11/01/2024

Harriett Baldwin MP,
Chair of the Treasury Select Committee,
Via email.

Dear Harriett,

SME Finance Inquiry – account closures and SME customers

Thank you for your letter to Matt Hammerstein dated 7 December 2023. I welcome the opportunity to set out a response on behalf of Barclays UK PLC, Business Banking, to your information request regarding SME account closures.

I would like to start by providing clarity regarding the basis on which our data has been prepared.

Definitions

'SME customers'

- The customer base is as at 31 December 2022.
- All data is drawn from customers that are (or were) managed by Barclays UK PLC.
- They include all customers that are (or were) using 'business accounts' and with turnover less than £6.5 million (most of these customers will be businesses – limited companies, partnerships and sole traders – though this will also include charities and other non-business entities).

'Business accounts'

- The products covered by our data are all business accounts accepting deposits. These include both current and deposit accounts.
- 'Client Premium Accounts' have been excluded from the data given these account types are for clients holding ring fenced deposits on behalf of their own customers rather than an "account" they hold for themselves.

'Closure'

- Account closures data is for the period 1 January 2023 to 30 November 2023.
- As requested, we have provided closures at the instigation of Barclays UK PLC, or 'bank initiated' closures. Other 'non-bank initiated' closures are not included, for example customers who ceased to trade, customers switching to another organisation or reasons related to bereavement.

BARCLAYS

Information request responses

Q1 - The number of SME business accounts held by your organisation, and if possible, a break down by business sector.

Number of Accounts:

- Barclays Business Banking UK had 1.05 million SME customers holding 1.61 million business accounts between them.

Breakdown by Business Sector:
***** This information is commercially sensitive and not disclosed publicly *****

Q2 - The number of accounts closed at the instigation of your organisation this year to date, and the proportion of those that were SME business accounts.

- Barclays UK PLC undertook analysis on consumer and SME closures by number of customers from January to June 2023. We have extrapolated this through to November for the purposes of comparison to business customer data.
- Based on this analysis, across Barclays UK PLC (consumer and SME) we estimate 525,000 bank-initiated closures by customer (not account) were undertaken from January to November 2023, of which, the proportion of closures by customer (not account) that were SMEs was 15%.
- Please note this may not be directly comparable to the SME closure breakdown in question 4 below, as these are represented at individual account level rather than at the customer level (as we may close different accounts for the same customer for different reasons).

Q3 - If possible, a breakdown by business sector of the accounts closed.

***** This information is commercially sensitive and not disclosed publicly *****

Q4 - The reasoning for the closure of the accounts.

We consider 'bank initiated' account closures within two distinct groups – (1) those where Barclays UK PLC initiates the closure, but has no discretion over the decision due to a regulatory or compliance requirement, and (2) those where Barclays UK PLC initiates the closure and has discretion over the decision.

- The following table provides a breakdown of the share of 'bank initiated' closures where this is part of a regulatory or compliance requirement.

Account Closure Reason	**Definition**	**Proportion of Account Closures**
Regulatory / Know Your Customer	Customer did not provide updated information or documentation when requested by Barclays Business Banking, as part of a regulatory Know Your Customer (KYC) requirement. This category is higher than it would otherwise be in a normal year due to a holistic programme of outreach activity undertaken to strengthen our financial crime control environment.	59.9%
Dormant Accounts	Accounts that have been closed due to an extended period of inactivity.	24.4%

- The following table provides a breakdown of the share of 'bank initiated' account closures where Barclays UK PLC has discretion over that decision.

Account Closure Reason	**Definition**	**Proportion of Account Closures**
Debt Related	Closures linked to debt related reasons, such as default on a credit facility.	4.9%
Bank Risk Appetite	Closures where a periodic risk assessment undertaken by Barclays UK PLC revealed that the business undertakes an activity that is outside the bank's risk appetite. For example, the activity presents a higher level of money laundering risk with insufficient controls or mitigants in place, or the business operates outside of the UK.	4.8%
Fraud / Financial Crime	Customer activity leads to proof or suspicions of fraud or financial crime related undertakings.	3.7%
Other / Supplementary	Other miscellaneous closure reasons, primarily including non-acceptance of explicit Terms and Conditions, closures following a court order, failure to meet account criteria. This may include a small number of customer-initiated account closures and is, therefore, likely over-stated.	2.3%

I hope this provides clarity regarding your questions, and we welcome the continued work of the Select Committee.

