

Banking on Small Business

Experiences and challenges in Northern Ireland



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Acknowledgements

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Thank you also to all the FSB members and other small businesses and the self-employed who took the time to engage in the research which underpins this report.

Who we are

The Federation of Small Businesses (FSB) is the UK's grassroots business organisation. We are a cross-party non-profit body that represents small businesses and the self-employed in every nation and region of the UK. In 2024, FSB celebrated 50 years of being the authoritative voice on issues affecting the UK's 5.5 million small businesses, microbusinesses and the self-employed.

FSB is the UK's largest business organisation and leading business campaigner, focused on achieving change which supports smaller businesses to grow and succeed. We also provide our members with a wide range of vital business services, helping them to start, run, and grow successful businesses through high quality protection and support. This includes 24/7 legal support, financial expertise, training and events, debt recovery and employment/HR advice – alongside a powerful voice heard by governments at all levels.

Our local, national and international activism helps shape policy decisions that have a direct impact on the day-to-day running of smaller businesses. We work for their interests through research and engagement with our members and by effective campaigning, influencing those in power through policy analysis, public affairs, media and public relations activity. Our advocacy work starts with our expert external affairs team in Westminster, which focuses on UK and England policy issues, the UK Government, Parliament and media and communications engagement. Further to this, our teams in Glasgow, Cardiff and Belfast work with governments, elected representatives and media in Scotland, Wales and Northern Ireland.



Foreword

At the Federation of Small Businesses, we are dedicated to championing the needs of small businesses and ensuring that they have access to the financial services they require to thrive. Small businesses form the backbone of the Northern Ireland economy, driving innovation, employment, and prosperity. However, in an evolving financial landscape, many small businesses face increasing challenges when it comes to accessing reliable, efficient and tailored banking services.

This research was commissioned to provide a clearer understanding of the real and perceived barriers that small businesses encounter in business banking. The findings highlight that while digital banking is becoming the norm, many small business owners still value strong relationships, clear communication, and fair access to finance, factors that are often lacking in their interactions with traditional banks.

One of the key takeaways from this study is the growing disconnect between banks and small businesses. Many small businesses struggle with slow application processes, stringent lending criteria and a lack of dedicated business banking support, leading them to seek alternatives such as challenger banks. At the same time, this research highlights that those who remain with traditional banks express frustration over inconsistent service, high fees, and limited access to tailored financial services.

Despite these challenges, there is an opportunity for banks to rebuild trust and strengthen their relationships with small businesses. The recommendations in this report provide a clear roadmap for how banks can better serve this small business economy by adopting a 'small business first' approach that prioritises the needs of entrepreneurs.

At FSB, we will continue to advocate for polices and services that empower small businesses. We urge banks and policymakers to engage with these findings and take meaningful action to **create a banking environment that truly supports small businesses in Northern Ireland.**

We would like to extend our gratitude to the businesses that participated in this research, sharing their experiences and insights. Their voices are invaluable in helping create a financial system that works for everyone.



Alan Lowry Chair, FSB NI Policy Unit

Banking on Small Business

Despite the importance of banking relationships, small businesses report a decline in service quality.



58% with a business current account pay a regular standing charge for access.



70% consider a physical branch important for assistance, complex transactions and trust.



56% believe that having a dedicated point of contact is essential. Only 35% are aware of having access to this.

Lengthy processing: The average time to open a business bank account is **31 days**, and the average time to secure a business loan is **32 days**, with some businesses experiencing wait times of **several months**.



Almost a fifth of businesses had a financial product or service application refused &
6% had a business account closed or a service withdrawn without their request.

Newer businesses were more likely to be turned down for products and services. Many of these businesses were not given a clear reason for rejection.



The consequences of these rejections include **stunted business growth, wasted financial resources, and declining confidence in banking providers.**



Due to these challenges, some entrepreneurs and small business owners opt for personal accounts and loans instead of business banking services:

- **42%** of respondents have used a personal account for business transactions.
- 29% have used or continue to use a personal loan for business purposes.
- A major frustration among business owners is the requirement for personal guarantees.

Small business owners seek a 'small business first' approach from banks, with high-quality, flexible services available both online and in person. Without these improvements, more small businesses, particularly newer and more digitally proficient enterprises, are likely to turn to online 'challenger' banks. These banks offer streamlined, cost-effective services with which traditional banking providers may struggle to compete.



Executive Summary

Interacting with banks and financial institutions is an essential part of running a small business. While most transactions now occur online, the presence of a local branch network remains valuable for many business customers.

Research findings suggest that as the number of local bank branches declines, small business owners and managers lose access to a regular, named banking contact. This has led to gaps in service and knowledge, contributing to a perception of declining banking standards.

While many small business owners are confident in handling financial matters such as negotiating contracts, managing wages, and working with accountants, fewer feel well-informed about the banking services available to them. Some find banking services difficult to access due to complex administrative requirements and high fees. As a result, some entrepreneurs opt to use personal accounts or take out personal loans rather than engaging with business banking services.

Expectations for business banking services in Northern Ireland appear to be relatively low, yet some banks still fail to meet these modest standards. While customer service is generally viewed positively, banking processes often involve unnecessary administrative burdens, leading to increased costs and time-consuming procedures. This can be especially frustrating when businesses are denied essential services after an extensive application process.

Many small and micro businesses consider switching banking providers but find that service levels are largely similar across Northern Ireland's financial institutions. Instead, some seek endto-end financial solutions from their main banking provider, while others turn to challenger banks, which are perceived as more efficient and cost-effective. Research indicates that one in five small businesses in Northern Ireland have moved to challenger banks for improved financial services.

The top priorities for small businesses when choosing a banking provider include;

- Ensuring their money is secure.
- Accessing competitive interest rates for savings and loans.
- Having the ability to complete transactions online with ease.
- Retaining the option to visit a local branch when necessary.

These findings highlight the need for banks to simplify processes, improve accessibility, and enhance digital banking solutions to better support small and micro businesses in Northern Ireland.



Key Findings

Engagement with banks and financial institutions is a routine aspect of daily operations for small businesses in Northern Ireland. The following key statistics from the research highlight their banking behaviours and preferences:

- 85% of small businesses primarily use traditional banks, whereas 22% have accounts with online 'challenger' banks. Notably, among businesses established in the past five years, 34% report using a challenger bank.
- 44% of small businesses use multiple financial service providers, with an average of 1.7 providers per business.
- 58% of businesses that hold a business current account are paying a regular standing charge (fee) for this service. This does not include transaction or other ad hoc fees.
- 34% report paying no fees, which may reflect a combination of free business banking services offered through online challenger banks and fee free periods offered by local or high street banks for new business accounts.

The importance of a branch network in an increasingly digital banking environment

While online banking is now the primary mode of interaction for many businesses, maintaining a branch network remains a significant priority for small business customers:

- 76% of small businesses use a banking app at least once a week, and 56% access a banking website weekly.
- More than a quarter of small businesses visit a physical bank branch at least once a week.
- 70% of respondents consider a physical branch important for obtaining assistance, handling complex transactions, and reinforcing trust in their banking provider.

Diminishing service levels in business banking

Despite the importance of banking relationships, small businesses report a decline in service quality:

- 56% believe having a dedicated point of contact, such as a business manager, is essential.
- However, only 35% of businesses are aware of having access to such a resource.

Challenges in accessing banking products and services

Small businesses continue to face difficulties in obtaining banking services:

- Almost a fifth (19%) of businesses had a financial product or service application refused, and 6% had a business account closed or a service withdrawn without their request.
- Newer businesses were more likely to be turned down for products and services.
- Many of these businesses were not given a clear reason for rejection, leading to frustration and uncertainty.
- The consequences of these rejections include stunted business growth, wasted financial resources, and declining confidence in banking providers.
- Lengthy processing times further compound the issue; the average time to open a business bank account is 31 days. The average time to secure a business loan is 32 days, with some businesses experiencing wait times of several months.



The shift to personal banking as an alternative

Due to these challenges, some entrepreneurs and small business owners opt for personal accounts and loans instead of business banking services:

- 42% of respondents have used a personal account for business transactions, and 29% have used or continue to use a personal loan for business purposes.
- Some business owners stated that they had no choice but to use personal accounts after being denied business banking services.
- Others preferred personal accounts due to their simplicity and lower costs.
- A major frustration among business owners is the requirement for personal guarantees on many business banking products, which adds personal financial risk while also increasing costs and processing times.
- Business owners who rely on personal accounts acknowledge the associated risks, including:
 - ^o Exposure of personal assets to business-related risks.
 - ^o Difficulty in separating personal and business transactions.
 - ^o Challenges in complying with financial regulations.
 - ° The potential risk of a personal account being closed due to business-related activity.

Customer satisfaction and the need for improvement

Many small businesses believe that banks have a long way to go in meeting their expectations:

- Respondents gave their banking providers an average Net Promoter Score (NPS) of +6, suggesting a neutral stance on customer satisfaction.
- A significant proportion of businesses were categorised as 'passive' in their assessment, highlighting gaps in service quality and process efficiency.

