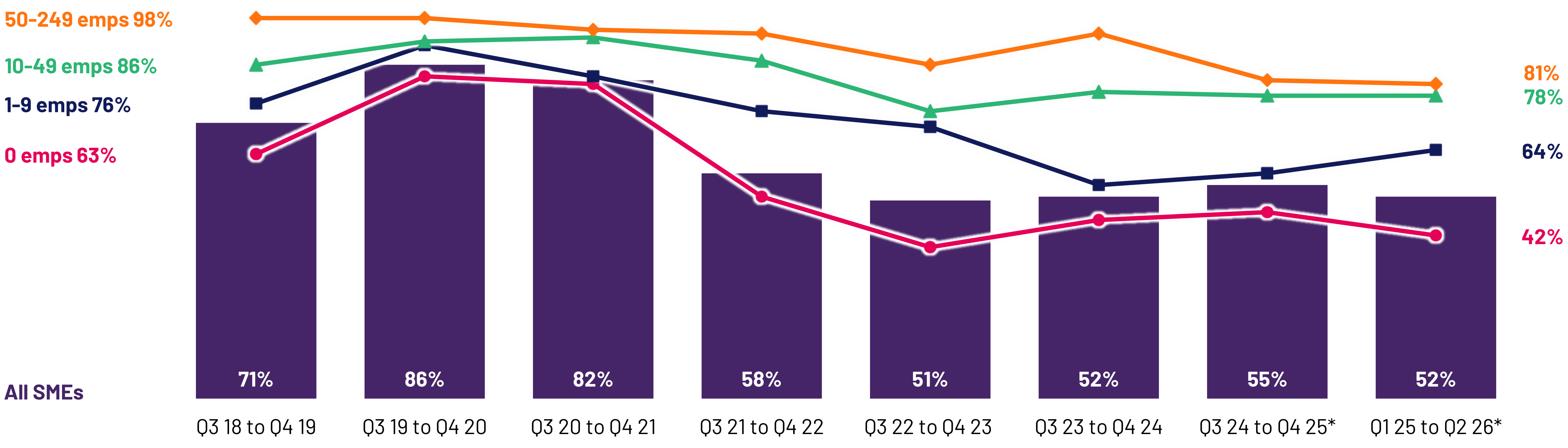


Q39/57 Base : All Type 1a/b applications with a response 1552/3698/2245/1078/1056/1442/1666/1515

Success rates remained stable but below pre-pandemic levels overall and with clear differences by size of applicant

UK Finance

Annual time series: Success rate - all applications (interim data for last 2 time periods shown)