Yours Sincerely,

Hannah Bernard,
Head of Business Banking,
Barclays UK PLC.

Harriett Baldwin MP
Chair of the Treasury Select Committee
House of Commons
Committee Office,
London
SW1A 0AA

12th January 2024

Dear Harriett,

Thank you for your letter dated 7th December 2023 on the subject of business account closures for SMEs. I am responding on behalf of NatWest Group following my appearance before the committee and in light of my role within the Commercial & Institutional franchise.

We strive to put the customer at the heart of all decisions the bank makes, and of course this must be balanced with our shared commitment to combat fraud and financial crime. This can mean, in some circumstances, ending our relationship with existing customers where we identify concerns. These decisions are not taken lightly, and only once appropriate investigations have been undertaken. Where we do close an account, we always seek to do so with the minimum possible difficulty for the customer.

We do understand the sensitive nature of this topic. We remain committed to working with government, law enforcement and the regulators to provide additional reassurance where possible to customers in a way that meets our legal and regulatory commitments.

It is important to note the context within which banks and businesses are operating. Battling economic crime is the primary drivers for closing customer accounts. This is an escalating challenge in the UK, with fraud growing at 300% over the past decade to make up 40% of all crime. It should be recognised that it is primarily UK businesses that bear the impact of this crime, and it is why, at NatWest, we seek to support our customers by keeping them safe from economic crime through investment in our colleagues and capabilities.

The number of SME business accounts held by your organisation

There is not a uniform definition of SMEs utilised across government, industry and regulators. In order to comply with the spirit in which the request has been asked, we have applied the turnover criteria in Companies Act 2006 of under €50 million. We have not applied the criteria relating to headcount as this is not something we record for all of our customers.

As the UK's largest commercial bank, we are proud to work with around 1.4 million business customers, of which 98.6% are SME business customers spanning many sectors and business types.

The number of accounts closed at the instigation of your organisation this year to date, and the proportion of those that were SME business customers.

From 1st January 2023 to 30th November 2023, we instigated the exit of around 21,000 business customers. Of this, 97.3% are SMEs, constituting less than their proportion of our total customer base.

The reasons for account closure

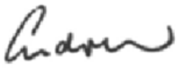
Of the SMEs exited:

- 97.1% were due to concerns about financial crime or fraud, or due to NatWest Group being unable to meet its regulatory obligations by continuing the relationship (e.g., customer has not provided requested information required for NatWest to complete “customer due diligence”)
- 1.4% were due to the customer not meeting our risk appetite (e.g., the customer’s business or transactional activities are deemed outside of financial crime risk appetite)
- 1.5% were due to non-financial crime or fraud reasons (e.g., customer activity is not within our business appetite, no need for/low utilisation of account, abusive or threatening customer behaviour)

Further notes on metrics

We also note that the FCA recently set out their initial findings on bank account access and closures, following analysis of data provided by credit institutions that represent over 90% of the market for business current accounts. The initial findings published show that NatWest Group are not an outlier with respect to termination of business accounts compared to other credit institutions that participated in the review.

Yours sincerely,



Andrew Harrison
Managing Director, Customer Goals and Journeys
Commercial & Institutional
NatWest Group

HSBC UK

Ian Stuart
Chief Executive, HSBC UK Bank plc

Harriett Baldwin MP
Chair of the Treasury Committee

Via email: treascom@parliament.uk

8 January 2024

Dear Ms. Baldwin

Thank you for your letter of 7 December 2023 regarding the debanking of business customers as part of your inquiry on SME finance. This is an extremely important issue, on which HSBC UK has been working very closely with HM Treasury, the Financial Conduct Authority (FCA), and other stakeholders over the past few months.

