

SMEs at risk of wasting £2.3 billion by not considering change of business banking provider

Context of the survey

We all know it is a challenging climate especially for businesses at the moment, and with no let up from the financial crisis on the horizon it is especially important for businesses to know where their money is going when it comes to financial services.

I am sure we are all familiar with the widely reported corporate greed and sometimes unreliable product information that has come from the financial sector in recent years, and as a result we wanted to see how these were affecting businesses and the services they were receiving.

In order to see an overview of how much businesses are paying for their banking services and what their views are on these services, we undertook a YouGov survey to find out this information and where the gaps are in the financial industry.

Overview

The YouGov survey we commissioned looked into the financial products and services businesses are being offered in the UK. We wanted to find out whether businesses are happy with their current provider and what kind of cost they are paying out for their business banking services.

With the top five banks controlling 91% of the SME banking market and with only 10% of Small businesses choosing their banking provider because they offer the best service, we wanted to understand why they choose to stay with their existing bank, especially since there is so much negative coverage hanging over the top providers at the moment. Our intention is to find out what businesses think of their current banking services and whether they realise how much they are paying in fees alone.

British small businesses pay **£2.3 billion** administrative banking fees per year



Survey results

We have detailed below some of the key findings from the survey:

- British businesses pay £2.3 billion a year in banking administration fees.
- 29% of businesses felt unsupported by their current business banking provider.
- 52% of businesses said they would move to an alternative provider to receive lower cost business banking services.
- 21% of businesses felt that their financial services provider didn't support the objectives of their business very well.
- 16% of businesses use card payments through a merchant account as their main method of managing payment.
- 27% of companies felt that their company would have better profitability if they had a business bank account that paid interest.
- 17% of business owners said they spend an average of between 4 to 8 working hours a month on reconciling their merchant and business accounts.

Those seemingly small charges for paying in, processing a cheque, having an overdraft facility and monthly fees simply just for having the account add up to a staggering figure.

Reasons why businesses would move their business current account to another provider



Can we reduce these figures?

With all those stats in mind it seems hard to see where businesses go from here, and whether there is a provider out there that ticks all the boxes. From our point of view the only way we can see businesses reducing the astonishing figures they are paying out for business banking charges is to consolidate their services. If they can do this, they will significantly reduce the running costs of their financial services, and then this money can be re-invested back into helping their business grow.

In the short term there are some tips you can use to reduce your business banking costs. We have created our top 5 tips for what to look out for when trying to cut costs on your business banking services.

1. **Look for a fully integrated service** – when shopping around for your business banking needs, look out for ones that offer more than one of the services you need, to cut down on the monthly fees you will pay. For example, some providers offer a merchant account with the payment gateway and acquiring services which will greatly reduce your monthly fee cost and the amount of companies you have to deal with.

2. **Clarify the term of the contract** – This is vitally important in saving you money as some providers (especially for PDQ machines) will look to tie you into 36 month contracts. Make sure you have the flexibility of a short term contract so if you find a new provider that offers the PDQ machine as part of a package then you have the ability to switch.

3. **Negotiate on cost per transaction fees** – Some providers have a great deal of flexibility when it comes to the rates they can offer you. This is especially true if you are a larger company who will be processing large volumes of transactions and if you will be using a large selection of their services. So ensure you can see if there is any flexibility on these before you commit.

4. **Check how much you are paying in admin fees** – Most providers charge a set amount for their monthly fees, however they will vary on charges for services like processing cheques, running a credit card, prepaid card scheme and transfer fees. If your business predominantly uses a certain type of payment method for example you receive a lot of cheque deposits, then ensure this fee is the lowest out there for that service.

5. **Compare domestic and international transfer rates and charges** – Some providers offer account transfers for free however the majority of providers will charge you for this service. Make sure you check how much you will be charged and shop around. If you are a business that regularly makes international transfers make sure you shop around for the provider with the best transfer fees, but also who will charge the most competitive exchange rate. It has been reported recently that international transfers is the one area that banks make the most substantial monetary benefit from as they tend to transfer your money using very high exchange rates.

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