System gridlock

The growing bottleneck in alternative lending

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For years, the UK's alternative lending market has helped fill the widening gap left by traditional banks. In fact, alternative providers have now overtaken their mainstream peers, with 60% of SME lending coming from outside the top seven banks (British Business Bank, 2024).

Yet today, many SMEs seeking vital funding are finding themselves stuck. Not because alternative lenders can't support them, but because first-charge lenders are slowing the system to a crawl.

Across the market, there has been a clear shift in approach. Full underwrites are increasingly becoming the norm, even for straightforward consents. Where second-charge consent was once a relatively quick and pragmatic process, many banks, including several challenger banks, now insist on full underwriting before granting approval. At best, this adds weeks or months to timelines for businesses that need to move fast. At worst, underwriting through a bank's rigid criteria and algorithms results in outright declines. SMEs are left without the funding they need, sometimes pushed into unsecured lending that simply doesn't meet their requirements.

Where a Deed of Priority is required, we are also seeing the introduction of inequitable conditions and disproportionate enforcement rights. Existing lenders are often unwilling to show flexibility when the system says no. By this stage, the incumbent lender has typically already declined support and may even have referred the customer to the alternative market. The SME then finds itself stuck between lenders, unable to proceed despite a viable solution being available.

Delays and indecision from traditional lenders are directly threatening the growth and in some cases the survival of UK SMEs. Not because banks are unwilling to lend, but because they won't let others do so. Recent data reinforces this concern. Over 60% of UK SMEs say accessing finance is harder than a year ago (FSB Small Business Index, 2025), and one in three report that delays from their main bank have directly jeopardised their investment or growth plans (British Business Bank, 2025).

Alternative lenders have stepped up with consistency, flexibility and speed, filling the gap left as mainstream banks have narrowed their appetite and extended their processes. But even the most experienced teams and innovative solutions cannot keep supporting the UK's growth engine if first-charge lenders continue to operate with procedures from a different era.

Consent processes must be proportionate. SMEs cannot afford eight-week delays for what should be a simple administrative sign-off. Viable funding solutions should not be blocked or delayed indefinitely. If mainstream banks cannot lend, they should not stand in the way of those who can.

Communication must reflect the urgency SMEs face. Businesses operate in real time. Opportunities don't wait, cashflow pressures don't pause and growth plans cannot sit in a queue.

We all operate within the same lending ecosystem and it only thrives when every part works together. Slowing alternative funding doesn't just frustrate lenders and brokers, it harms the SMEs that drive jobs, investment and local growth across the UK. ●

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