



All-Party Parliamentary Group for Black, Asian Minority Ethnic Business Owners & UK Finance Access to Finance with Small Business Minister Scully

**3rd of November 2021 13.00
Zoom Meeting**

1 Overview

On the 3rd of November, the All Party Parliamentary Group for Black, Asian and Minority Ethnic Business Owners held a roundtable with Minister Paul Scully, the Minister for Small Business, Consumers and Labour Markets. The other speakers were Diana Chrouch, Special Advisor to the APPG, Laura Haddock, Assistant Deputy Director, Annual Surveys, Surveys and Economic Indicators and Mike Conroy, Director of Commercial Finance at UK Finance.

The aim of the roundtable was to discuss the need for data collection on ethnicity as an essential tool for analysing and monitoring the access of BAME business owners to finance. The APPG has received a lot of anecdotal evidence that BAME business owners struggle to access the finance they need to support and grow their businesses. This was corroborated in the meeting by other attendees, such as Vimal Shah, an accountant who had also come across multiple cases where business owners had even been refused a business bank account. The point was made that access to banking is as much of an issue as access to finance.

2. Sarah Olney MP - APPG Co-Chair

Sarah opened the meeting by thanking all those involved in the work of the APPG. She emphasised the fact that BAME business owners are key contributors to the UK economy and that as we emerge from the pandemic, it is essential that barriers are removed and ethnic minority business owners are supported to fulfill their potential. Rebuilding the economy will only be successful if BAME business owners are included in the growth strategy.

However, in order to identify and address the barriers ethnic minority business owners are facing, we need better data. A key area that we urgently need to address is the difficulties in accessing finance. The purpose of this roundtable is to consider options for how to collect data on access to finance so that we can develop solutions to ensure that BAME businesses are getting the support they want and need.

3. Diana Chrouch - Special Advisor to APPG

Diana started by thanking the Minister, MPs, guest speakers and business owners for attending the APPG's meeting.

She explained how the APPG is keen to address long standing structural barriers to accessing finance for diverse business owners to fully unlock their potential for the benefit of the UK's economy. The APPG's members strongly believe that data about ethnic minority business owners' access to finance is a critical first step in addressing these barriers

The APPG's report – "BAME Business COVID 19 Response - Voice from the Grassroots" about its national consultation about the impact of the COVID pandemic on ethnic minority business owners' found that a significant proportion had struggled to access the government's financial support measures as a result of a long standing disconnect with the banking sector. This issue was further exacerbated by a lack of trust leading to discouragement and complaints about a lack of transparency about bank lending and services.

This lack of ethnicity data hampers closer analysis of these issues and since there is no national system of data collection about ethnic minority business owners' it is difficult to accurately index their economic contribution or to calibrate measures to maximise their potential.

Indeed, without access to data it is also difficult to build an evidence base to increase understanding of the barriers that EM business owners are complaining about and to identifying and to address key barriers to accessing finance that has continued for decades

4. Minister Scully

Minister Scully emphasised the important contribution of ethnic minority business owners to the UK economy.

He also acknowledged their talent for resilience particularly in dealing with the ongoing challenges that they have faced as a result of the pandemic. He also referred to the additional sector specific issues which have led to increased pressures in those industries with higher proportions of ethnic minority entrepreneurs represented such as hospitality and retail.

He expressed his personal understanding of these issues as a result of his own part Burmese heritage and his previous experience as an entrepreneur.

4.a Data Collection Precedence

The Minister outlined his support for the case for capturing more data about ethnic minority business owners to inform policy making and to enable a greater understanding of their access to finance. He explained that there is a precedent for banks collecting ethnicity data because the British Business Bank captures the ethnicity of applicants for the Government's Start Up Loan Scheme. This has enabled the scheme to report that almost half of all Start Up Loans issued in London went to people from BME backgrounds. Critically, applicants cooperated with disclosing ethnicity data when applying for funding and appeared to trust the bank to capture it.

