Bank lending to small businesses across Great Britain falls £27bn in three years, with nine in 10 postcode sectors receiving less finance

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money.co.uk analysis of UK Finance data reveals the scale of the SME high street bank lending decline — and a growing postcode inequality in access to business finance.

Key stories:

• **Total SME lending from high street banks outstanding across Great Britain stood at £62.6bn in 2025** — down from £89.5bn in H2 2022, a fall of £26.8bn (30%)

• **Nine in 10 postcode sectors** have seen lending fall since 2022, with an average decline of 36% per sector

• **Lending contracted in 78% of postcode sectors in the last year alone**, a further £6.5bn (9.5%) year-on-year

• **One in eight GB postcode sectors (12%)** have lending so low their figures are officially suppressed by UK Finance

• **Scotland has the highest proportion of 'credit deserts'** — one in six Scottish postcode sectors have negligible bank lending to businesses

• **North East businesses receive 2.5x less bank lending** per postcode sector than those in London (£4.9m vs £12.5m)

• **Only a tenth of postcode sectors saw lending grow** between 2022 and 2025 — those that did grew significantly, led by PR5 6 in Preston (+1,256%)

• **Challenger and specialist banks now account for 60% of SME bank lending** — up from 39% in 2012, according to the British Business Bank

New research by digital broker money.co.uk has revealed a sustained and widespread decline in high street bank lending to UK small businesses, with total outstanding SME credit falling to its lowest level in more than a decade.

Analysis of UK Finance's postcode lending dataset, which tracks SME loans and overdrafts outstanding across every postcode sector in Great Britain, found that total lending stood at £62.6bn at the end of 2025, down from £89.5bn in H2 2022. That represents a fall of £26.8bn, or 30%, in just three years, with lending dropping a further £6.5bn in 2025 alone.

The scale of the decline

The fall in SME lending is near-universal. Of more than 8,500 postcode sectors with active lending data, nine in 10 saw a decline between 2022 and 2025, with an average drop of 36% per sector. Over the past year, 78% of sectors saw lending contract, suggesting credit withdrawal is accelerating rather than stabilising.

The data covers loans and overdrafts outstanding to small and medium-sized enterprises, and reflects the cumulative stock of bank credit available to UK businesses.

The decline follows an artificial peak in the immediate post-pandemic period, when government-backed schemes such as Coronavirus Business Interruption Loan Scheme (CBILS) and Bounce Back Loans inflated lending volumes — but the fall has now erased not just those gains, but a significant proportion of pre-pandemic lending too. Total lending is now 14.5% below its pre-pandemic (Q4 2019) level of £73.3bn.

Credit deserts

Beyond the overall decline, the data reveals persistent geographic inequality in access to finance. In

1,319 postcode sectors — 12% of the total — bank lending is so limited that UK Finance suppresses the figures to protect customer confidentiality. These 'credit desert' sectors are concentrated most heavily in Scotland, where one in six postcode sectors(15.7%) have suppressed data, and Wales, where the figure is one in seven (13.8%).

Even among sectors where data is published, the regional disparities are significant. North East businesses receive 2.5x less bank lending per postcode sector than those in London (£4.9m vs £12.5m). Yorkshire & the Humber (£6.2m average per sector) and the North West (£5.3m) also sit well below the national median.

The places bucking the trend

Only a tenth of postcode sectors saw lending grow between 2022 and 2025 — but those that did grew significantly. The postcode sector PR5 6 in Preston recorded the largest increase, with lending rising from £10.75m to £145.75m over the period. E1 7 in East London grew 488%, and OX1 4 in Oxford grew 438%, suggesting that where the right mix of businesses, lenders and appetite aligns, credit can still flow in volume.

The South West had the highest proportion of growing sectors (17.3%), followed by Yorkshire & the Humber (16.0%) — the only two regions where more than a sixth of postcode sectors saw lending increase.

A new lending landscape

According to the British Business Bank's latest report, challenger and specialist banks now account for 60% of gross SME bank lending — up from 39% in 2012 and higher than the big five high street banks for the fourth consecutive year. When non-bank lenders are included, 68% of all SME lending now comes from outside the traditional banking system.

Expert comment

Tom Luth, CEO of money.co.uk, said:

“The lending market is changing, and it's giving small businesses more options when it comes to financing their growth. But with more providers, products and terms to consider, finding the right source of finance can be challenging.

“SMEs are the backbone of the UK economy, and access to finance can be an important part of turning growth ambitions into reality. For businesses operating outside areas where lending is most concentrated, understanding the options available is particularly important.

“That's where money.co.uk can help. Our eligibility checker allows business owners to explore their options and see whether they may be eligible for a loan in minutes, without affecting their credit score.”

Matt Browning, money.co.uk business loans expert, shares three steps small businesses can take to improve their access to finance:

1. Use a digital broker
Concerns about credit checks put many business owners off exploring finance, but there are tools available to check eligibility with a soft search that won't impact your credit score, such as money.co.uk's soft search eligibility checker.

Understanding your options is a useful first step before making any formal application.

If your bank has been reducing its lending across the board, the rates and terms it offers may not reflect what the wider market can provide. Using a digital broker to explore all your options, including from challenger banks and specialist business lenders, takes just minutes and can reveal significantly better terms.

2. Consider alternatives to traditional bank loans
The fall in bank lending has been accompanied by growth in alternative finance options — including asset finance, invoice finance, merchant cash advances and revenue-based lending. For businesses that have found bank credit harder to access, these products can offer more flexible terms and faster decisions.

3. Strengthen your application before you apply
Lenders assess risk based on factors including trading history, cash flow, credit profile and the purpose

of borrowing. If you have been declined previously and are aware of the reason for rejection, it’s worth reviewing what changes you can make before applying again. Improving your cash flow position or building up a track record can meaningfully improve your chances next time.

—ENDS—

money.co.uk *is a digital broker that connects small businesses with 150+ trusted lenders, helping more than 12,000 get connected in 2026.With our business loan eligibility checker, small businesses can compare funding options in minutes without impacting their credit score.*

Notes to editors

- Source: UK Finance, SME Lending within UK Postcodes, H2 2025 dataset (published 30 June 2026). Data covers loans and overdrafts outstanding to SMEs by postcode sector across Great Britain.
- Source: British Business Bank small business finance marketing report 2024/25
- All figures refer to lending outstanding (the stock of credit), not new lending flows.
- 'H2 2022 to H2 2025' refers to the six-month periods ending December 2022 and December 2025 respectively. 'Q4 2019' refers to the period ending December 2019, used as a pre-pandemic baseline.
- 'NIL' sectors are those where data is suppressed by UK Finance to preserve customer confidentiality, typically where fewer than three businesses have outstanding lending. These are referred to as 'credit deserts' throughout.
- Regional averages per sector are calculated on active (non-NIL, non-zero) postcode sectors only.
- PR5 6 (Preston) growth figure based on H2 2022 to H2 2025. money.co.uk has not verified the cause of this increase; figures are as published by UK Finance.
- The full dataset and postcode-level data tables are available on request.

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