Turning to your questions directly:

- **I can confirm that as of 18 December 2023 HSBC UK Bank Plc had 768,020 business customers, of which 713,961 were SME customers**, defined as customers with a turnover up to £15m p.a. A sectoral breakdown of these customer relationships, is provided in the annex;

- **The number of business relationships exited** by HSBC UK in the year to 31 October 2023 was 26,299. This included 25,395 SME business relationships, according to the definition outlined above. A sectoral breakdown of these exits is provided in the annex. During the same period, we have opened more than 23,000 new SME business accounts, 13,000 (59%) of which were HSBC Kinetic accounts. Kinetic is our mobile business banking app which can approve account applications in 15-20 minutes in some instances and was amongst the first digital only banks to offer small business loans; and

- **The majority of our exits (65%) relate to either customers' financial viability or the accounts being dormant**. A third (34%) are related to financial crime, which includes where we have suspicions that an account is being used for the purposes of financial crime, or where we are required to terminate a relationship under the requirements of the UK Money Laundering, Terrorist Financing and Transfer of Funds (Information on Payer) Regulations 2017.

I hope this information is helpful to the committee.

Yours sincerely

Lloyds Banking Group plc
25 Gresham Street
London
EC2V 7HN

Harriett Baldwin MP
Chair, Treasury Committee
House of Commons
London SW1A OAA

22 February 2024

Dear Ms Baldwin,

Thank you for your letter of 7 December setting out a number of questions relating to forced account closures for SME customers. As you will recall, we shared the relevant detail requested for the first half of 2023; our numbers for the second half of 2023 have now been compiled and this complete data for the entirety of 2023 has been outlined in this letter.

As one of the country's largest lenders to business, we provide banking services for around one million SMEs. We close accounts only in limited circumstances to ensure we comply with relevant legislation or regulation, or to protect our colleagues and customers. Throughout the exceptionally challenging circumstances of the past few years, we have sought to help the nation's SMEs so they can seize opportunities for growth in line with our purpose to help Britain prosper. In 2023, we helped over 105,000 small businesses and charities to bank with us for the first time. As a leading UK financial services group, it's our role to serve businesses and individuals while making a positive contribution to the communities in which we operate.

Please find the information you have requested below:

1. The number of SME business accounts held by your organisation, and if possible, a break down by business sector.

1,310,313 business accounts for SMEs were held in the period between 1 January to 31 December 2023. SMEs for these purposes mean small businesses with a turnover of less than or equal to £25 million annually. Of these accounts, the sector breakdown is as follows:

Sector	Volume
Other	238,405
Construction	165,563
Real Estate	125,635
Business Services	113,483
Healthcare	102,362
Retail	80,539
Leisure	71,101

Restaurant & Bars	50,553
Agriculture	45,956
General Manufacturing	45,915
Automotive	40,037
Telecoms, Media & Technology	34,085
Professional Services	33,728
Industrial Transportation	32,240
Education	28,259
Wholesale	18,933
Passenger Transport	16,944
Financial & Insurance Activities	16,438
Unspecified	13,821
Hotels	11,390
Food & Drink	7,633
Public Administration & Defence	5,970
Undefined	2,852
Housebuilders	2,265
Commodity: Traders / Wholesalers	1,715
Utilities	1,647
Housing Associations	955
Oil & Gas	803
Aerospace & Defence	777
Mining	309
Grand Total	**1,310,313**

2. **The number of accounts closed at the instigation of your organisation this year to date, and the proportion of those that were SME business accounts.**

In the period between 1 January and 31 December 2023, against a total base of 55.1m personal and small business accounts, we closed a total of 1,125,177 accounts across Lloyds Banking Group, equivalent to 2pc of the total base. SMEs accounted for 8,115 of our account closures, equivalent to around 0.6pc of our SME customer base.