4.b Inclusive Economic Recovery

The Minister also outlined the Government's plans for an inclusive economic recovery with a range of measures that are being developed as a part of their Enterprise strategy which includes initiatives such as 'Help to Grow' an "incredibly important initiative aimed at boosting productivity". The minister expressed his interest in continuing to collaborate with the ethnic minority business community by continuing to meet to discuss practical ways to reduce barriers and open up economic opportunities for inclusive recovery and growth.

5. Laura Haddock - ONS

Laura spoke about the work for the ONS' working group she has been leading. The group was established to address the APPG's recommendation that a national system for data collection was established, to ensure better data was available on the ethnicity of business owners, and to help improve policy development and outcomes for them.

Laura said that data will enable better decision and policy making, will identify where actions need to be focused and will measure the effectiveness of action. The working group looked at options for developing a baseline for the population of minority ethnic group led businesses, ideally one that can be broken down by geography to support the levelling up agenda.

Assessing different options, the working group looked at technical criteria, quality criteria and trust criteria. The draft recommendations include expanding existing surveys to capture additional information, developing new sources of administrative data such as through Companies House, and the ability to link existing social and business data.

6. Mike Conroy - UK Finance

Mike expressed the banking sector's desire to find a workable route for collecting data about ethnicity to enable more detailed analysis. However, he also expressed the concerns of the banking sector about any negative impact on customer relations or potential exacerbation of discouragement leading to reductions in ethnic minority applications due to mistrust.

Mike also outlined the banks concerns about the practicalities of collecting ethnicity data from customers who may be not comply and points to the SME Financial Monitor which has low rates of disclosure

In conclusion, Mike expressed a preference for supporting data collection via an alternative route such as Companies House or for the government to pursue other official routes.

7. General Discussion

The issue of privacy and trust was discussed throughout the meeting.

Lord Taylor raised the possibility of the government working with faith groups. He made the point that faith groups tend to be rooted in the community and have a high level of trust and are therefore well-placed for outreach within communities.

Menelik Shillingford, from the London Chamber of Commerce and Industry and the account manager for the Black Business Association and Asian Business Association, suggested that Companies House would be a good starting point for data collection on ethnicity as it seemed to him the comprehensive approach. Whilst it doesn't capture all businesses (namely microbusinesses), it can capture a significant number. The rest could be attempted to be captured via the use of surveys and other channels.

Lynne Robertson and **Mike Conroy** both suggested that HMRC could be used to capture self-employed/sole trader data.

Vimal Shah spoke about his experience as an accountant, highlighting that his clients report that levelling up needs to extend to a level playing field and a cultural reboot of how the major retail banks treat SMEs. He also highlighted that many of his clients were denied CBILs or BBLs unless the client put all their banking through that one bank. It is his view that banks need to be obligated to collect ethnicity data and report back in the same way that ESG is now obligatory.

A general discussion about the need to consider the experience of customers when collecting customer relations with the banks. There was some concern expressed about the potential for upsetting customers by asking for ethnicity data at the point of loan or other service applications. This was also discussed in the context of ensuring that GDPR protections were observed and there was some concern that these might make it difficult for banks to justify collecting ethnicity data at the point of these transactions. There was broad agreement that any data collection of ethnicity should be done in a manner that was done sensitively so that it did not exacerbate any existing discouragement and lack of trust amongst ethnic minorities who may be suspicious of this type of data capture.

Professor Monder Ram

Professor Ram outlined the need for data collection as a key part of evidence based policy making. He was broadly in favour of collecting ethnicity data via the banks. He is also in favour of the ONS's plans to capture more ethnicity data via business surveys and Companies House. However, he expressed concerns about the ability of Companies House to capture enough ethnicity data from ethnic minority entrepreneurs since many of them operate as self employed micro businesses that do not register their enterprises and so would not be captured through this route.

