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Strict bank lending prevents small business from increasing turnover and creating new jobs

Recent figures published by the Bank of England show that net bank lending has fallen by more than £50 billion in the past year and small businesses are the most affected. The Institute of Chartered Accountants in England and Wales (ICAEW) says many small businesses are unable to borrow from banks, because their lending criteria are too restrictive.



One company which has fallen victim to the bank's restrictive lending criteria is Blue Tree Services, a small technology company which sell and manufacture tracking devices, based in a Basepoint Business Centre in Ipswich. One of the company's four directors, Mike Smuts, believes that if they could secure a loan, the business could increase its turnover tenfold and create 50 new jobs. However, they have applied for a loan of less than £50,000 with HSBC, NatWest and Lloyds TSB and were unsuccessful. They later applied for a reduced £20,000 loan but again, the assets required to secure the loan were unreasonable.

Mike says: "The banks are only willing to lend if you can give them a huge amount of collateral against the loan. Two of our directors do not live in the UK; one lives in Ireland and the other in Australia and the banks are not willing to consider using any assets owned by non-UK residents as security. I believe in Blue Tree Services and do not see a business loan as a risk but I am not willing to offer my family's home for a loan of less than £50,000, for a business in which I own 20%."

Blue Tree Services Ltd has four directors, who all own different percentage shares in the business, and one external investor, who owns 14%. The business had humble beginnings in 2005 when Mike and one other director worked from their homes to establish the business. The company moved into Basepoint Ipswich in August 2009 and has since doubled its turnover. Mike said: "Having a base made the company so much more efficient – we did not have to waste time posting components around the country so that people could tweak them slightly – we all just congregated in one place and got on with the job. We were also able to store a lot more stock so it was easier for us to enjoy bulk buy discounts and improve our profit margins.



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“Basepoint has been really supportive of our business and I’m not sure Blue Tree Services would be as successful as it is today if we hadn’t of moved in. We decided to take on office space because Basepoint offered a short term lease and we were able to test it out to see if it worked for us – we could not commit to a long term lease because of our lack of funding.”

Mike thinks that the government should do more to encourage the banks to lend to SMEs. There are government backed schemes for small businesses but none of them have been useful to Blue Tree Services. Mike says: “There is a lot of media hype surrounding government schemes but very few companies meet the criteria. Blue Tree Services is located in a small town in rural England where there is not a huge supply of employment opportunities, but as we are located in the South East, we are not eligible for a number of schemes.”

Mike continues: “Also, we are a manufacturing company that requires highly skilled workers – on paper we would be the kind of company that the government would back. There are a number of incentives out there to help companies to employ new staff, but only if the person you plan to employ is a school leaver or has been unemployed for a long time. Our business needs highly skilled labour and help is not available for businesses who want to employ staff with a degree level education.

“In addition to this, almost all of our competitors and similar companies are based overseas, in places where labour is cheap but workers are not as highly trained.”

There are numerous stories similar to Blue Tree Services’ throughout the UK. Mike concludes: “I find the situation so frustrating because there is enough demand in the market place for our products and services, but at the moment we are missing out on expansion opportunities because we do not have the funding to take advantage of new opportunities.”

Blue Tree Services (www.i-traks.com) have been manufacturing their own GPS software and hardware for the past five years. Their GPS devices offer extremely accurate tracking (to within four meters) and deliver and update position data every 10 seconds.

Basepoint Business Centres Ltd is the main trading arm of the ACT Foundation, a leading grant making charity. The company currently operates 26 centres throughout the south of England and the Midlands, with more in the pipeline. Basepoint specialises in providing high quality, managed office space for small to medium companies. For more information on Basepoint, please visit www.basepoint.co.uk, email hq@basepoint.co.uk, or call the team on 01753 853515.

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NOTES FOR EDITORS

Basepoint specialises in the development and operation of managed business, innovation and enterprise centres. These centres provide comprehensive accommodation and support infrastructure packages to new and early-stage companies within a supportive and secure environment. The company operates both wholly- and part-owned centres as well as managing facilities on behalf of public sector bodies. Group operations currently extend across Southern England and the Midlands, with additional opportunities under assessment across the UK.

Basepoint is a wholly-owned subsidiary of the ACT Foundation, a leading grant-making charity dedicated to improving the quality of life of those in need. The ACT Foundation derives its income from a substantial and diversified property portfolio of which Basepoint is a major constituent.

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