

Business and Trade Committee

Oral evidence: [Financing the real economy](#), HC 1220

Tuesday 18 November 2025

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Members present: Liam Byrne (Chair); Dan Aldridge; Antonia Bance; Alison Griffiths; Justin Madders; Charlie Maynard; Mr Joshua Reynolds; Matt Western.

Questions 208 - 227

Witnesses

- Anna Shiel, Chief Investment Officer, Better Society Capital;
- Mila Lukic, Chief Executive and Founder, Bridges Outcomes Partnerships;
- Lisa Jacobs, Chief Executive Officer, Funding Circle.

Examination of witnesses

Witnesses: Anna Shiel, Mila Lukic and Lisa Jacobs.

Q208 **Chair:** Welcome to the third panel of today's hearings into access to finance. Thank you so much to our witnesses for joining us as we unpack this question of impact investing. This was something that we wanted to consider as part of our broader access to finance inquiry. Thank you very much indeed for joining us.

Anna, as you probably know, I have a long affection for Better Society Capital, having been involved in creating the less well-named social investment wholesale bank in 2009. Just give us a sense of what you are now doing to crowd in investment into the impact investing space.

Anna Shiel: Thank you very much, Chair. Thank you to the Committee for hearing from us. I am Anna Shiel. I am the chief investment officer at Better Society Capital. We are an impact investor, but we have a mission to mobilise more capital toward tackling the big social and environmental challenges in the UK. That means we invest in what we see as promising solutions that bring together enterprise and capital to address some of those long-term systemic issues, but we also look to crowd in others alongside us.

In the now almost 13 years since we were created in 2012, we have committed £1 billion of our own capital, which has mobilised a further £3 billion alongside us from a range of other investors. That is tackling a whole host of different social and environmental challenges that we see in the impact investing market, which ranges from social and affordable housing to community-led renewable energy infrastructure, SMEs and social enterprises, which are often operating in more deprived parts of the country, and impact-led start-ups that might be tackling issues such as financial inclusion or supporting people with their health. There is a real spectrum of solutions and issues that are being tackled.

Q209 **Chair:** When we first began developing this policy agenda back in about 2002 or 2003, it was an asset class that was not terrifically well understood in this country. Is there now a bigger social capital market that understands the opportunities better?

Anna Shiel: We do see that. In those 12 years, the market has grown 12 times to £10 billion. It is working directly to tackle those sorts of challenges. The social impact investment advisory group, which was convened by this Government earlier this year, recently published a report that makes recommendations around how we can embed this more and highlights just how much capital is already working towards some of these national priorities in the impact investing market. There is £42 billion of capital, from a range of institutional, philanthropic and other types of investors, that is working to tackle some of those challenges.

Q210 **Chair:** Mila, has Bridges now stepped up to the original vision that Sir



Ronald Cohen and others set out for it at the moment of its creation all those years ago?

Mila Lukic: Thank you, Chair. Thank you, Committee. It is an honour to be talking about this particular topic. Indeed, across the Bridges Group impact investment is being dedicated across a number of different impactful themes, supporting impactful businesses all across the UK, supporting impactful properties and supporting and creating pools of social investment to transform public services. That is what Bridges Outcomes Partnerships does, which is the part of Bridges that I run. We are a not-for-profit platform dedicated to the transformation of public services through partnering with local authorities, national Government, and indeed social investors.

What is really exciting is that over the last nearly 15 years there has been significant evidence of the level of impact being created in this way. As a buyer, Government can continue to create this type of transformation. By focusing on long-term social outcomes, one can create a complete transformation in terms of the impact achieved for individuals and communities and can continue mobilising significant sums of social investment that can fund such delivery up front.

Thus far, we know that such delivery has created nearly £9 of public value for every £1 spent and £570 million in fiscal savings alone. We see incredible evidence in terms of impact and value for money being achieved across a number of policy areas, such as homelessness prevention, health and social care and children's services, where the spent levels are quite significant. We are talking about £169 billion of annual spend being dedicated to human services. There is an opportunity to transform more of that funding to be outcomes-focused, which will lead to better outcomes for individuals, better value for society and will mobilise further social investment to help deliver those partnerships.

