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UK Alternative Finance Market for Businesses Projected to Reach £10 Billion by 2020 Says Fiserv Research

- | Peer-to-business lending stood at over £1.2 billion in 2014 and is projected to be worth more than £10 billion by the end of the decade
- | Traditional banking providers have the opportunity to innovate or partner to help serve the growing SME lending market

LONDON & BROOKFIELD, Wis.--(BUSINESS WIRE)-- [Fiserv, Inc.](#) (NASDAQ: FISV), a leading global provider of financial services technology solutions, announced today that U.K. small and medium sized enterprises (SMEs) are likely to benefit from the substantial projected growth of alternate sources of funding such as peer-to-business (P2B) lending and crowd-funding over the next five years. This is according to [Future Trends in U.K. Banking](#), a report commissioned by Fiserv and compiled by the Centre for Economics and Business Research (Cebr). The report looks at changing trends in the U.K. banking sector and the growing importance of alternative finance, particularly for the U.K.'s SMEs.

Despite generating 43 percent of all private sector turnover in the U.K., the credit environment for SMEs has remained challenging since the global economic crisis. With the introduction of new legislation in the last three years, SMEs are becoming aware of alternative financing options, which have started to grow in the U.K.

The rise of alternative finance options

The financial crisis prompted numerous government-led initiatives to boost lending conditions for businesses in the U.K., but these have not gathered pace. At the same time, the popular P2B business lending sector has been gathering momentum. The report estimates P2B lending to be worth £850 million in new flows of credit in 2014 (and £1.2 billion in total), a significant increase from just £20m in 2011. The crowd-funding market, where businesses can raise money from an online community or group of people, is even newer than P2B lending, yet was estimated to be worth £310 million in 2013.

These sources of alternative finance could be worth £12.3 billion a year by 2020, which would represent a £14,000 loan for every small business applying for credit. However, in spite of this growth and some level of dissatisfaction with mainstream lenders, many SMEs claim a lack of knowledge about alternative finance with 58 percent reporting they wouldn't know where to find these sources. This finding is expected to change as alternative finance providers flood the market to capitalize on growth.

Travers Clarke-Walker, Chief Marketing Officer, International Group, Fiserv said, "Our research suggests that improved and user-friendly technology is impelling the growth of alternative finance in the U.K. We have seen the P2B and crowd-funding sectors engaging in a concerted marketing push, which is likely to raise awareness significantly. The buzz around alternative finance for SMEs is giving alternative financiers legitimacy and encouraging SMEs to try these alternative funding options."

The future looks bright for SMEs with estimates putting total potential P2B lending as high as £12.3 billion a year - a figure that given current growth rates in the market could easily be reached by 2020. If only half of UK households lent just a tenth of their savings through P2B, this could potentially give a total pool of available lending of £11 billion.

The report finds the scale of credit gained by SMEs in the alternative finance sector is likely to climb sharply over the years to 2020 and beyond. This is not necessarily at the expense of more traditional banks however, as the economy is projected to expand relatively robustly over the medium term, increasing demand for credit overall.

Clarke-Walker added, "As SMEs and consumers demand new products and services, there is a significant opportunity for banks to innovate with their own new products or to coexist through partnership with start-ups and alternative lenders. By embracing technological advances, financial institutions can also contribute to serving SMEs with this growth in new forms of lending and expanded credit."

Research Methodology: Research conducted by Cebr from 12 to 29 November 2014, using a combination of desk

research and external research conducted by Opinium Research from 2 to 3 September 2014, amongst 2,003 U.K. adults (aged 18+) via an online omnibus survey. Results have been weighted to nationally representative criteria.

Additional Resources

- | Future Trends in U.K. Banking - Analysis and Projections Part Two - <http://fisv.co/1Upf3g8>
- | Agiliti from Fiserv - www.agiliti-fiserv.com
- | Solutions for U.K. Financial Institutions - <https://www.fiserv.com/international>

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