

Majority of UK SMEs are suffering low returns on their cash despite emerging alternatives

These are challenging times for SMEs - the engine room of the UK economy - with uncertainty around Brexit and rising costs adding to the headwinds they face in the last quarter of 2017.

Compounding SME woes are the historically low interest rates the majority are getting from their cash deposits. A new **YouGov** survey has highlighted the significant challenges SMEs face in respect of their cash deposits. Of the 615 Senior Managers who expressed an opinion, the survey¹ found that:

More than 50% of SMEs are earning less than 0.10% on their cash at bank

0.25%

79% OF SMEs

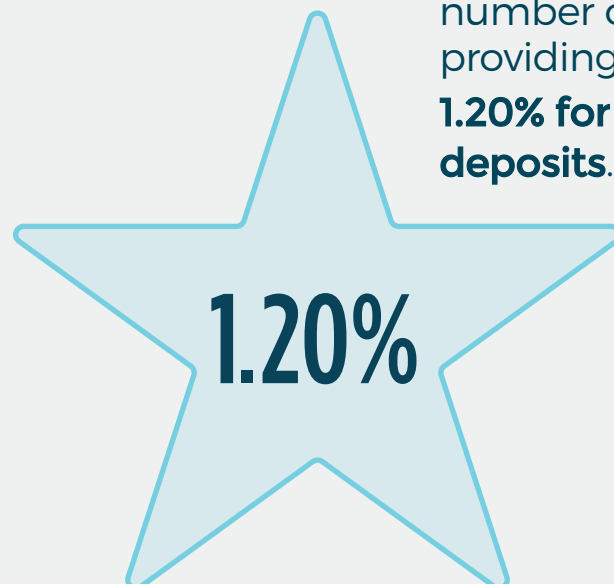
79% of SMEs are earning 0.25% or less on their cash.



>0.50%

8% OF SMEs

Only 8% of SMEs are earning more than 0.50% interest on their cash at bank.



1.20%

This is despite a number of UK banks providing rates of up to **1.20% for short term deposits**.²

One in three SMEs hold all their cash in their current account



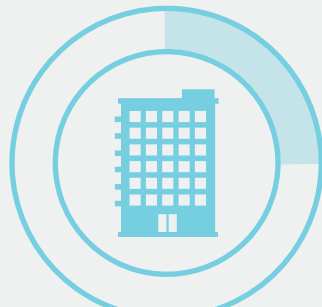
80% OF THESE ACCOUNTS PAY 0% INTEREST

£104bn³ is held in 5.5 million business current accounts by SMEs. More than **80%** of these accounts pay 0% interest.⁴



POTENTIAL RISK

Concentration of a company's cash in a single account can represent a potential risk to the business if the value exceeds the FSCS deposit protection limit (of £85,000 per qualifying depositor per authorised bank).⁵



25% OF LARGER SMEs

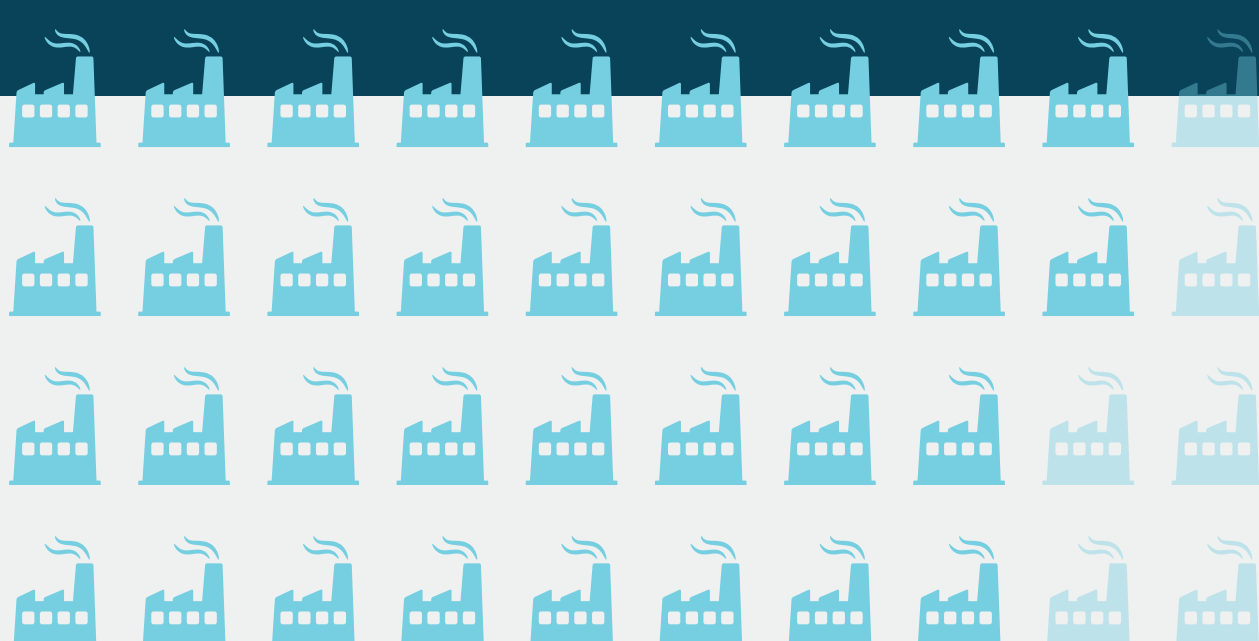
This is not just an issue for small companies. **25% of SMEs** with a turnover of £10m+ still hold all of their cash in their current account and have no separate deposit account for their 'excess cash' (i.e. surplus cash which is not required for the day-to-day running of the company).