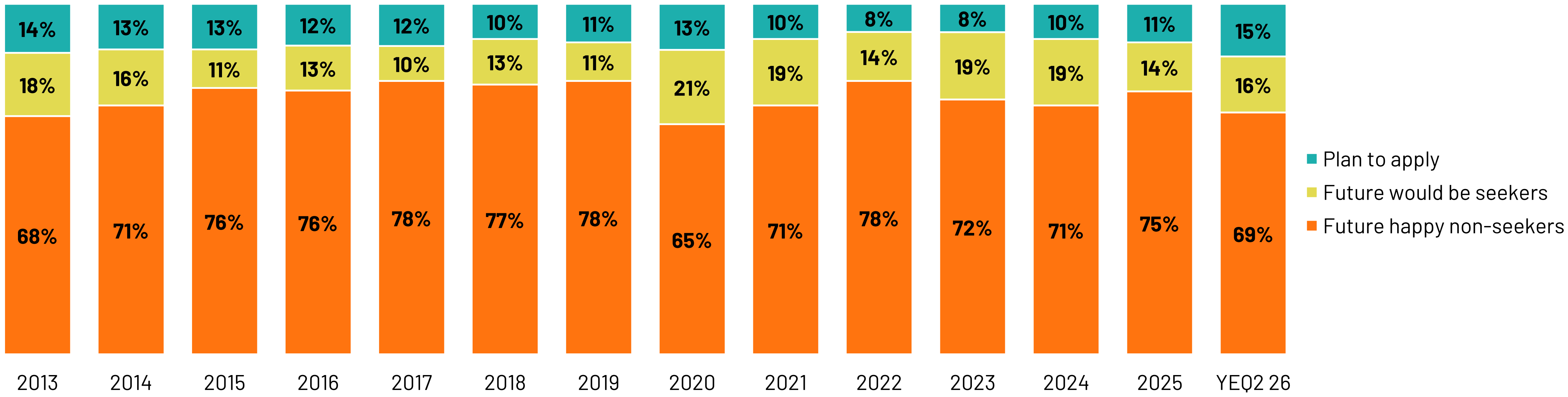


All SMEs Q1 2024 to Q2 2025 interim data from SUCRATE FILTERS table response 1515 172/763/449/131 CARE RE LOW BASE

Looking forward, the proportion planning to apply has also increased in the current period, and there are fewer Future happy non-seekers

UK Finance

Annual time series: Borrowing profile in future



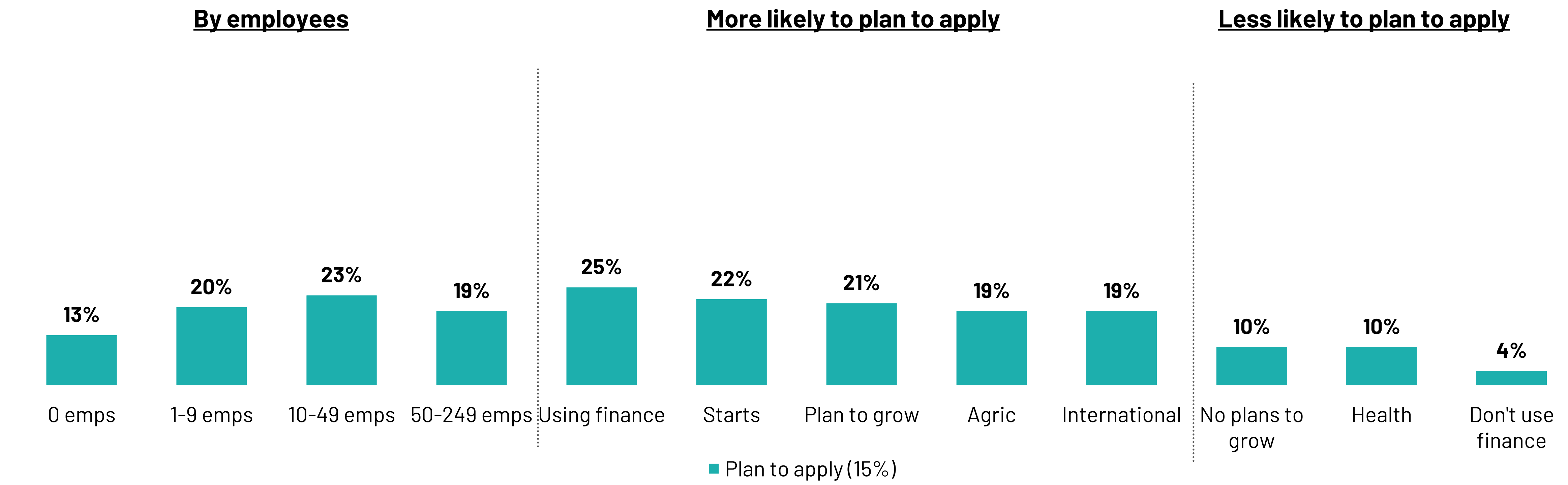
- YEQ2 2026, 15% of SMEs expected to apply for finance and a further 16% expected to be a Future would-be seeker of finance, both somewhat higher than previously seen
- Those with 10-49 employees were more likely to be planning to apply (23%), as were 22% of Starts, those in Agriculture (19%) and those already using finance (25%)

