How an alternative view on lending risk can unlock economic growth

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It's inevitable that banks and other traditional funders naturally default to a cautious, risk-averse and highly structured approach to lending.

We know due diligence is vital and a company's financial health, credit history and ability to generate consistent revenue should always be core criteria when approaching any lend.

But is this rigid mindset towards funding - driven by a fear of risk - unnecessarily holding back UK business?

We feel a one-size fits all approach to lending and a nervous attitude towards risk simply doesn't work in the current economic climate where many businesses are still reeling from recent government policies, such as the increase to National Insurance contributions.

Lenders have a responsibility to continually assess risk and safeguard the funding they provide but also have a responsibility to create opportunity and go the extra mile to offer funding opportunities that enable businesses to grow, innovate or unlock new revenue streams. That relies on a more pragmatic approach to risk and adopting a 'can-do' ethos driven by a desire to leave no stone unturned in order to make a deal happen, where possible.

Many traditional funders are simply bogged down by red tape and rigid box-ticking processes, but for us it's about having a more instinctive approach. It's essential for lenders to think more like an entrepreneur and have that innovative mindset towards introducers or clients that is not clouded by fear. Risk need not be a barrier - it's an opportunity waiting to be uncovered. In every complex deal that might stop a high street bank or other traditional funder in their tracks, we see the potential to make something happen.

We've recently funded a couple of entrepreneurs that were in the process of establishing start-up businesses in Northumberland and Cheltenham. Despite both having no previous trading history, these deals were largely made possible by strong forecast projections, a solid business plan and our confidence in their sector knowledge. It

Risk and opportunity in this instance are two sides of the same coin. The same set of circumstances, size of business or a specific sector that might scare off a conventional lender can often be the foundation of a successful deal.

In the more unpredictable tourism sector, for example, we recently provided an £890,000 funding deal with Tyn-Y-Ffridd Farm, a thriving North Wales holiday park that had its business funding support removed by the banks. The business was heavily impacted by COVID, underlying the volatility of the tourism industry, but we were impressed by the company's entrepreneurial owners and the potential for the business to accelerate revenue growth. The funding we provided has seen the business go from strength-to-strength, with the owners using the working capital to develop their holiday and private rental properties and expand into new areas such as weddings and corporate events.

As an alternative lender, we feel it's important to keep an open mind, cut through the noise and explore what's possible, regardless of sector volatility. Being agile isn't just about being quick - it's about seeing what other lenders miss.

It's not about championing recklessness or lending irresponsibility; it's about understanding that risk isn't inherently negative. The economy needs bold, innovative and entrepreneurial thinking right about now and lenders play a critical role in creating a climate designed for growth that is not stifled by fear.

The recent 0.25% cut to interest rates is all helping stimulate the economy, isn't it time traditional lenders and banks did their bit?

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would have been easy to dismiss both deals but we went that stage further by investing the time in getting to understand their business, their growth potential and the size of the market opportunity they were looking to capitalise on with the help of additional working capital. For traditional funders, limited or no trading history would be an instant red flag and likely to scupper any chance of a deal being reached. Again, we see things differently.

It also pays dividends to have a sector agnostic view towards risk. Those industries perceived to have volatile revenue streams, such as hospitality, travel or retail, are often seen as much higher risk to traditional funders.