36% OF ESTABLISHED SMEs

36% of well established businesses (that have been trading for more than 10 years) still hold all of their cash in their current account.

76% of SMEs are dissatisfied with the interest rate they are receiving



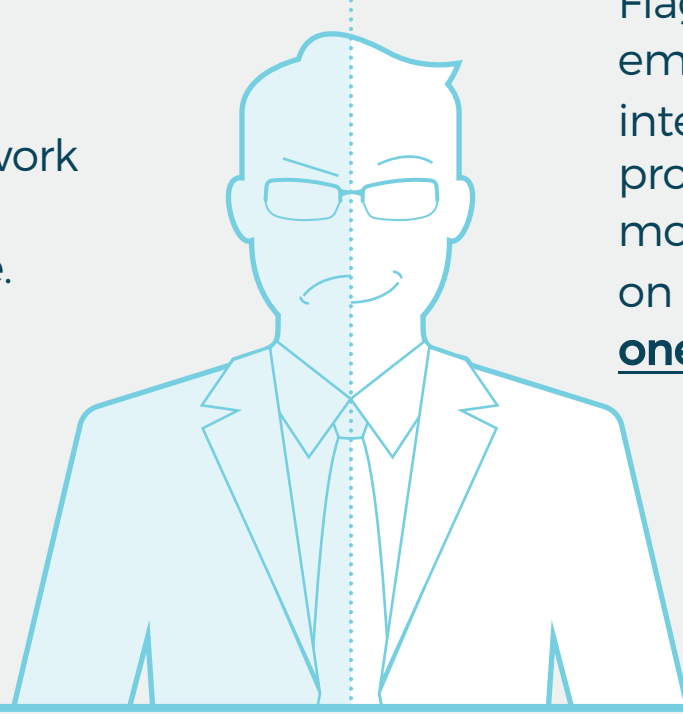
86% OF MANUFACTURING SMEs ARE DISSATISFIED

86% of SMEs in the manufacturing sector are dissatisfied with the interest rate they are receiving.

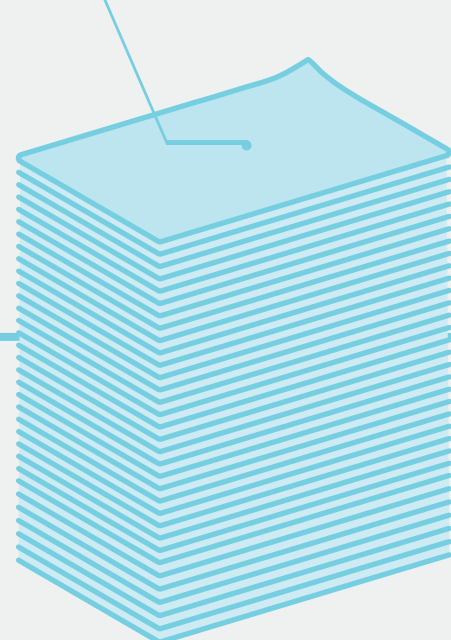
40% of SMEs feel that opening new accounts is too much hassle

Only 14% of SMEs say they don't care about earning more interest, and nearly two thirds say that they aren't worried about the risks of placing deposits with a non-high street bank, but despite this only 1 in 10 SMEs hold such accounts.

40% of SMEs feel that the amount of time and paperwork involved in opening new accounts is too much hassle.



Flagstone's cash platform empowers SMEs to earn more interest and **also** manage risk by providing secure online access to more than **450 deposit accounts** on completion of just **one application form**.



TO FIND OUT MORE VISIT **FLAGSTONEIM.COM**
OR CALL US ON **+44 (0)203 745 8139**

Source

¹ All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 615 SME Senior Managers. Fieldwork was undertaken between 25th - 29th September 2017. The survey was carried out online. The figures have been weighted and are representative of British business size.

² Source - Account available on Flagstone platform as at 5 October 2017 (www.FlagstoneIM.com).

³ Source - BBA (British Bankers' Association) 'Bank Support for SMEs' Report - Q1 2017.

⁴ Source - Competition & Markets Authority 'Retail Banking Market Investigation' - 9 August 2016.

⁵ Source - Financial Services Compensation Scheme - www.fscs.org.uk