Futfin Base : All SMEs

Ipsos

Those planning to apply have much in common with those who have applied in terms of use of finance and size, but Starts are twice as likely to be planning to apply than to have done so

Plan to apply: by key demographics YEQ2 2026



Q96 all SMEs YEQ2 2026 15,605

While 3 in 10 past Would-be seekers mentioned the process as the main barrier to application, 4 in 10 of those looking forward mentioned the economic climate or their predicted performance in that climate

Main reason for not seeking borrowing – All "Would-be seekers" YEQ2 2026

Main reason for not applying:	6% of SMEs were "Would be seekers" of finance	16% of SMEs were "Future would be seekers" of finance
Discouraged: had asked informally but felt put off, or assumed would be turned down, already borrowing all we could, banks don't lend to us for environ/ethical	**16%** *(1% direct)*	**9%** *(1% direct)*
Process: think it's too expensive, too much hassle, needs security	**29%**	**16%**
Principle: prefer not to lose control, or can get funds elsewhere: no longer includes "prefer not to borrow"	**11%**	**12%**
Climate: felt it was not the right time to borrow in the current economic climate	**22%**	**40%** *(30% economic climate, 10% performance)*

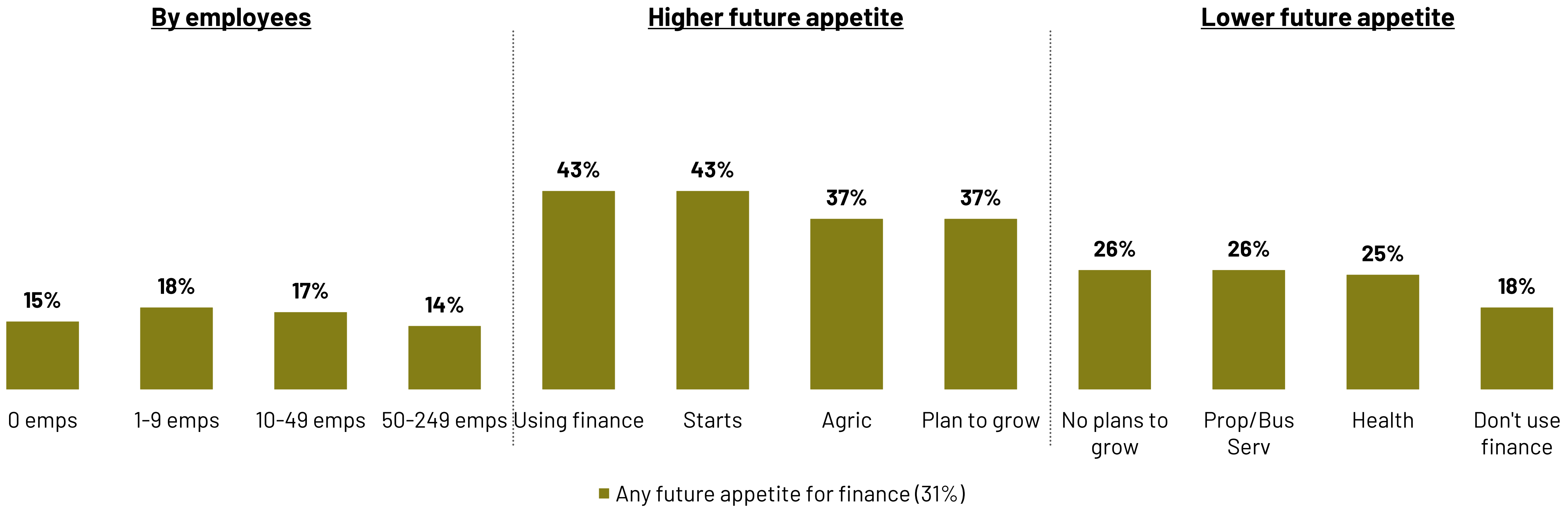
Q32b/77b Q104/105 670/2117

Base : All "would be seekers" 250 H2 2025 /454 YEQ2 2026 Indirect discouragement now includes "thought I would be turned down" AND "already borrowing as much as felt we could"