Banking loyalty and switching trends

While some small businesses consider changing their banking provider, many remain hesitant due to the perceived similarity of services across different banks:

- 25% of small businesses have previously switched their main banking provider, with another 15% open to switching.
- Key reasons for switching include poor customer service, high fees, and the perception that banks prioritise profits over client needs.
- 68% of small businesses are unlikely to switch banks, with 27% believing they would not find better service elsewhere.
- More than 1 in 10 businesses that are interested in switching ultimately decide against it due to the time commitment and disruption involved.



Perceived gaps between banks and small businesses

- Many small businesses believe that banks are becoming less accessible due to a reduction in branches and a decline in direct business liaison services.
- This shift has created a perception that banks are increasingly process-driven, focusing more on rigid administrative requirements than on client-centric service.

What small businesses want from banks

Small business owners seek a 'small business first' approach from banks, with high-quality, flexible services available both online and in person. They expect:

- Clear, proactive communication about products that match their needs.
- Responsive support and feedback during application processes.
- Streamlined services with dedicated business banking contacts who understand local business challenges.

Without these improvements, more small businesses, particularly newer and more digitally proficient enterprises, are likely to turn to online 'challenger' banks. These banks offer streamlined, cost-effective services with which traditional banking providers may struggle to compete.

Relying on alternative sources for financial advice

- Many small business owners seek banking-related advice from sources outside traditional banks, including online resources, industry peers, and professional accountants.
- While this highlights the gaps in traditional banking support, it also reflects a broader trend: small businesses prefer to rely on flexible, accessible, and industry-informed guidance rather than navigating the complexities of traditional banking services on their own.

Conclusion

These findings emphasise the need for banks to bridge the gap between administrative processes and customer service. To remain relevant to small businesses, traditional banks must enhance accessibility, provide more tailored support, and simplify business banking processes. Failing to adapt could lead to further shifts toward digital banking alternatives, reducing the role of traditional banks in the small business sector.



Recommendations

The rise of online challenger banks and alternative finance providers has increased competition in the business banking sector. While traditional banks offer a local presence that challengers cannot, this research highlights gaps in service delivery that are pushing small businesses toward digital alternatives. The following recommendations outline key areas where banks can improve their offering to better support small businesses.

Recommendation 1: Strengthen business relationships and accessibility

To rebuild trust and enhance the banking experience for small businesses, banks must reestablish clear and consistent points of contact with knowledgeable staff who understand the local challenges faced by small enterprises. This can be achieved by:

- Assigning dedicated relationship managers who specialise in small business banking.
- Ensuring business banking representatives proactively engage with their clients to offer guidance and support.
- Expanding communication channels, including email, phone, and digital platforms, to enhance accessibility.
- Maintaining physical touchpoints, such as branches or small business hubs, in underserved areas.
- Integrating banking services with payroll, HR, and other essential business tools for seamless operations.

Recommendation 2: Adopt a 'small business first' approach

Banks should design their services around the specific needs of small businesses, offering tailored products and processes that reduce barriers to access. Key actions include:

- Setting fair and transparent service standards, such as committing to process applications for banking products and services within 10 working days.
- Improving communication, using clear language and accessible channels to ensure small businesses understand available products and services.
- Simplifying lending criteria to make finance more accessible for micro and small businesses.
- Providing a customer-centric experience, ensuring businesses feel supported rather than just processed through bureaucratic systems.

Recommendation 3: Develop 'end-to-end' finance solutions

Many small businesses struggle to access finance through traditional banking channels, often turning to high-cost alternatives or personal loans due to rigid application criteria. Banks should:

- Offer a full suite of business banking products, including current accounts, overdrafts, loans, and savings solutions.
- Review risk profiling and application processes to ensure they align with small business realities, rather than being overly restrictive.
- Provide alternative financing options, such as revenue-based lending, that better suit small businesses with variable cash flow.



Recommendation 4: Improve financial education and guidance

Nearly half of small businesses do not turn to their bank for financial advice, often seeking unreliable information from informal sources. Banks must position themselves as trusted advisors by:

- Providing easily accessible educational resources tailored to small businesses.
- Offering training and workshops on business banking, finance management, and regulatory compliance.
- Enhancing digital tools and dashboards that help businesses better understand and manage their finances.
- Ensuring banking representatives are trained to offer proactive guidance, rather than just processing transactions.

Final thoughts

To remain competitive, traditional banks must rebuild trust, enhance accessibility, and tailor their services to the evolving needs of small businesses. By implementing these recommendations, banks can strengthen their relationships with small businesses, improve customer satisfaction, and position themselves as true partners in business growth.



Background

In July 2024, the Federation of Small Businesses Northern Ireland (FSB NI) commissioned CARD Group Research and Insight to complete independent research into the business banking landscape for small and micro sized businesses in Northern Ireland. Previous feedback from FSB NI members had identified this as a key area of interest.

The purpose of this research was to gain a clear understanding of both the actual and perceived challenges that small and micro sized businesses face in business banking, as well as to identify aspects that are functioning effectively. Additionally, it sought to build a strong evidence base on the factors influencing businesses' banking decisions. The findings from this research helped shape the recommendations on how business banking processes, procedures and available services can be improved to better support the growth and sustainability of new and existing businesses in Northern Ireland.

Methodology

This research was conducted in three distinct stages:

- Stage one involved gathering context and identifying key themes for investigation. This was achieved through desk-based research, which included reviewing existing literature and identifying relevant sources of information.
- Stage two consisted of qualitative discussions with small and micro businesses to gain deeper insights into their banking challenges. Ten in-depth interviews were conducted either in person or via online video conferencing during August and September 2024. These discussions involved a diverse cross section of small and micro businesses, varying by sector, size and location of operations.
- Stage three included a quantitative survey targeting micro and small businesses across Northern Ireland to assess their banking priorities. The survey was distributed online through multiple channels between 21 October and 18 November, 2024. A total of 311 completed responses were collected, ensuring a statistically valid sample with a margin of error of +/-5% at a 95% confidence level, an accepted standard for perception-based studies.

The collected data was thoroughly analysed to produce a draft report for review by FSB NI. Based on this review, a final report was developed, presenting a comprehensive analysis of both qualitative and quantitative findings.



Qualitative Findings

The qualitative phase of the research involved 10 in-depth interviews with a cross-section of small and micro businesses in terms of sector, size and location of operations.

- Sector: A range of sectors were covered including hospitality, HR, software and IT, education, environmental consultancy, accountancy, arts and entertainment, professional services, charity and third sector.
- Business size: Ranged from 1 to 18 employees.
- Location of operations: Incorporated businesses working within specific council areas, across Northern Ireland, and internationally.
- Gender split of respondents: Six male and four female.

Participants shared a diverse range of views on their access to and use of business banking services and used a broad spectrum of providers for business banking incorporating traditional banks (including the main local providers), online challenger banks, international providers such as the Silicon Valley Bank and specific loan providers such as 'iwoca' and British Business Bank.

It should be noted that 10 interviews were conducted and therefore caution should be taken when interpreting results as this sample may not be fully representative of all businesses in Northern Ireland.

Most business banking interaction is happening online and in-app...

All participants in the qualitative study were using online and mobile/app-based technology for most of their business banking services and using those technologies with great frequency. Several said that they would never want to have to visit a branch as, to them, this would indicate a problem - that something had gone wrong.

Several participants expressed a strong sense of frustration when things had to be done in person, particularly tasks that they felt could easily have been completed online:

"Online works around our business, rather than our business having to work around the bank."

All interviewees were aware of business banking services provided by online-only providers – challenger banks – and several were using them either exclusively, or alongside other providers to meet their business banking needs. While several users of online-only banks said a branch would be 'nice to have', the absence of a branch network in Northern Ireland was not a reason for them not to use the online provider.

Case study

One participant shared their experience of setting up an account for their consultancy business with an online challenger bank and compared this to their experience of setting up a business account for a community association with which they are involved. The online challenger bank application for their business took 30 minutes to complete and was approved within 24 hours. By comparison, setting up a business account with a local bank took 8 weeks from start to approval.

The research participant noted that this would have been a major barrier to them as a business start-up had their own business account taken so long to process, limiting their ability to invoice clients or to make necessary payments. The online bank's approach felt *"small business enabling rather than an obstacle course to get through."*

However, a personal relationship or point of contact provides reassurance

While a local branch presence was not so highly valued as part of day-to-day banking, it provided reassurance in case an issue arises. When this was explored further, however, the reassurance came not so much from a physical branch presence as a familiar and trusted point of contact with relevant knowledge and experience. For minor issues, some were content this could be through a good live online support chat function or telephone assistance. Others preferred a named contact, such as a relationship manager, available by email, phone or in person. There was concern that a trend towards interaction being centralised to call centres, often outside the region, could result in a loss of relevant, local knowledge. Without an appreciation of small business operations, it was felt that the gap in knowledge will only increase leading to progressively more misaligned products and services.