Q211 **Chair:** It would also help you to deploy things such as social impact bonds on a much bigger scale.

Mila Lukic: Indeed, such a long-term commitment from the Government as a buyer, in terms of buying for outcomes, would create that. There have been a number of important policy decisions earlier this year as part of the social impact investment advisory group. There has been a recommendation to set up and an announcement about a Better Futures fund, which is a £500 million pool of funding to co-commission for outcomes to tackle child poverty. That is a very welcome decision. There is an opportunity to do similar work in other policy areas where one is trying to create employment and health outcomes, together in homelessness prevention and so on.

Q212 **Chair:** When we were looking at this at the end of the 1990s, there were two other ideas that were in the mix. One was about community investment tax, which was based on the Clinton New Markets Initiative. The second was the Community Reinvestment Act, which was an



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obligation that would bite on banks to put more money into this kind of space. Do those ideas still have value today?

Mila Lukic: Anna is probably better placed to answer that.

Anna Shiel: I am very happy to come in on that. Community investment tax relief has been really important in enacting some of the solutions that I have talked about, such as crowding in finance to underserved SMEs around the country. We have been involved in a structural investment called the community investment enterprise fund—it is somewhat technical—that looks to address the financing gap that exists for many of those small businesses, particularly in areas of higher deprivation, and, in a way, the financing gap for some really important social impact lenders and community finance providers that meet that need but cannot necessarily attract the scale of capital they need.

We have been able to use community investment tax relief, alongside some of the British Business Bank's guarantees, to create a structure that has been able to attract bank capital from Lloyds Banking Group last year, for example. That was the first commercial bank investment into the community finance sector.

Initiatives such as community investment tax relief are really important. There are some ways in which we could improve their design.

Q213 **Chair:** Is it big enough today?

Anna Shiel: Arguably not, no. There is a lot more that we could do with it. There are some ways that we could improve its design to make it more effective. There are areas around using the guarantees in a strategic way to keep leveraging in capital from institutional investors, such as Lloyds and others, and to play a greater role in scaling in that kind of capital.

Q214 **Chair:** Would it help if we introduced something like the Community Reinvestment Act in the UK today?

Anna Shiel: We would like to see long-term commitments from both financial institutions and bodies such as public finance institutions to tackle some of these social issues and to bake that into what they are doing. That is starting to bring together the public and private capital.

Q215 **Chair:** Realistically, though, they would do that voluntarily. The virtue of the CRA is that it provides a bit of force.

Anna Shiel: I have been encouraged by some of the movements that we already have seen from some of those institutions to the sector. The Lloyds example that I mentioned is part of a wider programme of work that they are doing around regional investment. There is absolutely potential to go further in terms of creating some of those conditions.

Q216 **Chair:** Lisa, from your point of view, what are the positive developments that you have seen? Where do you see some space for further policy reform in this Parliament?



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Lisa Jacobs: Yes, perhaps I need to give a bit of context to Funding Circle because we are slightly different from the other witnesses. We are the leading SME loans platform in the UK. Since we were founded in 2010, we have extended over £16 billion in lending to 110 small businesses all across the UK. Last year, we lent in every single parliamentary constituency. This idea of being able to reach businesses across the whole of the UK is one that we very much take to heart. We find that we slightly over-index in areas where social deprivation is higher. We are able to reach these businesses across the UK.

If I think about the last 10 years and some of the developments that we have seen in the market, one of the things that has been really noticeable for me is the move away from all the SME lending coming through the major banks to a much more fragmented and competitive market. That has been supported by the actions of the BBB over the last decade. There is now a huge amount of choice and competition for small businesses to access finance.