Overall future appetite for finance is higher for those already using it and Starts, but also those planning to grow or in Agriculture

UK Finance

Any future appetite for finance (apply or FWBS): by key demographics YEQ2 2026

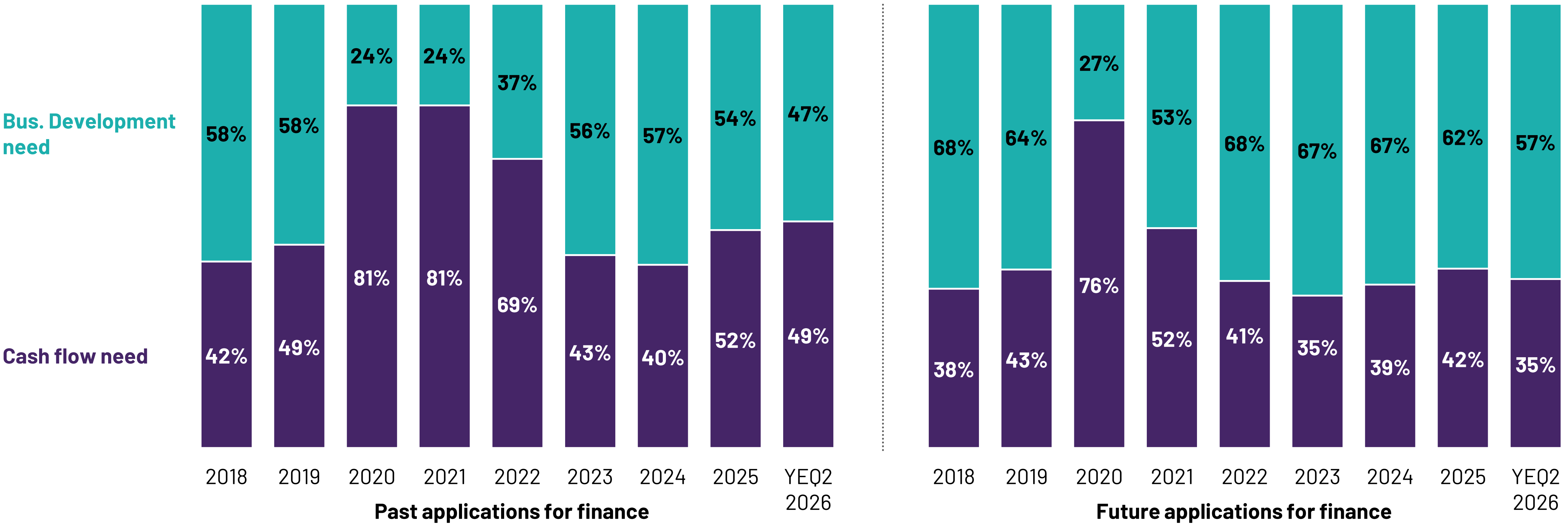


Q96 all SMEs YEQ2 2026 15,605

The proportion that applied to meet a cash flow need has increased in recent quarters. *Future* finance still leans more towards business development, but this suggests those planning to apply for cash flow reasons were more likely to convert