In the absence of an effective relationship with a business account manager, some banks were seen as inaccessible for advice on banking products. Some respondents instead turned to colleagues, accountants, clients, other business founders and at times, the internet. There was minimal expectation for banks to offer anything other than basic banking products and services, with one participant suggesting that despite marketing saying otherwise, banks gave no additional help, describing them simply as *"a necessary evil, like death and taxes."*

For some, the relationship is seen more as a source of friction than a partnership. One participant referred to feeling like their business is in a *"David and Goliath"* relationship with their high street bank. They used the example of going through a 'Know Your Customer' (KYC) process where they perceived a lack of local advice or support from their bank.

"The KYC process made me feel that, rather than being about getting to know our business as a valued and trusted customer, instead we were treated like part of a Mexican drug cartel. The burden was put on our business to prove our innocence, rather than on the bank to identify the guilty."

Small businesses are facing challenges accessing finance and services through some traditional banks...

Several participants had been turned down for accounts or products. A shared theme was they did not understand why or had been given no explanation. Application processes were described as opaque and unclear to navigate. One participant who works with businesses around export promotion, inward investment and job creation in Northern Ireland suggested that business banking "can be the most fundamental block" in the process.

Several described using personal accounts or loans rather than taking out a business product, either due to the anticipated complexity and time it would take, or due to higher fees levied on businesses for the same product, which were seen as unfair. This places a personal liability on small business owners, described by one participant as *"the stuff that kills small companies."*

There was strong support for targeted education to assist entrepreneurs with financial planning, budgeting and personal and business finance. There was a role identified for FSB acting in an advice-giving capacity as an 'honest broker' for small businesses. Some positive references were made to entrepreneur programmes run by some local banks; however, these are not available to every business and support is not always continued.

Case study

Turned down for a loan: One participant, turned down for a loan by a local bank, was given no reason for the refusal and felt there were no clear rules. Rather, they said in dealing with the bank

"the rules are not set out, the goal posts can move and change, and you don't even know how the scoring system works."

Account frozen and then closed: One participant had an account frozen and then shut down by their local bank. The reason given was that they had not done what was asked of them during a 'Know Your Customer' (KYC) process. They felt they had given what was asked of the business but acknowledged it was difficult to understand the requirements and challenging to get any help or advice.

Delays in decision making: One participant has been waiting 6 months for a decision on a small business loan from a local bank without confirmation either of approval or rejection.

Seeking alternatives for finance: One participant was refused an overdraft with their high street bank. The overdraft was required temporarily to get over a particular challenge. The business turned to an online provider for a loan. While the process was quick and easy – *"they couldn't give me money quickly enough"* – it came at considerable cost to the business in higher rates.



...But motivation to switch providers was limited

Despite the issues and challenges identified, the qualitative research revealed an ongoing reluctance for some small business owners to make a switch and move to a different business banking provider – even where they were not getting what they wanted from their current service. One participant drew an analogy with a divorce, setting out their fear of inconvenience, the length of time it would take, worries about losing information and the hassle of having to change their details with suppliers.

This correlates with extensive research which has demonstrated that consumers are typically unlikely to switch their main banking relationship with their current account provider. Academic research (such as Hartfree, Evans, Kempson, & Finney, 2016)¹ has highlighted how people are disproportionately likely to remain with the 'status quo' even when it makes rational and economic sense to change. This can be due to psychological barriers such as fear of loss, a concern that switching will be associated with hassle, or a sense that there will be little to be gained from a switch due to a perception that banks are *"all the same"*.

Several participants, exclusively those using local and high street banks, expressed that they would be very open to switching providers. It was fear of the switching process itself that put them off doing so. Discussions indicated that a tipping point typically needs to be reached, at which point the desire to switch outweighs the fear of doing so.

Integration of services was a key tipping point prompting a switch to another banking provider

Participants that had made a switch in provider universally referred to a specific reason as being a lack of integration or syncing across other platforms by their bank. There was a strong sense of frustration from them – and from some current users of local/high street banks – at an ongoing lack of integration being facilitated with other platforms, such as for payroll. This emerged as a real strength of the online challenger banks that offer effective integration that streamlines business processes and offers reassurance.

The importance of integration emerged as part of a wider theme where research participants shared a strong sense that – in relation to business banking – some local and high street banks are viewed as adopting a zero-sum approach where the bank wins at the cost of the business.

An example given of some banks "not thinking from a business perspective" was that of a local bank that allows no more than 12 months of statements to be accessed online. The research participant was frustrated that, as a business, they often require bank statements that go further back but, to access these, they need to enter a time-consuming process of calling the bank to get these sent out to them.

"Why would I continue to pay high fees to [local bank] when I don't get either the utility and integration of the online providers, or a personal, direct point of contact with someone locally?"

¹ Hartfree, Evans, Kempson & Finney (2016) Personal current account switching: Why don't more people switch and what could encourage them to do so?, University of Bristol.



Summary of qualitative findings

The research highlights that while most small businesses now interact with banks online or via mobile apps, many still value personal relationships and direct points of contact for reassurance. For some, this means access to a branch network, while others are satisfied with email or phone support as long as it remains personal and tailored to their business needs.

With the increasing closure of physical bank branches, some small businesses question whether paying for traditional banking services is worthwhile, especially when online challenger banks offer similar services at little to no cost.

Small businesses report difficulties in accessing finance and essential banking services from traditional banks. However, many hesitate to switch providers due to concerns that they would receive a similar service elsewhere or because they feel there are limited local options. A key reason for switching banks is the lack of integration with other business tools, such as payroll and financial software.

Many small businesses do not turn to their bank for financial advice, often relying instead on untrained sources, which may lead to missed opportunities for both businesses and banks.

Views on banks vary, with experiences ranging from negative to mediocre, though some businesses report moderately positive interactions.

Some perceive banks as profit-driven rather than service-focused, citing unnecessary fees and inefficient internal processes.

Concerns were raised about banks charging higher rates for services, such as surveys and third-party assessments, compared to rates businesses could obtain independently.

Overall, the findings suggest a growing demand for more transparent, accessible, and business-friendly banking services that genuinely support small enterprises rather than creating additional financial burdens.



Quantitative Findings

From 21 October to 18 November 2024, an online survey was disseminated across multiple channels inviting self-employed, micro and small businesses to share their views on, and experiences of business banking in Northern Ireland.

311 complete responses were received, a figure sufficient to provide a statistical margin of error of +/-5% at a 95% confidence level - the recognised standard for such perception studies.

Respondents represented a wide range of industry sectors and business demographics. As well as exploring their use of financial institutions and business banking services, the research gathered insights into the challenges small businesses can face in accessing or making the most of those services.

Businesses that participated in the research

Over half of businesses that participated in the research were private companies, while just over a third were non-incorporated businesses or self-employed.

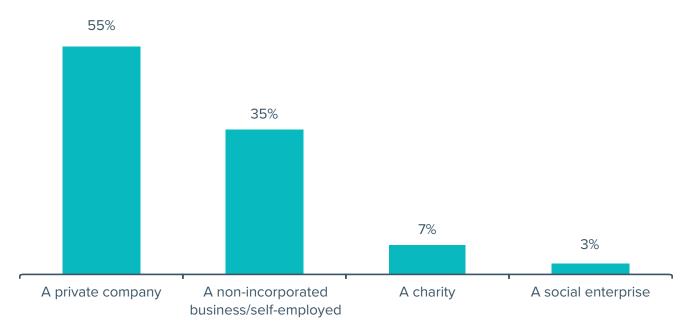


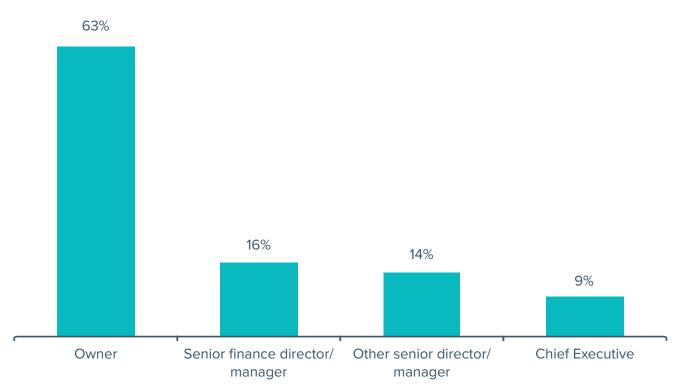
Figure 1: Nature of the business

Most respondents were the owners of their business. Other respondents included employees in a senior finance position or other senior managers.²

²Note that percentages may not sum to 100% due to rounding



Figure 2: Role of respondent



A third of businesses that took part in the research had a turnover of less than £100,000 in their last financial year, and a third had a turnover of over £500,000.



Figure 3: Business turnover

93% employed fewer than 50 people, and more than two thirds employed fewer than ten people.

