



All Party Parliamentary Group for Ethnic Minority Business Owners

LENDING STANDARDS BOARD MEETING

Date: 20 June 2022

Where: Virtual Meeting

Minutes

Sarah Olney MP thanked **Laura Mahoney** and **Justin Prottts** from the Lending Standards Board for the meeting and introduced **Diana Chrouch** to ask her to outline the position with regard to ethnic minority business' access to finance in the UK

Diana introduced the meeting by detailing the work of the APPG, in particular the focus on policies to improve access to finance and finding practical ways to overcome barriers faced by ethnic minority businesses (EMBs) in this area.

Diana stressed the importance of addressing the barriers that EMBs face in accessing financial support, both through high street lenders and other sources of funding. At a recent round table with UK Finance, key barriers were raised and the disparity between the amount of loans given to EMBs in comparison to their white counterparts was discussed. EMBs also explained how these barriers are often compounded when complaints are not adequately handled through poor customer service experiences.

As part of this discussion, the role of the Lending Standards Board's (LSB) Lending Code of Conduct was mentioned, which motivated this meeting.

Diana explains that the ethnic disparities cannot be adequately addressed without access to ethnicity data to enable a detailed analysis of experiences and outcomes to give a fuller understanding of what is happening.

In addition, there is concern that without a systematic and transparent approach to data collection, alternative information gathering strategies are increasingly being used such as AI to help banks to make lending decisions which risk disparities potentially increasing and going unregulated.

Diana then asks **Laura Mahoney** and **Justin Prottts** to comment on how the Lending Standards Board's work could help to address ethnic disparities in lending patterns.

Laura thanks Diana for her introduction, and explains that the Lending Code of Conduct was introduced in 2009, and that banks sign up on a completely voluntary basis. Laura explains that it was updated in 2016, in line with the Financial Conduct Authorities work.

A voluntary code of practice covering lending to small business customers was published in 2017 which followed a review of the Lending Code to address gaps in the existing regulatory framework

Laura then concluded by saying that the LSB are aware of the issue of disparities, and highlighted their standards for improving inclusion and dealing with vulnerable customers which required signatories to make specific provisions for these groups.

She then goes on to explain that the LSB is currently reviewing the Lending Code to make provision for green finance standards and indicates that this review could potentially open an opportunity to address lending standards to ethnicity minorities in collaboration with the APPG

Sarah Olney thanks the LSB for meeting, and asks what powers of enforcement they have

Laura responds by saying they are the only independent oversight body operating in the area of regulation. Once signed up, each firm receives a report tracking them with an action plan and how they can improve.

Firms in breach of lending standards are required to proactively address issues and in extreme cases can be censured or reported to the FCA

Sarah and **Diana** both then ask if the LSB collect ethnicity data

Laura responds by saying that they do not, and asks for an update about the APPG's work with UK Finance and other stakeholders on this.

Diana responded by detailing the work that the APPG has done with the Government, in addition to the meetings held with UK Finance, the Office of National Statistic, Companies House and other relevant stakeholders. It was explained that these meetings have begun to focus on the Government's 'Inclusive Britain' report, particularly 'Action 55', which is a pilot of a system of data collection of EMBs.

Diana then discussed the quarterly meetings with UK Finance, which have featured a range of stakeholders and speakers including Paul Scully MP, the Minister for Small Business and Pat McFadden MP Shadow Chief Secretary to the Treasury.

All parties acknowledged the need to be able to access ethnicity data. **Diana** flagged the bank's concerns about how ethnicity data collection many impact customer relations.

Sarah agreed with Diana, but stressed the need to break this taboo in an attempt to make progress.

Diana continued, that there has been a lot of interest in this issue and refers to the briefing paper that she has written for the Minister for Equalities, Kemi Badenoch where she has detailed the issues that may arise from data collection, but why these obstacles could be overcome.

Justin Prottis then explained that the LSB do encourage firms to collect enough information on clients to ensure they are being inclusive, but ethnicity is not usually covered in these.

He then sets out some of the practical considerations in collecting ethnicity data but agreed that this was an important issue that needs to be addressed. He then flagged the need to continue to keep firms engaged in the discussion about the topic and to explorations about how to find best practice solutions

Diana then asked whether ethnicity being included in the Lending Code was a possibility. She also asked how the LSB are currently requiring firms to capture data about vulnerable customers in order to report that they are being compliant with agreed lending standards. She draws an analogy with the need for any data collection about ethnicity to have a requirement to deliver to an agreed standard.

Sarah explained that it is also important to keep a distinction between ethnicity and vulnerable customers because, although there is a need to ensure that metrics for standards are clear, it is

important not to blur the lines between ethnic minority customers who are underserved and the needs of vulnerable customers because these are not necessarily the same.

Laura mentioned that discussions have been had with Ministers, and that there is good scope to potentially include the need to address the needs of ethnic minority business owners in future discussions.

Justin then asks what exactly it is that the APPG would like to see firms collecting in terms of data, which could then be used by the LSB as a part of their guidance for firms.

Diana responded that the APPG has collaborated with the ONS and has adopted their ethnicity categories which aim to use standardised ethnicity categories that are harmonised across government departments.

Justin then asks if Diana has consulted the British Business Bank about collecting ethnicity data

Diana responded that she has met with the British Business Bank previously and reports that they successfully collect ethnicity data as a part of its business start-up loans scheme.

Actions

Laura concluded that another call is needed in the near future, and they will get back in touch.

Diana and **Sarah** agreed.

Attendees

Sarah Olney MP – Co-Chair of the APPG for Ethnic Minority Business Owners

Diana Chrouh – Special Advisor and Secretariat to the APPG

Laura Mahoney – Head of Policy and Legal, Lending Standards Board

Justin Protts – Senior Policy Manager, Lending Standards Board