He made a strong case for requiring that ethnicity data be captured via the Inter-Departmental Business Register (IDBR) to ensure that data is being captured from multiple sources. This will enable a coherent index of ethnicity data to be created and analysed.

He also asks whether this could be implemented in the shorter term alongside plans to collect data from Companies House

Francis Evans, Head of Business Finance, BEIS (standing in for the Minister)

Francis offered to look into the practicalities of adding an ethnicity field to the IDBR and offered to write to the APPG's co-chair Sarah Olney with his findings.

He acknowledged that the lack of a national system of data collection about ethnicity data needs to be addressed, particularly in order to analyse issues such as access to finance as a basis for informing policy making.

He also acknowledged the need to address issues of trust within the ethnic minority community more widely to ensure that decisions about data collection are careful not to exacerbate these issues and to instead work to build trust. He was broadly in favour of the comments made by Lord Taylor about the key role that faith groups are able to play in brokering relationships between policy making institutions and ethnic minority communities.

Next steps - ONS Report Publication

The ONS working group has worked in collaboration with the APPG and other stakeholders over the past year to find a practical solution to establishing a national system of data collection about ethnic minority business owners.

On the 23 November 2021 the ONS published their report entitled '**Exploration of options to source data on the ethnicity of business owners**' which can be read here:

<https://www.ons.gov.uk/news/statementsandletters/explorationofoptionstosourcedataontheethnicityofbusinessowners>

The working group recommends pursuing the following options:

- 1) Explore adding an ethnicity field to the annual registration process at Companies House
- 2) Include additional questions as part of the Management and Expectations Survey

The ONS will continue to act as a coordinator on the recommended options and options to explore further, providing feedback on progress, and the ongoing feasibility of options to the working group and other interested parties on a regular basis.

The ONS will also continue to work alongside the APPG for BAME Business Owners to understand the ongoing discussions with ethnic minority business communities, their concerns about a lack of data, and issues arising around the collection of this data.

Attendees

Paul Scully MP - Minister for Small Business, Consumers and Labour Markets	
Sarah Olney MP	Jennifer Millar-Smith (Office of Henry Smith MP)
Mark Logan MP	Daniel Atherton (Office of Sir Peter Bottomley MP)
Lord Taylor of Warwick	Charlie Beckwith (Office of Christine Jardine MP)
Angela Sealy - BEIS	Laura Haddock - Assistant Deputy Director, Annual Surveys, Surveys and Economic Indicators, ONS
Bernard Idowu - Business Growth BEIS	Lina Bourdon - Chair of FSB Diversity Policy
Claudine Reid - Black Business Advisory Panel - Lloyds Bank	Louise Robinson - Santander Bank
Debbie Ansobom - Sunrise Property	Lynne Robertson - Santander Bank
Diana Chrouch - Special Advisor to the APPG for BAME Business Owners	Mamun Khan - Asian Resource Centre of Croydon

Dionne Edwards - Arts Heritage Circle Leeds	Margaret Ogunbanwo- Maggie's Exotic and Food and Drink Wales Industry Board member
Efuru Obua - African Diaspora Network	Matthew Nkemdirim - Accountancy business and restaurant owner
Esenam Agubretu - London Chamber of Commerce	Melissa Wills - Women Like Me
Francis Evan - BEIS	Menelik Shillingford - Account Manager for Black Business Owners, London Chamber of Commerce
Ioannis S Pantelidis - Director of Doctoral Studies, Enterprise and Knowledge Exchange, Brighton University	Mike Conroy - Director - UK Finance
Jennifer Tankard - UK Finance	Moslek Uddin - Director, UK Curry Connect
Julie Baker - Natwest Bank	Naseem Talukdar - Plastic Pollution Awareness & Action Projects
Juliet Gouldman - Barclays Bank	Professor Monder Ram - Centre for Research in Ethnic Minority Entrepreneurship
Shah Athar - UK Curry Connect	Vimal Shah - Asian Business Association, London Chamber of Commerce