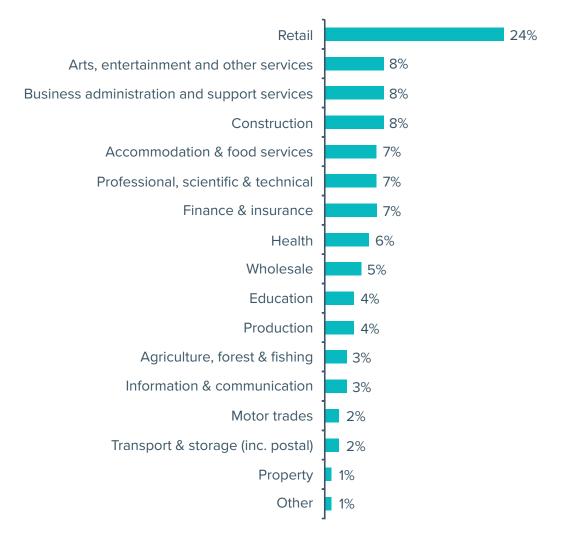


Figure 4: Number of employees



A quarter of businesses worked in retail. All industries were represented in the survey, with the exception of businesses working in public administration and defence.

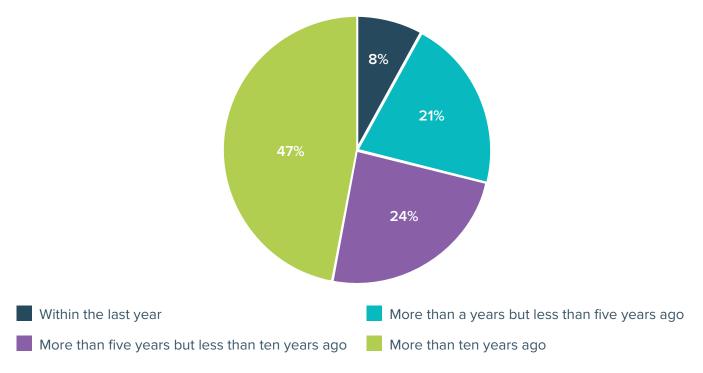
Figure 5: Business sector





Just under half of businesses had been established for at least 10 years, while almost one in ten were new businesses – established within the last year.





Businesses were located across Northern Ireland, but with a higher proportion from larger urban areas, particularly Greater Belfast. Where businesses operated from more than one site, they were asked to provide a postcode for their head office only.

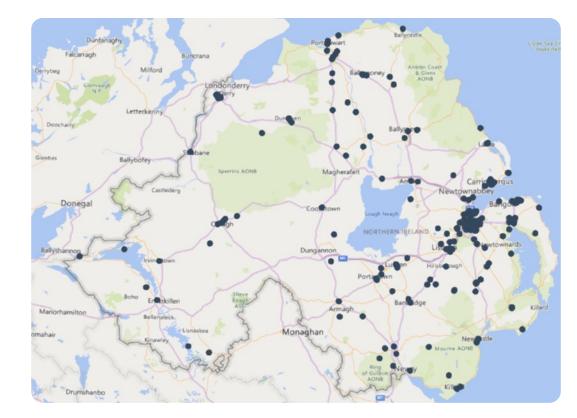


Figure 7: Business location of survey respondents



Use of financial institutions and business banking services

95% of businesses reported having a deposit account – incorporating business current accounts and savings accounts. 54% have access to finance through an overdraft facility, loan or mortgage. 'Other' here included foreign investment or currency accounts, hire purchase products and other investments.

27% of small businesses are using other financial products such as invoice financing or factoring. This directly aligns with findings from IGF research which found alternative finance to be on the rise across the UK. IGF also found that 27% of businesses are now using invoice financing, though traditional bank funding remains more prevalent, accessed by 65% of businesses. A smaller proportion of small businesses in Northern Ireland – 54% – report accessing finance through traditional bank funding.³

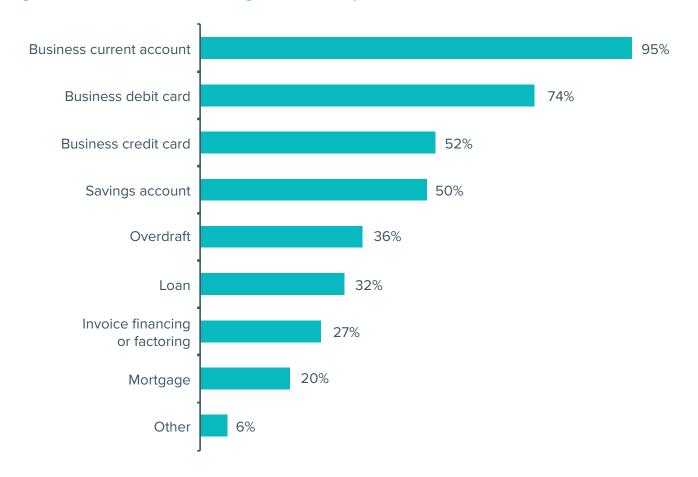


Figure 8: Use of business banking services and products

Use of financial services providers

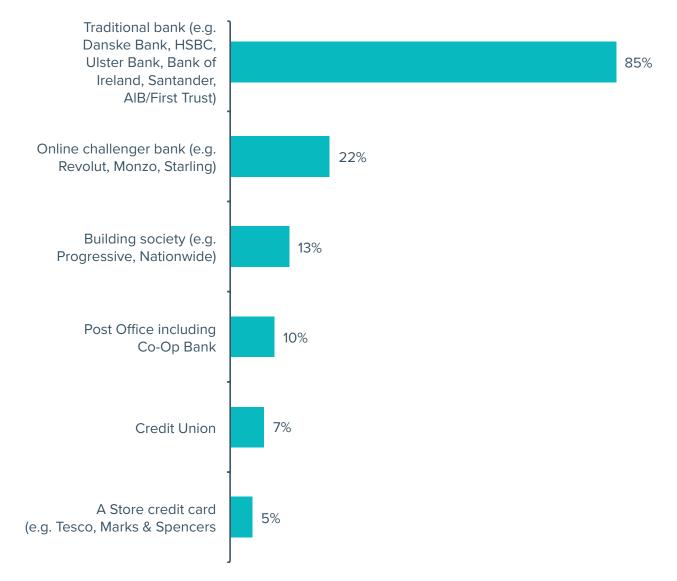
Traditional banks are the most popular type of provider, with 85% of businesses accessing at least one account or product through a traditional bank.

However, online challenger banks are growing in popularity, despite only launching in the UK market in 2015. 22% of businesses report having an account with an online challenger bank.

³ Source: Independent Growth Finance Group, Powering Freedom Report



Figure 9: Use of financial services providers



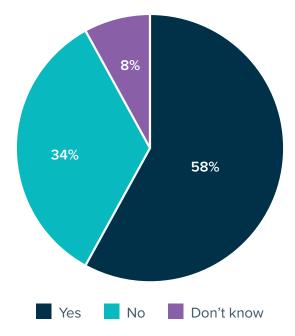
Newer businesses (those established within the last five years) are more likely to report having an account with an online challenger bank – 34% compared to 22% overall. Comparatively, 99% of businesses established for at least 10 years have an account with a traditional bank or building society. 44% of small businesses were willing to use several different providers. On average, businesses used 1.7 different providers.

Fees for day-to-day banking

58% of businesses that hold a business current account are paying a regular standing charge (fee) for this service. This does not include transaction or other ad hoc fees. 34% report paying no fees, which may reflect a combination of fee-free business banking services offered through online challenger banks and fee free periods offered by local or high street banks for new business accounts.



Figure 10: Proportion of businesses who pay business current account fees



One in five are paying more than 20 per month for their day-to-day business banking account. A larger proportion of these businesses reported a higher business turnover in the last financial year than in the sample overall – 37% reported an income of over 1 million, compared to 20% in the overall sample.



Figure 11: Fee amount

Businesses that have been turned down for a financial product or service

Almost one fifth of businesses – or two out of every ten – have been turned down for a financial product or service.



Figure 12: Proportion of businesses turned down for a financial product or service

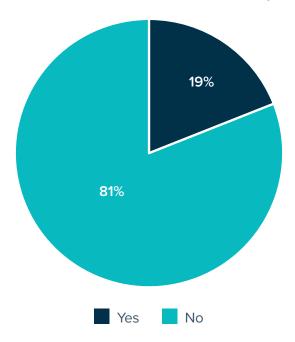
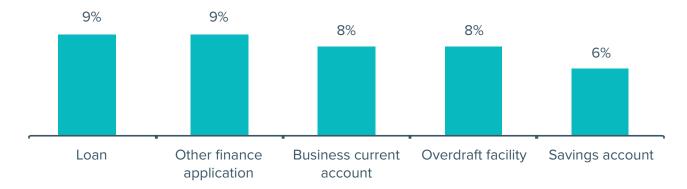


Figure 13: Specific products for which businesses have been turned down



Those that have been turned down are more likely to be newer businesses; while businesses established within the last year make up 8% of the sample overall, they comprise 15% of businesses turned down for a financial product or service. Comparatively, 47% of businesses in the overall sample were established more than ten years ago. These businesses make up just 28% of those turned down for a financial product or service.