3. **If possible, a breakdown by business sector of the accounts closed.**

Of the 8,115 SME account closures in the period between 1 January to 31 December 2023, the following table sets out the business sector breakdown of the accounts closed:

Sector	Volume
Other	1,173
Real Estate	1,130
Healthcare	763
Retail	739
Business Services	646
Construction	509
Leisure	390
Automotive	322
Professional Services	314
Wholesale	268
Restaurant & Bars	267

Telecoms, Media & Technology	220
General Manufacturing	188
Industrial Transportation	185
Financial & Insurance Activities	172
Education	157
Undefined	150
Food & Drink	131
Passenger Transport	100
Agriculture	72
Unspecified	70
Hotels	61
Commodity: Traders / Wholesalers	32
Public Administration & Defence	19
Oil & Gas	15
Utilities	8
Housebuilders	7
Housing Associations	4
Mining	2
Aerospace & Defence	1
Grand Total	**8,115**

4. The reasoning for the closure of the accounts.

Of the 8,115 SME account closures in 2023, we closed 6,056 accounts due to either economic crime concerns and/or to ensure compliance with legislative and/or regulatory requirements in relation to economic crime. Additionally, we closed 2,056 inactive accounts. We also closed 3 accounts due to unacceptable customer behaviour towards bank staff.

The Committee will be aware that we have also submitted detailed information to the FCA and HM Treasury on this important issue. We are committed to working with HM Treasury to update our closure procedures in line with new legislation and associated guidance.

I hope you find this submission helpful.

Yours sincerely,

Elyn Corfield
CEO, Business and Commercial Banking
Lloyds Banking Group

Santander

Ms Harriett Baldwin MP
Chair, Treasury Select Committee
House of Commons
London
SW1A 0AA

Via email to: TREASCOM@parliament.uk

Thursday 21st December 2023

Dear Ms Baldwin,

Thank you for your letter dated 7th December with a data request regarding forced account closures in relation to the Committee's SME Finance Enquiry.

For the purposes of this letter, we have defined SMEs as those with an annual debit account turnover on the main business account of up to £25 million, in line with the Bank of England's definition of an SME.

The data provided is for the number of SME businesses who hold a business current account with Santander UK plc (San UK) and Cater Allen Limited (Cater Allen), as of 7th December 2023.

Please see below our responses to the following requests:

1. **The number of SME business accounts held by your organisation, and if possible, a break down by business sector.**

As of 7th December 2023, there are 477,750 SME business accounts held by San UK and Cater Allen. This includes customers who sit either on our Retail (typically smaller businesses) and Corporate (typically larger, more complex clients) customer platforms, noting we may not be the primary bankers for some of these relationships.

The business sector information has been sourced from the Standard Industry Classification (SIC) Code sector categorisation and the breakdown is as follows:

Business Sector	Total
Accommodation and Food Services Activities	22,204
Activities of Extraterritorial organisations and bodies	5

Activities of Households as Employers: Undifferentiated Goods and Services producing activities of households for own use	214
Administrative and Support Service Activities	5,164
Agriculture, Forestry and Fishing	8,781
Civil Engineering	1,798
Construction & Specialised Construction Activities	59,111
Electricity, Gas, Stream and Air Conditioning	906
Financial and Insurance Activities	8,504
Fund Managers acting on behalf of others	51
Information and Communication	35,020
Manufacturing	21,179
Mining and Quarrying	351
Office Admin & Support and Other Business Support	19,046
Other[1]	3,396
Professional, Scientific and Technical Activities	60,980
Public Administrative and Defence: Compulsory Social Security	115,822
Real Estate Activities	31,573
Security and Investigation Activities	1,641
Services to Building and Landscape Activities	10,925
Transport and Storage	11,493
Travel Agency, Tour Operator & Related Activities	1,342
Water Supply, Sewerage, Waste Management and Remediation Activities	919
Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles	57,325
Total	**477,750**

2. **The number of accounts closed at the instigation of your organisation this year to date, and the proportion of those that were SME business accounts.**

[1] Other includes SIC Codes such as dormant, non-trading companies, residents' management companies and other consultancy.