UK Finance

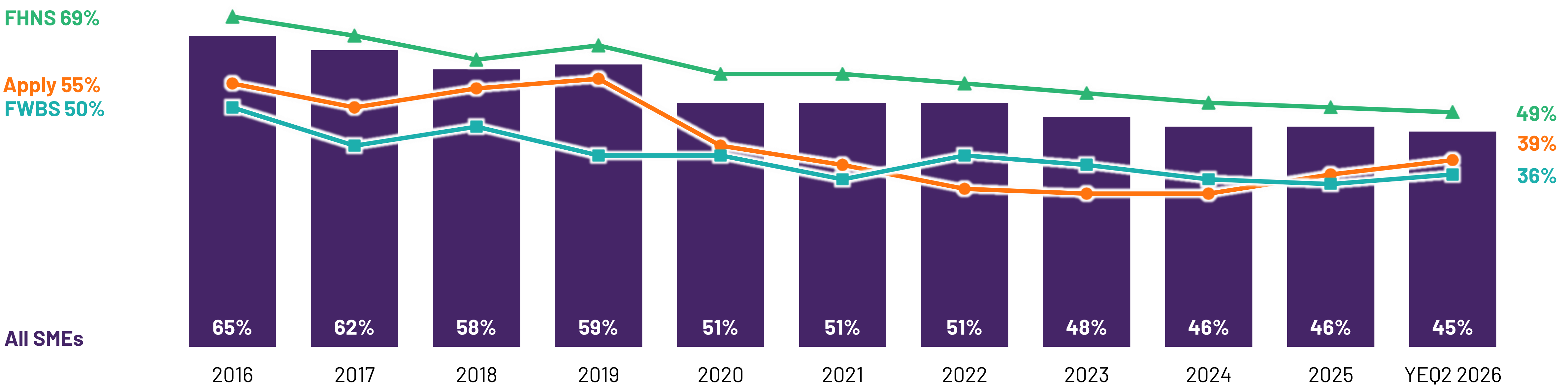
Annual time series: Reason for applying/planning to apply



Q26/ Base : All SMEs who had need for funding Q26 (1,308) / All planning to apply/renew Q100 (2,925)

Confidence that the bank would lend remains lower than previously seen, with 45% of SMEs confident their bank would agree to lend to them. Those planning to apply have though seen something of an increase in confidence since 2024

Annual time series: Confidence (very/fairly) bank would agree to facility next 3 months – by appetite for finance



- 45% of all SMEs, irrespective of their plans to apply, were confident of success, down from 65% in 2016 and across all groups of SME
- Overall confidence increased by size of SME from 42% with 0 employees to 73% with 50-249 employees, and by age from 37% of Starts to 48% trading for 10+ years
- 51% of those in Agriculture were confident of success, compared to 40% in Health and 41-48% elsewhere

Q103/106 Base : All SMEs YEQ2 2026 15,605 by appetite for finance Since Q1 23 all those planning to apply have been treated as one group, not split by product

Final thoughts

1

The environment for SMEs continued to be challenging, whether the economic climate, costs, taxation etc and with growth limited, SMEs have become more likely to see the future offering threats rather than opportunities

2

Levels of growth and planned growth are stable but still lower than previously seen, or than SMEs have anticipated . But such SMEs do still exist and the quarter of SMEs that are Ambitious Innovators see a brighter future and are prepared to use finance to fund it

3

More SMEs are using external finance and engaging with applications, though more often to fund cash flow than they necessarily expect.

Appetite for finance could be higher with more certainty and there continues to be a clear divide in success rates between smaller and larger SMEs

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This work was carried out in accordance with the requirements of the international quality standard for market research, ISO 20252

FOR MORE INFORMATION

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Some key terms used in the SME Finance Monitor

Would-be seekers of finance (past or future)

- Those who wanted to apply for finance but something stopped them or who think something will stop them in future

Happy non-seekers of finance (past or future)

- Those who haven't applied / don't plan to apply but say nothing is stopping them doing so (they may be using finance, just not applied)

Permanent non-borrowers

- Those not using/applying/planning to apply for finance (including pandemic related funding) and who show no appetite to do so

Ambitious Innovators

- Those who plan to both grow and to innovate in the coming year

Ambitious Risk Takers

- Those who agree that they want to be a significantly bigger business and also agree that they are prepared to take risks to be successful

Opportunities v threats

- Asked on a scale of 1-10 where 1 is all threats and 10 is all opportunities
- Scores compared are 1-4 for threats and 7-10 for opportunities