A high proportion of respondents were unclear as to why they had been turned down, saying they had been given no clear reason. Where a reason was given, this was typically due to factors such as:

- Not enough credit history / business not long enough established.
- Size of the business (too small) or business sector (hospitality referenced specifically).
- Insufficient income or capital.
- Application did not fit within the bank's 'risk profile'.



Case study

Additional costs to businesses:

"Our bank does not provide loans, so we are constantly operating with the uncertainty arising from short-term overdraft extensions and reductions. To manage this, we have increased stock to cover the risk of running low on raw materials. This comes at a cost to our business."

"We had to take out higher interest loans, because we couldn't get a loan through our bank, which had a negative effect on our bottom line."

"We can't access an overdraft, which is concerning in terms of cashflow and poses a risk if we have any short-term issues with invoicing."

Entrepreneurs and businesses turning to personal accounts and loans:

"I had to use a personal account until I could find a suitable provider."

"I took on a personal loan, because I couldn't get a business loan."

Stalled business growth and development:

"We weren't able to expand our business as we had planned, and it left us struggling."

"It delayed our progress in building the business and has definitely slowed our growth."

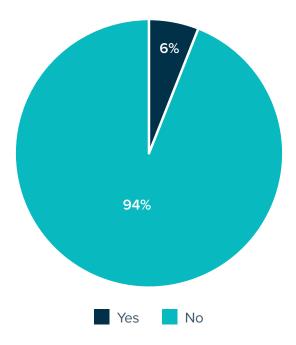
"I was turned down for a business current account with a local bank. My business trades internationally and they said that it did not suit their risk profile. They asked for information that was impossible to provide. I turned to an online bank instead, which is great for day-to-day activities, but they don't offer an overdraft or loans. I wanted to establish a relationship with a local bank who would be open to supporting my business as it grows. The relationship just isn't there, and nor was the support."

Businesses that have had an account closed or service withdrawn

6% have had a business bank account closed by the bank, or a service withdrawn, not at their request.



Figure 14: Proportion of businesses that have had a business account closed or service withdrawn



A quarter of those that had been in this position said that they had not been given any reasons as to why the account was closed or the service was withdrawn.

"I had been struggling to make repayments, but the bank just didn't want to work with me. At the time, I had no choice but to close the business."

"Our bank pulled our foreign currency account. We have had real difficulty finding an alternative. We are now using an online financial platform for foreign exchange services – but it is not a complete service."

"We operate in a highly regulated industry, but one that is seen as 'high risk' by the banks. We had an account closed, and our merchant facilities pulled, for 'undisclosed reasons'. This has cost us tens of thousands of pounds, a figure that increases every day, and damaged our reputation with our customers."

Frequency of using financial services

A banking app was the service most frequently used by businesses, 76% use a banking app at least once a week, while 56% use a banking website at least once a week.

On average, businesses use a banking app 16 times per month and use a banking website 9 times per month. This can vary significantly depending on the nature of the business.





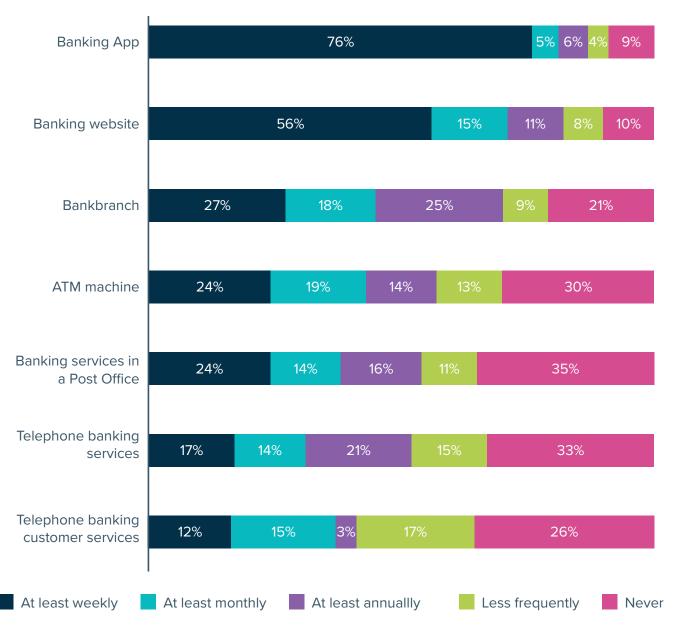


Figure 16: Average number of uses per business per month

Banking app	Banking website	Bank branch	ATM machine	Banking services in a Post office	Telephone banking services	Telephone bank customer services
16	9	3	3	3	2	2

Businesses working within the finance and insurance sectors use a banking app most frequently – around 21 times per month on average, or once every working day.

Those working within agriculture, forestry and fishing, and those in the motor trades, were the most frequent users of a bank branch, at around 5 times per month on average.

Some businesses, particularly those associated with agriculture, motor trades, wholesale, production, accommodation and food services, do use bank branches, a Post Office or ATM machine on a regular basis, however a proportion of businesses also report seldom using these services. Telephone banking, telephone customer services and banking services in a Post Office are the services least likely to be used routinely by businesses.



Banking on Small Business

Figure 17: Frequency of usage by businesses of banking services

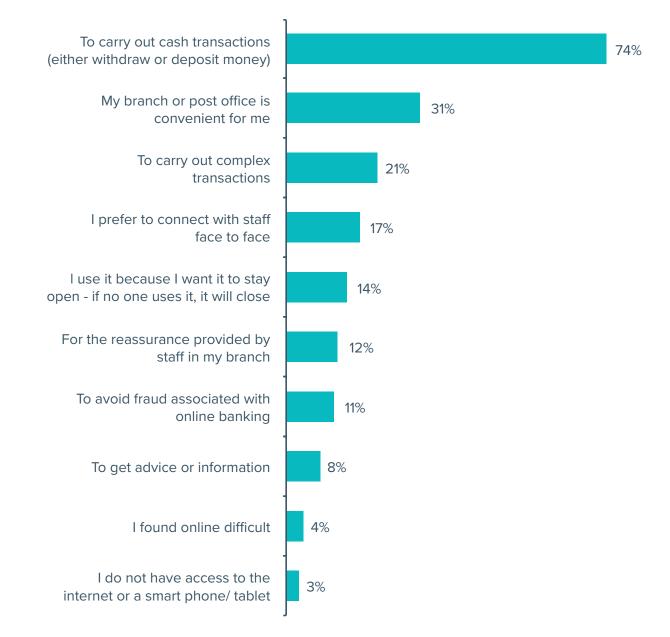
All businesses	Use at least weekly	Use once a year or less
Use a banking app for your business	76%	16%
Use a banking website	56%	21%
Use banking services in a Post Office	24%	54%
Visit an ATM machine	24%	49%
Go into a bank branch	27%	37%
Use telephone banking services	17%	56%
Use telephone bank customer services	12%	53%

Why businesses choose to visit a bank or post office

Most businesses that use a bank branch or post office do so to carry out specific transactions, such as those that must be done in cash or are more complex, while around a third do so because it is convenient for them. Almost a fifth of respondents referred to a personal preference for connecting with staff face to face.



Figure 18: Reasons businesses visit a bank or post office

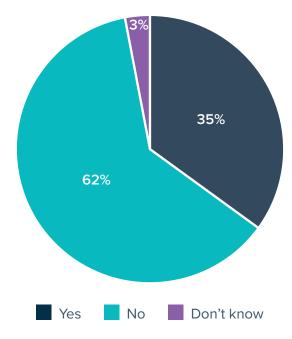


Interacting with the bank

Just over a third of businesses are aware of having a named point of contact within their bank, such as a relationship or business manager. However, this is fewer than the 56% that say it is important to them to have this personal point of contact.

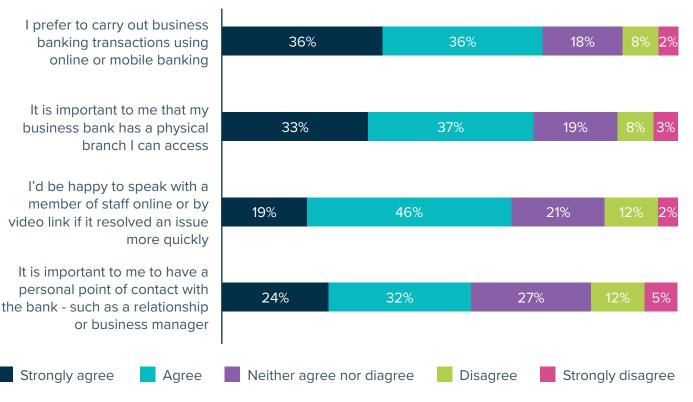


Figure 19: Proportion of businesses with a named point of contact within their bank



72% of businesses agree or strongly agree that they prefer to carry out transactions using online or mobile banking, but at the same time, 70% say it is important to them that their business bank has a physical branch they can access. While few businesses are visiting a bank branch on a regular basis, and mobile and online banking is much more prevalent, this may relate to a sense of reassurance that a local branch presence offers.