The total number of personal and non-personal accounts closed at our instigation between 1st January and 7th December 2023 is 38,129. Of these exits, 2,143 (5.62%) are related to SME business accounts.

It is important to note that during 2023 Santander has been conducting a major refresh of its customer due diligence data, which has led to a larger number of customers than usual being exited either for lack of responsiveness to our requests for further information, or because we have identified further information during the course of the review that is contrary to our risk appetite, for example financial crime concerns.

This remediation programme is running into 2024 and so the number of exits during this time will be higher than usual.

3. **If possible, a breakdown by business sector of the accounts closed.**

The breakdown of SME business accounts that were closed at our instigation, has been split using the SIC Code sector categorisation.

Business Sector	**Total**
Accommodation and Food Services Activities	106
Activities of Extraterritorial organisations and bodies	0
Activities of Households as Employers: Undifferentiated Goods and Services producing activities of households for own use	0
Administrative and Support Service Activities	18
Agriculture, Forestry and Fishing	13
Civil Engineering	5
Construction & Specialised Construction Activities	80
Electricity, Gas, Stream and Air Conditioning	19
Financial and Insurance Activities	113
Fund Managers acting on behalf of others	0
Information and Communication	71
Manufacturing	155
Mining and Quarrying	60

Office Admin & Support and Other Business Support	57
Other[2]	22
Professional, Scientific and Technical Activities	191
Public Administrative and Defence: Compulsory Social Security	280
Real Estate Activities	320
Security and Investigation Activities	7
Services to Building and Landscape Activities	8
Transport and Storage	50
Travel Agency, Tour Operator & Related Activities	9
Water Supply, Sewerage, Waste Management and Remediation Activities	4
Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles	555
Total	**2,143**

4. The reasoning for the closure of the accounts.

The recorded exit reason for the SME account closures were due to the following:

Reason	Total
Non-response to KYC/KYB request: Examples will include where we have reached out to the customer to obtain or seek clarification on due diligence and have not received the required information.	1,465
Fraud or Financial Crime Concerns: Examples will include where we have identified fraud or financial crime concerns that cannot be mitigated.	448
Risk Appetite/Non-compliance to policy: These exits will include where the relationship does not align to our internal risk appetite statements or policy. Examples may be where we have limited appetite based on	219

[2] Other includes SIC Codes such as dormant, non-trading companies, residents' management companies and other consultancy.

Santander

high geographical risks or the nature of business the customer is involved in.	
Inactivity: These exits relate to accounts that have been inactive for an extended period of time.	11

Thank you once again for your letter and I hope that the data provided is helpful. Santander has a proud history of supporting small and medium-sized businesses right across the country. It is based on building strong relationships, that understands the specific needs of small business owners and entrepreneurs. The decision to close the account of a customer is not one that is taken lightly, but the criteria under which we would do so are clear, as set out above.

We are of course, committed to working with you and your Committee on this issue and if you require further information, we would be happy to provide this.

Yours sincerely,

Mike Regnier
CEO, Santander UK

Robin Bulloch
TSB Bank plc
20 Gresham Street
London
EC2V 7JE

08 January 2024

Harriet Baldwin MP
Chair, Treasury Committee
House of Commons
Via email

Dear Ms Baldwin,

SME Finance Inquiry

I am writing in response to your letter to TSB Bank requesting data on the number of small and medium-sized business bank accounts held and closed by TSB.

In answer to your questions:

1) ***The number of SME business accounts held by your organisation, and if possible, a break down by business sector.***

   TSB holds 131,161 SME business accounts. Please see the separate Annex to this document for a breakdown of these by business sector. This is shared separately and in confidence with the Treasury Committee due to the commercially sensitive nature of this information.

2) ***The number of accounts closed at the instigation of your organisation this year to date, and the proportion of those that were SME business accounts.***

   Over 2023, 1,443 SME business accounts were closed by TSB. This is out of a combined total of 27,605 personal banking customers and individual business accounts recorded as having been closed at the instigation of TSB.