One of the areas that we have very much focused on is how to solve some of the gaps that we see in the market, whether that is in certain regions or in terms of the type of finance. We heard in the last session about the fact that overdrafts have dropped off over the last couple of decades. One of the things that we hear from small businesses all the time is that cash flow is the biggest pain point for them. Over the last few years, we have expanded our product set into working capital products and we have enabled businesses to use line of credit through our platform as well.

One of the pieces also that has been a huge shift over this period is this idea of crowding in investment. We are a platform. That funding has come from institutional investors. These are investors who would not have any ability to lend directly to these SMEs, but they are leveraging our data, our technology and our credit assessments to do that. That has been a really positive move over the last decade.

Chair: I will just ask you to pause there. I want to bring in Antonia Bance on this question of what is blocking the flows of capital into some of these communities.

Q217 **Antonia Bance:** It is absolutely that. It would be good to hear more about what the barriers are to attracting institutional capital into social impact causes, communities and small businesses, and what might bring more of it in.

Anna Shiel: The first thing that I would say is there is some good news around institutional investment. There is institutional investment flowing into some of these areas on a much greater scale and at a much greater pace than we were seeing a decade ago.

One example that I want to point to is local government pension schemes coming into investment in social and affordable housing. Looking at our



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data, we have £1.3 billion of local government pension scheme investment alongside us in social and affordable housing impact funds. That gives you some sense that there is some momentum there.

Antonia Bance: That is fascinating.

Anna Shiel: To put it in context, that is a fraction of what we need, if we are to tackle the housing crisis. We clearly do need to do more around that.

Some of the barriers are probably quite familiar to you from what you will have heard from others.

Chair: It is helpful for us for you to set them out, based on your experience, in rough order of what is the biggest problem.

Anna Shiel: First, these can be unfamiliar business models for many of these institutional investors. We need to prove that there is a business case behind tackling social and environmental challenges through an enterprising solution. They may not be as familiar with investing into certain parts of the country and certain types of business models.

There is then a challenge of scale and pipeline. We are sometimes working from the ground up with communities and places to come up with those solutions. They may not necessarily be accessible or easy to access for large-scale institutional investors.

Risk and return is clearly an issue. Sometimes it is perceived because of the factors that I have talked about and sometimes it is real. Sometimes we have solutions that can generate a sustainable return, but they do not necessarily generate the level of return that, for example, an investor with a fiduciary duty might have. We need to find bridges between them. That is where blended finance potentially comes in.

Finally, I will touch on the areas of uncertainty. One of those is policy uncertainty. Where some of the businesses that we are investing in draw their revenues or other conditions from Government sources and others, there can be instability around that. It either deters investors or potentially drives up the cost that they need in order to take that risk. There is also uncertainty around what investors are able to do under fiduciary duty. Particularly for pension schemes, that creates uncertainty that can deter them from making investment decisions.

Chair: That is very helpful, thank you.

Mila Lukic: I will just take a step back and explain the model that Government and social investors create in outcomes partnerships. In outcomes partnerships, instead of paying for up-front services, regardless of whether they achieve impact or not, local or national Government pay for outcomes once they are achieved.



That is particularly relevant and helpful for very complex and multifaceted issues, where one cannot and should not prescribe a standardised solution for a problem that is being implemented for every family and every community. Such multifaceted issues need very personalised approaches for individuals or communities. Defining a shared outcome versus a specified service is a way of enabling that more personalised delivery. That is what we are trying to do. There is very clear evidence of significantly better outcomes being achieved, such as higher employment and reduced homelessness levels, at a cost that is lower than through other comparable services. That is the starting point.

In order for that to be possible, there needs to be a recognition that the commitment to such outcomes is long-term. There has been a very established commitment towards physical infrastructure, which is done on a multi-year basis, whereas many of the social infrastructure decisions are being made on 12-month cycles.

Q218 Chair: The policy instability that you have faced in the last few years must have been a complete nightmare.

Mila Lukic: It has been hard, but in spite of that, there has been some incredible delivery and incredible results have been achieved. There is clear evidence that, when Government are buying for outcomes and doing that with long-term commitments, a significant change can be achieved.