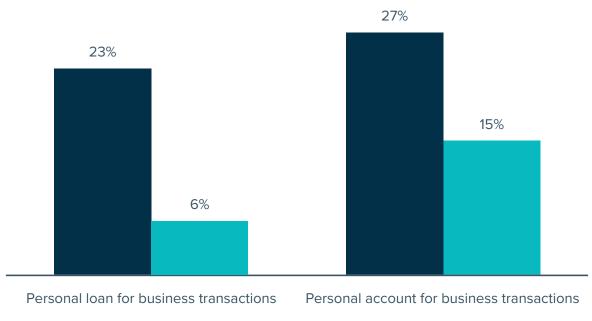
Figure 20: Preferences for interacting with the bank



Use of a personal account for business purposes

42% of respondents have either used a personal account for business transactions in the past, or still do, while 29% have used, or still use, a personal loan for business purposes.

Figure 21: Proportions of businesses that have used personal banking for business purposes



Yes - in the past

Yes - still do

For some, this was done at a specific point in time such as when their business was just starting out. Others referred to difficulties in getting access to finance through some banks, or to some only offering a business loan where this is secured against a personal guarantee from the business owner. Several business owners, all of whom were sole traders, reported exclusively using a personal account for both their personal and business-related transactions as it was much easier for them to do so.





Experience of business banking services

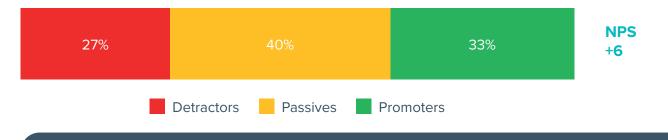
Views on their provider: Net Promoter Score (NPS)

33% of respondents are classified as 'promoters' returning a rating of 9 or 10 out of 10 in relation to their likelihood for recommending their main business banking provider to a business like theirs. Respondents returned a positive Net Promoter Score (NPS) of +6.

The NPS is used by banks across the UK to track customer experience.

Generally, an NPS between -10 and +10 is considered average. Whilst the NPS is positive it is important to bear in mind that the maximum score is +100 suggesting that there is a way to go for some banks to meet small business expectations.

Figure 22: Net Promoter Score



About the Net Promoter Score (NPS)

Respondents were asked how likely they would be to recommend their main business banking provider to a business like theirs on a scale of 0 to 10, where 0 represented not at all likely, through to 10 representing a definite yes.

To calculate the Net Promoter Score (NPS), the proportion of those giving a rating of 0 to 6 ('Detractors') is subtracted from the proportion of those giving a score of 9 or 10 ('Promoters'). Those giving a score of 7 or 8 are classed as 'Passive' and are not involved in the determination of the Net Promoter Score.

The Net Promoter Score can reach as low as -100 or as high as +100.

Perception of interaction with the bank

38% of businesses said most or all of the time they spend interacting with the bank is beneficial, while 46% said it was necessary time, part and parcel of doing business day to day. The remaining 16% perceived that most or all of this time is wasted time that comes at a cost to the business.



Figure 23: Business perception of the value of time spent interacting with their bank



Time taken to process an application

There is significant variation in the length of time it can take for banks to process business applications for a range of products and services. Some businesses can open an account quickly, within a day, while for others it is taking considerably longer – in some cases several months.

Figure 24: Time taken for banks to process applications for products and services

All businesses	Average time taken	Longest time
Business banking account	28 days	6+ months
Business Ioan	32 days	9+ months
Overdraft	16 days	6+ months
Savings account	13 days	4+ months
Mortgage	39 days	6+ months
Other finance	21 days	6+ months

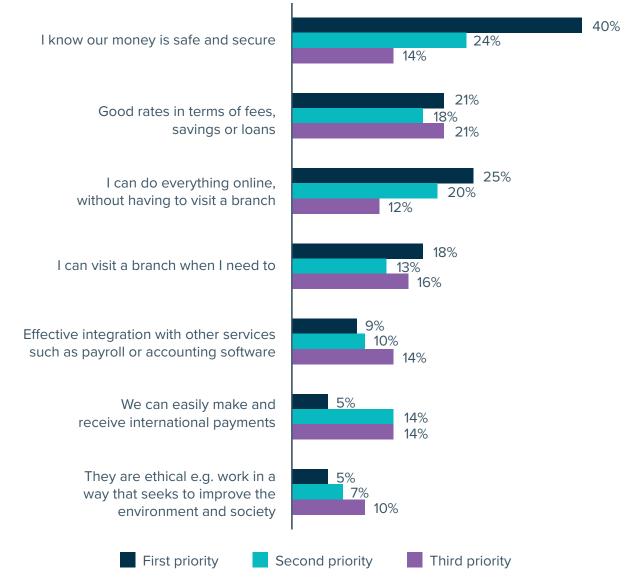


What small businesses are looking for in their banking

Respondents were asked to rank phrases from most important (1) to least important (7) in terms of what they are looking for when it comes to business banking. The most important factor for respondents was knowing their money is safe - the first or second priority for 64% of businesses. This was followed by good rates in terms of fees, savings or loans.

While a higher proportion of businesses said that it was important for them to be able to do everything online, almost half (47%) of respondents ranked being able to visit a branch as one of their top three priorities.

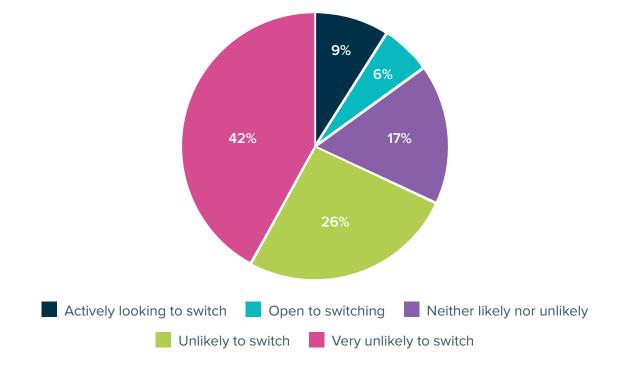
Figure 25: Factors businesses consider most important regarding their business banking services



15% of businesses indicated that they were either actively looking to switch from their main business banking provider or were open to switching.



Figure 26: Likelihood of switching main business banking provider



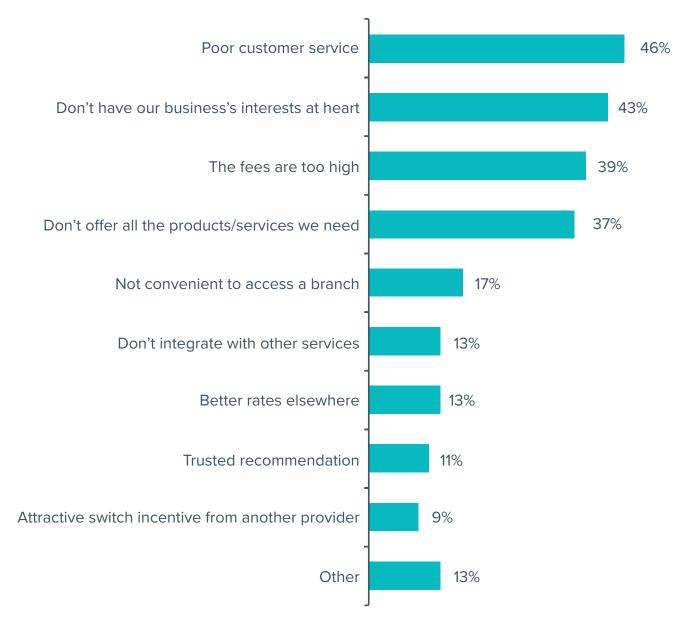
The key factors prompting consideration of switching were poor customer service from their current bank, followed by a view that their bank does not have their business's interests at heart:

"The bank just doesn't care about our business."

Businesses were also influenced by the fees charged by their current provider and the products or services on offer. Specific services referenced included international payment options and intuitive, customer friendly online services.



Figure 27: Factors encouraging businesses to consider switching



Most businesses, 68%, said that they were unlikely or very unlikely to switch from their main banking provider – this percentage was relatively consistent across all respondents, irrespective of the nature of banking provider they use.

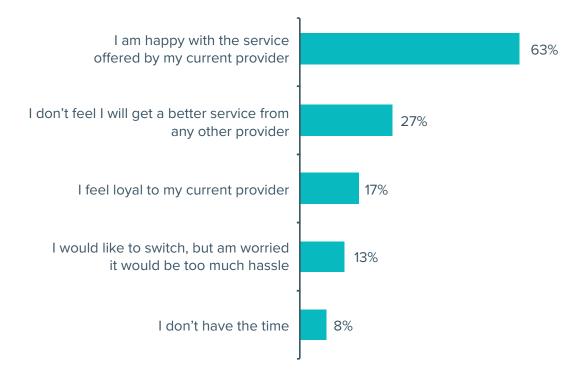


Almost two thirds indicated that this was because they are happy with the service offered by their current provider. Around a third are more ambivalent, staying with their current provider because they don't feel likely to get a better service with another provider.