3) ***If possible, a breakdown by business sector of the accounts closed.***

   Please see the accompanying Annex to this document for a percentage breakdown of sectors.

4) ***The reasoning for the closure of the accounts***

   Closing an account is always an action of last resort, following multiple steps beforehand to resolve any concerns we may have about an account's use. There are two main categories of rationale for account closures:

   a) One key category for account closures is because of confirmed instances where fraud has been undertaken by the customer or where, as an organisation, we have sufficient concerns that the account is being used to facilitate financial crime that we can no longer maintain the relationship.

b) The other key category for account closures is where a business has been unable to satisfy verification requirements or has not responded to our attempts to contact them. This is classed as a 'non-financial crime exit' and will have first necessitated multiple attempts to reach out to the customer through the contact details they have previously provided - including telephone, SMS and post. Where TSB has received no reply from the customer following issuance of a 'notice to close' letter, and following previous failed outreach attempts, the bank will move to close the account.

TSB is committed to building the confidence of our business banking customers with their money – recognising the important responsibility we have to supporting smaller businesses to start up, thrive, and grow. That's why we were amongst the first banks to roll out the Government's Bounce-Back Lending Scheme during the Covid-19 pandemic and why we are proud to champion the UK's Prompt Payment Code to help more small businesses get paid on time.

To that end, if the Committee requires any further information to support this inquiry, please do not hesitate to let me know.

Yours sincerely,

Robin Bulloch
CEO, TSB Bank plc

Handelsbanken
UK Head Office

Harriett Baldwin MP
Chair of the Treasury Committee
House of Commons
Committee Office
London
SW1A 0AA

21 December 2023

Dear Ms Baldwin,

By email only

Thank you for your letter dated 7 December; Handelsbanken is pleased to support the Committee's inquiry into SME finance as well as your specific request for information on SME 'debanking'.

At Handelsbanken we look to serve customers who want a long-term relationship with their bank and value the face-to-face, highly personalised service that we provide through our network of branches located throughout the country. All our customers have an account manager based in their local branch that they will know personally, and who is empowered with real decision-making capability.

And it is really only through our branches' reputation in their local community, for delivering first class service, that we grow our bank: through word-of-mouth, recommendation and referral. Combining this fundamental focus on customer service with our long-term perspective means that incidents where we close a customer's account are rare, and this is demonstrated in the figures provided below in answer to your specific questions.

Please do not hesitate to get in touch if the Committee would like any further information relating to the data provided below, which reflects this year up to 15 December.

Yours sincerely,

Mikael Sørensen
CEO

Handelsbanken
3 Thomas More Square
London, E1W 1WY

Tel: 020 7578 8000
www.handelsbanken.co.uk
SWIFT HANDGB22

The number of SME business accounts held by your organisation, and if possible, a break down by business sector.

Whilst I am unable to publicly disclose customer numbers, I have agreed to write to the Committee on a private and confidential basis with these figures if that would assist its work. Handelsbanken has a Group-wide policy of regarding customer numbers as confidential; because we never disclose these to the market or to our investors, the figures hold commercial sensitivity for Handelsbanken.

I am, however, able to provide you with a sector breakdown as follows, in line with the widely used standard industrial classification (SIC) codes.

Sector	**SME customers (%)**
Real estate activities	38
Financial and insurance activities - *the vast majority of which relate back to other SME customers, e.g. holding funds for their pension schemes*	11
Construction - *the vast majority of which relate back to our real estate customers, e.g. special purpose vehicles for construction projects*	10
Professional, Scientific and Technical Activities	9
Sole traders	8
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	4
Administrative and Support Service Activities	4
Other	16

The number of accounts closed at the instigation of your organisation this year to date, and the proportion of those that were SME business accounts.

0.7% of our total customer population had their account closed at Handelsbanken's instigation. Of those closed accounts, 53% represented SMEs accounts.

If possible, a breakdown by business sector of the accounts closed.