Where does the opportunity lie going forward? What is the key barrier to tackle? There are two things here. One is the ability to pool budgets, which means you can genuinely create spending decisions that are mission-orientated. In many instances, we are trying to address the same group of individuals facing very similar challenges from two different budgets. With the health budget, we might be looking at helping people with multiple long-term conditions; with the local authority budget, we might be trying to help stabilise accommodation for individuals. That is fragmented delivery. Those are two separate budgets that, on their own, are not achieving the outcomes.

Q219 Chair: It is almost as if we need a kind of a pooled budget, such as total place.

Mila Lukic: Exactly, yes. Genuinely mission-orientated procurement and budget allocation can be really effective. Doing that at the level of place, with combined authorities potentially as a strategic partner to achieve that, is one way of addressing the pooling of budgets.

The second thing is flexibility in the funding. Basically, we need to recognise that the profile of spend will not be uniform year on year because it will depend on when the outcomes are being achieved. We need to have that flexibility of funding. It will not necessarily be £100 every year. It will be £70 this year because that is the level of outcomes being achieved, and it will be £130 next year because that is the level of



outcomes being achieved. We need to have that flexibility without the £30 being clawed back in year one. That is an important point. Some of the initiatives around co-commissioning funding have tried to smooth those funding profiles.

Q220 Antonia Bance: Lisa, would you like to come in on the barriers and enablers for the work that you do around investing in small businesses?

Lisa Jacobs: As I said, we are a platform. From the institutional capital side, scale is important for them. Our average loan size is about £75,000. These are institutional capital investors who do not have the technical know-how to do that. Platforms such as ours, which enable them to access this asset class, are really important.

In the session before, you mentioned the growth guarantee scheme. That is really valuable in bringing different types of investors on to the platform to lend directly to small businesses. That spans both the supply side and the demand side. It has an impact on the finance for a business because it brings the rate down as well. It has a bonus effect on both sides.

In terms of other demand factors, going back to what Mila and Anna said, stability is really important. I was with a small business last week, based in south-west London, and they just said, "The last 10 years has been really tricky. We have had Brexit. We have had covid. I need to have stability and certainty for me to want to invest in the business."

The Government's commitment to one Budget a year is a really positive move. We need to have stability, such that, when you are sitting there—it is the same as a personal investment decision—you are thinking, "There is stability. There is a long-term commitment. I can continue to invest and grow my business."

The second thing that we see a bit on the demand side from small businesses is the cultural willingness to invest and to understand that taking debt to grow your business is a positive step, as long as you are thinking about that in the appropriate way and it is responsible lending. What is interesting is that British businesses seem to have a different perspective on that than, for example, American businesses. There is an area there for the Government to support that.

Chair: That is very useful.

Q221 Dan Aldridge: I represent a town called Weston-super-Mare. One of the things that I have noticed is that its reputation maybe belies the opportunities, the entrepreneurial spirit and the small businesses that are making the town thrive and become something very different. Lisa, this question is specifically for you. How do you evaluate your work with public anchor institutions, which are incredibly relevant to towns such as mine? What would you like to see develop in the future?



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Lisa Jacobs: For Funding Circle, 89% of our lending, year to date, has been outside London. Because we are online and national, small businesses come to us from across the UK to get finance from us. Our credit assessment does not look at which specific town you are in.

From that perspective, SMEs really value the ability to have an account manager who they can speak to regardless of where they are based. While we have historically worked with local county councils as investors on the platform, we continue to have a real focus on supporting businesses across the country. Typically, we find that our national campaigns bring them to us regardless.

Q222 **Dan Aldridge:** The public anchor institutions are not as important for you.

Lisa Jacobs: They are not as important for us.

Q223 **Dan Aldridge:** Could there be a world where they are? Would you like them to be? Is that a muscle that we should strengthen and flex?