"I believe all banks offer a discriminatory service to businesses with a turnover of less than £2m as you cannot have a personal direct point of contact."

More than one in ten businesses would like to switch but are put off from doing so because of the perceived hassle it will cause.

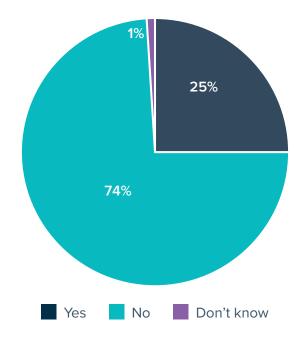
Figure 28: Reasons given for being unlikely to switch provider



A quarter of businesses reported that they have previously switched their main banking provider.



Figure 29: Proportion of businesses that have previously switched banking provider

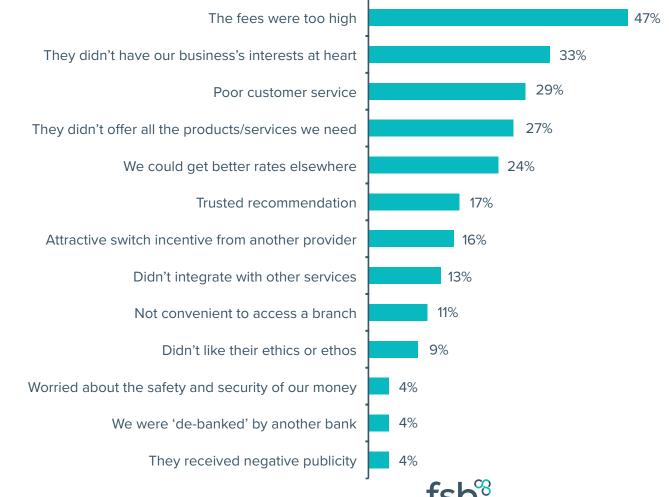


Almost half of those said that this was to do with high fees associated with their previous provider, but there were a wide range of factors involved.

For a third, a key factor was the feeling that the bank simply didn't have their business's interests at heart.

"Our previous bank manager laughed when I told him the rate was too expensive."

Figure 30: Factors that promped the switch



Why businesses picked their main banking provider

Most businesses have a choice when it comes to picking their main banking provider. Businesses report that it is important to them in making this choice that the provider selected offers the products and services the business is looking for. Also important is personal experience – either that of the individual making the decision about which provider to use, or of a trusted friend or colleague providing a recommendation.

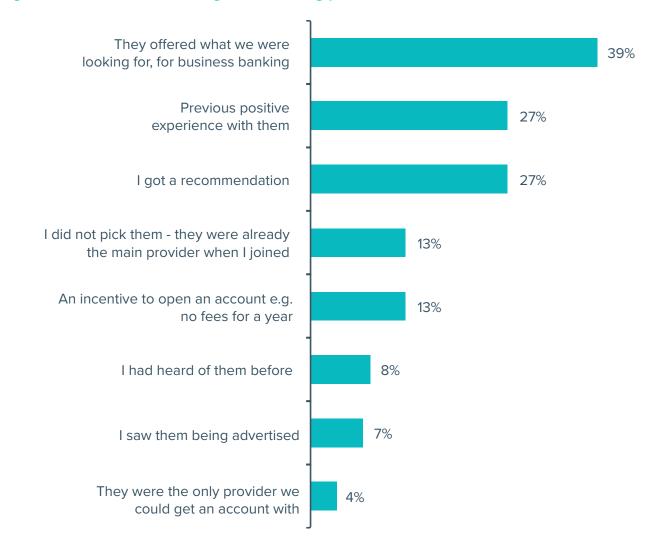


Figure 31: Reason for choosing main banking provider

"I used them for my personal banking, it was easy to do the same for the business."

"They are an online bank, and I could get an account opened with them in 2 days – whereas a high street bank would have taken me 6 weeks."

"They had a local branch at a time when we visited the bank often – which they then of course closed just a couple of years after we opened the account!"



Reason for using a range of different providers

Many businesses were willing to use several different providers for their business banking needs. On average, each business used 1.7 different providers. For around a third this is to enable them to access better rates for a particular product, or additional perks, rewards or incentives. For more than one in ten businesses, they wanted to have options for banking in case one provider 'de-banks' them. Addressing risk was also a factor identified in comments which revealed several businesses diversifying their accounts to have security in case of a bank collapse.

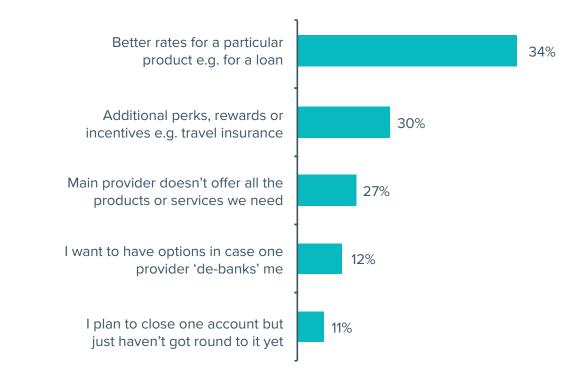


Figure 32: Reasons for using a range of banking providers

"Using a number of providers means we are protected up to £85k per account – this gives us some security in case a bank collapses."

"We use our main bank for business banking and have a business credit card with another."

"We use a different provider to have USD (dollar) and EUR (Euro) accounts."

"I use a mainstream bank for the business current account and another for working capital."

"Issues with our business credit card always being declined made us swap credit card provider."



Confidence in dealing with business banking

While a high proportion of respondents felt confident in dealing with financial issues, in interacting with the bank for business purposes, and that their business is accessing the products and services that best suit their needs, fewer felt that they know all the banking services and products currently available to their business. This indicates an information or promotion gap in terms of how different services and products are being communicated to small businesses.

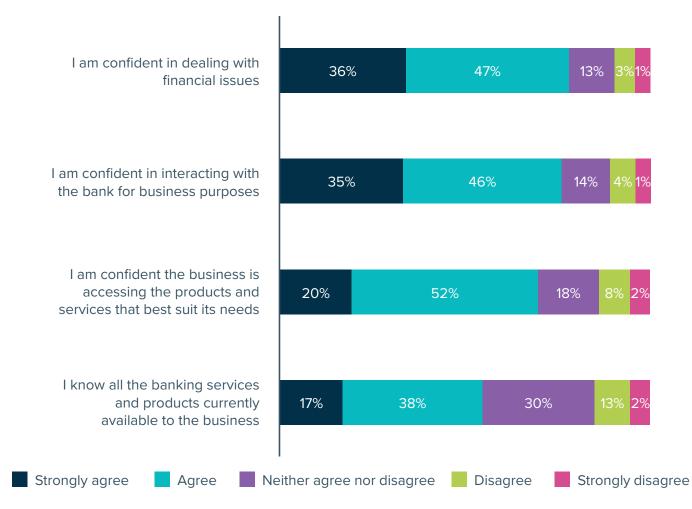


Figure 33: Business confidence in issues relating to business banking

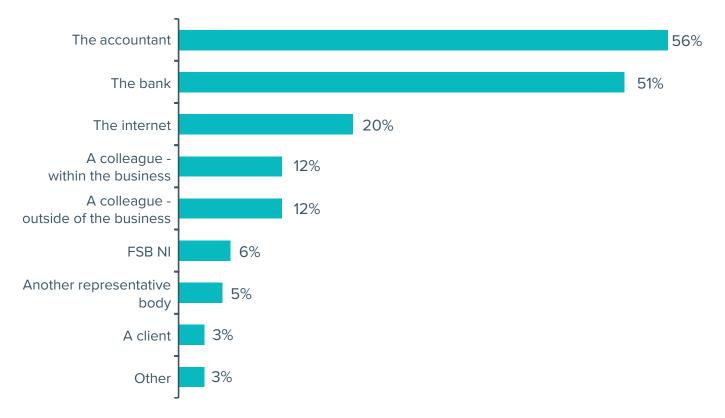
Sources of advice on business banking or financial matters

While a range of sources were accessed, the most popular source of information and advice on business banking or other financial matters was the business's accountant. While this was followed closely by the bank, it is still of note that 49% of small businesses would not go to their bank for advice on business banking or financial matters.

'Other' here included family members, financial advisers, board members and trustees.