Sector	**SME customer exits (%)**
Real estate activities	22
Financial and insurance activities - *the vast majority of which relate back to other SME customers, e.g. holding funds for their pension schemes*	19
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	10
Manufacturing	8
Sole traders	8
Professional, Scientific and Technical Activities	8
Information and Communication	5
Construction - *the vast majority of which relate back to our real estate customers, e.g. special purpose vehicles for construction projects*	5
Other	15

The reasoning for the closure of the accounts.

Reason for closure	**SME customers (%)**
Financial Crime - Due diligence concerns	49
Commercial - Costs of serving or complying with financial crime requirements	13
Commercial - Geographic (decisions taken not to serve customer locations)	11
Account Related - Dormant Account	8
Financial Crime - Suspicion identified	8
Account criteria - Specific concerns about the financial viability of the account holder or customer	7
Account Related - Not meeting account criteria (e.g., small business using personal account; customer not using account as intended excl. financial crime)	2
Other	<1
Customer Conduct - Unacceptable behaviour towards the bank	<1
Commercial - Market led decision. E.g., concerns about the financial health of the sector or market share deemed too high	<1

paragon

Harriett Baldwin MP
Chair of the Treasury Committee
House of Commons
Committee Office
London
SW1A 0AA

21st December 2023

Dear Mrs Baldwin,

Thank you for your recent letter regarding the Committee's ongoing inquiry into small and medium-sized business financing.

Your letter has been passed to me to respond as I am responsible for the Commercial Lending Division.

For your background, Paragon offers specialist lending solutions and asset finance to help UK SME's innovate, adapt and grow, across a range of different sectors, including housebuilders.

We wanted to make you aware that we don't offer current accounts to SMEs, and therefore the questions in your letter regarding account closures are not relevant to our business.

Please do not hesitate to get in touch if we can support your inquiry further.

Kind regards,

Dave Newcombe
Managing Director - Commercial Lending
Paragon Banking Group

One Southampton Row
London WC1B 5HA
T: 0345 08 08 500
metrobankonline.co.uk

Harriett Baldwin
MP
Chair of the Treasury Committee
Via email

21st December 2023

Dear Harriett

SME Finance Inquiry – debanking of business customers

Thank you for your letter dated 7th Dec 2023. I have set out our response to your questions below and there are two supporting tables. If you have further questions, please let me know.

The number of SME business accounts held by your organisation, and if possible, a break down by business sector.	Metro Bank holds 200,633 business accounts (a breakdown by business sector (Standard Industrial Classification (SIC) codes) is shown in table 1 below).
The number of accounts closed at the instigation of your organisation this year to date, and the proportion of those that were SME business accounts.	Between 1/1/23 and 1/12/23 Metro Bank instigated the closure of a total of 21,242 accounts of which 5,051 (24%) were business accounts.
If possible, a breakdown by business sector of the accounts closed.	Table 2 shows the breakdown of SIC codes held on our database for the closed accounts; the top 3 business sectors were wholesale trade, construction and legal, accountancy & consultancy.
The reasoning for the closure of the accounts.	30% of the business account closures were due to financial crime concerns; 9% were due to fraud concerns and 61% were due to other reasons (e.g. lack of customer response to information requests)