Lisa Jacobs: Yes, potentially. We find that small businesses find out about us through the marketing activities that we do and through the community of finance brokers. If you think about the small business lending gap overall, we think there is a place for greater awareness through some of the public bodies to share, "This is where you can go to get finance as a small business."

Q224 **Chair:** Mila, do you have anything further to add to that? You have talked about the virtue of integrating public budgets. Is there anything else that we can be doing to help use the public purse to drive demand?

Mila Lukic: The single biggest change that can be created is more embedded business-as-usual commissioning for outcomes, particularly in areas that are multifaceted. Most of the social challenges we are dealing with are multifaceted. If we think about traditional contracting, which specifies inputs and activities, that is indeed effective for situations where you have a very clearly diagnosable problem and a clearly diagnosable solution. For routine operations, such as hip replacement, you want a highly specified way to implement that surgery. You do not necessarily want a range of personalisation or social innovation in how you do that.

If you are trying to tackle child poverty, prevent homelessness or address significant economic inactivity because of the mental health challenges that young people are facing, those are multifaceted challenges. The support that is needed will be different for different individuals in different communities. Commissioning something that enables that flexibility versus prescribes the inputs is the biggest change that can be created. That can be built in as business-as-usual planning within local authorities and national Government.

Alongside that, there have been already a number of important commitments toward the broader impact economy, if you will. Very



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specifically, I mentioned a few times the very welcome Better Futures fund co-commissioning initiative, but just last week we had the commitment and announcement of the Office for the Impact Economy. That is helpful because it creates the recognition that partnerships from different stakeholders between Government, philanthropy and social investors can create those different solutions. For Government as a buyer, the biggest change, the biggest “how” to the “what” of better outcomes and better value, would be a commitment to funding outcomes versus inputs.

Q225 Chair: That is really helpful, thank you. This is the final question, Anna. The Government have put in £1.5 billion to Pride in Place. These are very localised funding pots. Each multiple super output area gets about £20 million over the course of 10 years. If I go back to the ambitions that I remember in policy action team 6, which first reported on entrepreneurial-driven regeneration all those years ago, presumably the Pride in Place programme is a significant opportunity for this Government, through working more closely with you and others, to multiply the way in which we surge in growth capital to help deliver entrepreneurial-driven growth in many of the country’s poorest places.

Anna Shiel: It is really interesting because it brings together two really crucial enablers that I would see. One is place. Place is often the place where you can bring together and align lots of different resources that are needed, but you can also have the overall ambition brought together around how you organise those resources behind what change you want to create in a place. That can be really meaningful, and we have seen some great examples of place-based working already. In places ranging from Bristol to Hartlepool to Bradford, you are starting to get partnerships coming together that are looking to harness what is available to them to tackle what is important and promote local entrepreneurship and tackling social issues.

Place is a vital enabler, but it also brings in potentially the power of blended finance, which I alluded to. Blended finance is an underutilised tool in the policy toolkit at the moment. There are great examples where you can use Government grant and resources to leverage in other capital to go further and bridge between what different investors need and the needs of those enterprises.

It could be very powerful to bring together the place focus with some of the potential for blended finance, which we would like to see much more widely embedded across different Government Departments, across the role that public finance institutions are playing and indeed in some of how that it is being used by local institutions.

Q226 Chair: Have you been brought into the policy discussions on Pride in Place?



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Anna Shiel: Some great recent work has emerged from the Impact Economy Collective, which has been doing some exploration of some of that work.

Q227 **Chair:** You have not sat down with Ministers to discuss how you can get involved.

Anna Shiel: We have an ongoing dialogue with MHCLG, but there is nothing specific that I can allude to at this moment in time.

Chair: That may provoke a recommendation from this Committee.

Dan Aldridge: Absolutely, yes. I am very excited about that.

Chair: That concludes the time that we have available. Thank you very much indeed for that very thought-provoking evidence, which has given us a lot to think about as we draw up this report on access to finance. That concludes this panel and this session.