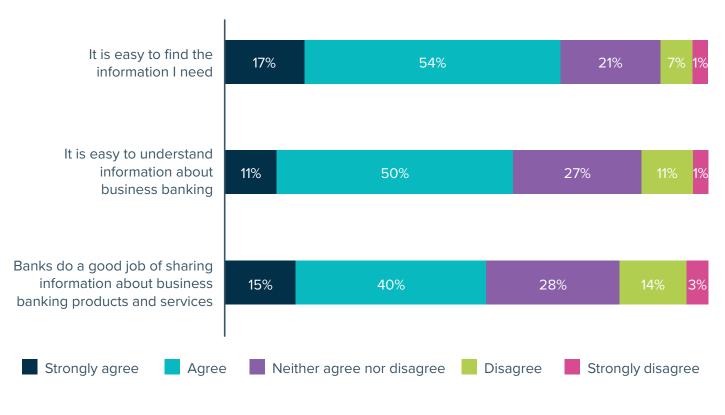
Figure 34: Where small businesses go for advice on business banking or financial matters



Accessing information on business banking

A higher proportion of respondents said that they find it easy to access and to understand information about business banking, than feel that banks do a good job of sharing this information.

Figure 35: Ability to access information on business banking – such as new accounts, products or services





Anecdotes from quantitative research

Positive experience of business banking

"Overall, we have had a good experience, although it is starting to get expensive."

"We haven't experienced any major issues."

"It's all very straightforward and seems to work well – not many issues, and things go to plan."

"I have no problems with the bank I use, so very happy."

"Modern technology has made it a lot easier to manage finances."

"If I have an issue, face to face works well as then I know I'm not just being passed from pillar to post and can usually get an answer immediately."

"We get a good service – but I'd prefer not to pay the high fees, and to get a better rate on business savings and investments

Negative experience of business banking

"Generally, all our interactions with them are designed to save the bank time but tend to mean a lot more time for us as a business. They have processes that are nothing short of archaic and make no sense. Staff always unhelpful - it is an exception when you get someone on the phone who can help. Forms are often not on the website where they say they are. Lots of annoying, small things don't work - they are inefficient."

"We switched from one local bank to another, and using the new platform has been like moving back in time. We get better rates, but a much poorer customer experience comparatively."

"I don't think the UK banks are good at assessing risk in new business opportunities, and don't respect liquid capital for collateral lending. They seem happier to lend money to people with a spurious business plan than a business with strong collateral."

"Generally unhelpful to micro businesses and SMEs as they seek too much security, debentures or personal guarantees. They don't feel 'business friendly'."

"The bureaucracy for a small charity in opening a new bank account is a major cost to a small organisation with stretched resources. It seems unnecessary and overly complex."

"The banking itself is ok but dealing with the staff over the phone is very frustrating. It is very difficult to get to talk to the same person which means repeating your issue to different people. Some are adamant, even when wrong, and it's virtually impossible to speak to a manager."

"It has become a faceless service for ourselves due to the turnover limit set by the bank prohibiting a dedicated point of contact."

"Anti-Money Laundering regulations (AML) are way over the top – too excessive for SMEs."

"Spectacularly poor interface and application access. Usability not as good as consumer banking. Not sure what charges are for. No competition."

"They charge too many hidden fees and generally fees are extortionate."

Summary of quantitative findings

Participants shared their experiences with business banking, including challenges such as rejected applications for financial products, unexpected service withdrawals and prolonged processing times that lasted months. Many expressed frustrations over what they perceived as a weakening relationship between small businesses and their banks. Respondents noted an imbalance in expectations, while banks imposed strict timelines for business customers to provide information, they themselves were slow in processing applications, often without clear communication on the reason for delays.

This disconnect has contributed to growing dissatisfaction. While most small businesses indicated they were unlikely to switch banking providers, only a third would actively recommend their bank to another small business. Newer businesses showed a stronger preference for online challenger banks, highlighting their increasing appeal as an alternative for startups and small enterprises.

Despite the growing shift towards digital banking, small businesses continue to prioritise key factors when selecting a banking provider. Security, competitive rates and the ability to manage transactions online remain the top concerns. However, for some businesses, access to a local branch is still an important consideration, influencing their choice of provider.



Conclusion

This research aimed to understand the challenges small businesses face in business banking, identify key influences on their banking decisions, and provide insights to improve banking services for new and established businesses in Northern Ireland.

Key findings

Small businesses fall into three categories when it comes to banking

1. Cost-conscious: They view banking as a necessary expense and prefer to minimise costs, sometimes opting for personal accounts.

2. Value-conscious: They recognise banking services as essential but seek fair pricing and better service efficiency.

3. Opportunity-conscious: They actively engage with banks for financial growth and support but are deterred by slow decision-making.

Banking challenges

Many small businesses struggle with access to banking services due to slow processes, strict risk policies, and perceived misalignment between traditional banks and their needs. Delays in approvals and lack of transparency in decision-making contribute to frustration.

Transactional vs. relationship banking

Banking interactions have shifted from relationship-driven to purely transactional. Businesses that do not see added value in paying high fees for traditional banks are more inclined to switch to challenger banks.

Customer perception & service imbalance

There is a disconnect between the expectations of small businesses and the service provided by banks. Some banks are perceived as bureaucratic and profit-driven rather than enablers of business growth.

Risk-averse banking approach

Traditional banks are seen as overly cautious, limiting opportunities for small businesses. While businesses do not expect banks to take high risks, they value a 'critical friend' approach rather than excessive restrictions.

The shift to digital and challenger banks

Due to accessibility issues, many businesses use more than one banking provider.

Small businesses are increasingly moving towards online banking while still valuing a branch network for reassurance.

Digital challenger banks, offering fast and cost-effective solutions, are becoming more attractive, particularly for newer businesses.

Traditional banks must enhance accessibility, streamline processes, and improve communication to remain competitive.



Loyalty vs. switching behaviour

Many small businesses remain with their current bank due to market mediocrity rather than loyalty.

A significant proportion is open to switching but perceives the process as burdensome and time-consuming.

Challenger banks are successfully positioning themselves as efficient and customer-focused alternatives.

The findings suggest that traditional banks risk losing more small business customers unless they address these concerns and evolve their services to meet changing demands.



Recommendations

The rise of online challenger banks and alternative finance providers has increased competition in the business banking sector. While traditional banks offer a local presence that challengers cannot, this research highlights gaps in service delivery that are pushing small businesses toward digital alternatives. The following recommendations outline key areas where banks can improve their offering to better support small businesses.

Recommendation 1: Strengthen business relationships and accessibility

To rebuild trust and enhance the banking experience for small businesses, banks must reestablish clear and consistent points of contact with knowledgeable staff who understand the challenges faced by small enterprises. This can be achieved by:

- Assigning dedicated relationship managers who specialise in small business banking.
- Ensuring business banking representatives proactively engage with their clients to offer guidance and support.
- Expanding communication channels, including email, phone, and digital platforms, to enhance accessibility.
- Maintaining physical touchpoints, such as branches or small business hubs, in underserved areas.
- Integrating banking services with payroll, HR, and other essential business tools for seamless operations.

Recommendation 2: Adopt a 'small business first' approach

Banks should design their services around the specific needs of small businesses, offering tailored products and processes that reduce barriers to access. Key actions include:

- Setting fair and transparent service standards, such as committing to process applications within 10 working days.
- Improving communication, using clear language and accessible channels to ensure small businesses understand available products and services.
- Simplifying lending criteria to make finance more accessible for micro and small businesses.
- Providing a customer-centric experience, ensuring businesses feel supported rather than just processed through bureaucratic systems.

Recommendation 3: Develop 'end-to-end' finance solutions

Many small businesses struggle to access finance through traditional banking channels, often turning to high-cost alternatives or personal loans due to rigid application criteria. Banks should:

- Offer a full suite of business banking products, including current accounts, overdrafts, loans, and savings solutions.
- Review risk profiling and application processes to ensure they align with small business realities, rather than being overly restrictive.
- Provide alternative financing options, such as revenue-based lending, that better suit small businesses with variable cash flow.



Recommendation 4: Improve financial education and guidance

Nearly half of small businesses do not turn to their bank for financial advice, often seeking unreliable information from informal sources. Banks must position themselves as trusted advisors by:

- Providing easily accessible educational resources tailored to small businesses.
- Offering training and workshops on business banking, finance management, and regulatory compliance.
- Enhancing digital tools and dashboards that help businesses better understand and manage their finances.
- Ensuring banking representatives are trained to offer proactive guidance, rather than just processing transactions.

Final thoughts

To remain competitive, traditional banks must rebuild trust, enhance accessibility, and tailor their services to the evolving needs of small businesses. By implementing these recommendations, banks can strengthen their relationships with small businesses, improve customer satisfaction, and position themselves as true partners in business growth.



CARD Group Research & Insight

028 9447 7463 info@card-group.com

Knowledge Building, 13 University Street Belfast, BT7 1FY

FSB Northern Ireland

028 9032 6035 fsbni@fsb.org.uk

Cathedral Chambers, 143 Royal Avenue Belfast, BT1 1FH



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Experiences and challenges in Northern Ireland



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