Yours sincerely

Aisling Kane

Aisling Kane
Chief Operations Officer

One Southampton Row
London WC1B 5HA
T: 0345 08 08 500
metrobankonline.co.uk

Table 1 – breakdown of business accounts by sector

SIC codes	Volume	%
Admin and support services	8513	4.2%
Agriculture, Hunting & Forestry	1957	1.0%
Bank Holding Companies	498	0.2%
Chemicals & Man-made Fibres	94	0.0%
Civil Engineering	483	0.2%
Computer & Related Activities	6697	3.3%
Construction	19905	9.9%
Credit Unions	33	0.0%
Develop, Buy, Sell & Rent Real Estate	26710	13.3%
Development of buildings	919	0.5%
Education	4514	2.2%
Electric, Optical & Medic Equipment	194	0.1%
Financial Leasing	52	0.0%
Food, Beverages & Tobacco	779	0.4%
Fund managers (UK Individuals)	17	0.0%
Fund managers (UK Insurance & Pension Funds)	15	0.0%
Health & Social Work	9113	4.5%
Hotels & Restaurants	11274	5.6%
Information and communication	8263	4.1%
Insurance Company	473	0.2%
Investment & Unit trusts	223	0.1%
Legal, Accountancy & Consultancy	29578	14.7%
Legal, Accountancy, Consultancy & Other Business Accounts	10525	5.2%
Machinery & Transport Equipment	326	0.2%
Mining and Quarrying	50	0.0%
Non-bank Credit Grantors	81	0.0%
Other Activity for Financial Intermediation	158	0.1%
Other Financial Intermediaries	5709	2.8%
Other Manufacturing	1876	0.9%
Other Non Metallic & Mineral	188	0.1%
Pension Fund	570	0.3%
Personal & Community Service	15403	7.7%
Public Administration & Defence	281	0.1%
Pulp, Paper, Publishing & Print	431	0.2%
Real estate agencies & management of real estate	1845	0.9%
Recreational, Cultural & Sport	7237	3.6%
Retail Trade & Repair excl Motor Vehicle	3054	1.5%

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Sale & Repair Vehicles & Auto Fuel	1503	0.7%
Supply of Electricity Gas Hot Water	118	0.1%
Textiles and Leather	402	0.2%
Transportation and Storage	6472	3.2%
Waste management, related services & mediation	818	0.4%
Wholesale Trade excl Motor Vehicles	13282	6.6%
Grand Total	**200633**	**100%**

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Table 2 - breakdown by business sector of the accounts closed.

SIC Codes	Volume	%
Admin and support services	348	6.9%
Agriculture, Hunting & Forestry	40	0.8%
Bank Holding Companies	29	0.6%
Chemicals & Man-made Fibres	4	0.1%
Civil Engineering	10	0.2%
Computer & Related Activities	142	2.8%
Construction	722	14.3%
Credit Unions	1	0.0%
Develop, Buy, Sell & Rent Real Estate	512	10.1%
Development of buildings	15	0.3%
Education	54	1.1%
Electric, Optical & Medic Equipment	4	0.1%
Factoring Corporations	1	0.0%
Financial Leasing	2	0.0%
Food, Beverages & Tobacco	22	0.4%
Fund managers (Non-Residents)	1	0.0%
Fund managers (UK Individuals)	2	0.0%
Fund managers (UK Insurance & Pension Funds)	1	0.0%
Health & Social Work	110	2.2%
Hotels & Restaurants	310	6.1%
Information and communication	277	5.5%
Insurance Company	3	0.1%
Investment & Unit trusts	3	0.1%
Legal, Accountancy & Consultancy	462	9.1%
Legal, Accountancy, Consultancy & Other Business Accounts	134	2.7%
Machinery & Transport Equipment	3	0.1%
Mining and Quarrying	12	0.2%
Non-bank Credit Grantors	1	0.0%
Other Activity for Fin Intermediation	3	0.1%
Other Financial Intermediaries	53	1.0%
Other Manufacturing	79	1.6%
Other Non Metallic & Mineral	7	0.1%
Pension Fund	1	0.0%
Personal & Community Service	215	4.3%
Pulp, Paper, Publishing & Print	10	0.2%
Real estate agencies & management of real estate	24	0.5%
Recreational, Cultural & Sport	68	1.3%
Rent of Machinery & Equipment	4	0.1%
Retail Trade & Repair excl Motor Vehicle	153	3.0%

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Sale & Repair Vehicles & Auto Fuel	58	1.1%
Supply of Electricity Gas Hot Water	3	0.1%
Textiles and Leather	12	0.2%
Transportation and Storage	245	4.9%
Waste management, related services &mediation	33	0.7%
Wholesale Trade excl Motor Vehicles	858	17.0%
Grand Total	**5051**	**100%**