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UK banks face uncertainty with SMBs as pandemic lending program turns 1

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The news: Tuesday marks one year since the UK government launched its **Bounce Back Loan Scheme** (BBLS) to help small and medium-sized businesses (SMBs) that were affected by the coronavirus pandemic. Government officials hailed the BBLS, which closed to new applications at the end of March, as a success, citing figures including an issuance rate of **three loans per minute**.

More on this: The BBLS, which offered SMBs up to **£50,000** ($64,118.18) each and is **100%** government-backed to support participating lenders, issued a total of **£46.53 billion** ($59.67 billion) in financing as of late March. In February, the government offered businesses the option to extend their deferment period from **12** to **18 months,** and to extend their loan terms to **10 years**—up from the original **6 years**—under an update called "Pay As You Grow."

The big takeaway: While the initial loan issuance was successful, participating financial firms now have to pivot to managing SMBs' repayments and convincing borrowers to become sticky customers.

Pay As You Grow is expected to be widely used—at least 42,000 businesses are seeking payment extensions or repayment holidays, per The Financial Times, and clients' shifting loan terms could make managing repayments more challenging. On top of that, some banks will also be dealing with accepting loan applications through the UK government's successor program, called the Recovery Loan Scheme (RLS). Neobanks and traditional banks that participated will also have to figure out how to persuade pandemic-era borrowers to become recurring customers—measures that some are already undertaking. Recent examples include Starling, which has its MarketPlace as a possible retention product, and NatWest, which recently unveiled SMB offerings including an incubator program and a rewards app from its Tyl unit.