Business Owners Rely On Plastic

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- Nearly two out of five SMEs planning to borrow in next 12 months will use a personal credit card.
- Personal credit card is the most popular form of borrowing apart from bank loans, research shows.
- Average SME owner has invested £22,700 of personal cash in the past year.
- Peer-to-business lending actively used as an alternative for working capital.

Business owners are putting their fund-raising plans on their personal credit cards for 2014, according to new research (see note 1) by fast-growing peer-to-peer (P2P) firm, rebuildingsociety.com.

Its study shows nearly two out of five (37%) of business owners planning to borrow money or raise additional capital outside of traditional bank borrowing in the next year will use their personal credit cards to raise money. This compares with 12% who are looking to use P2P lending.

In total around 290,0002 SME owners will use their personal cards to raise cash with approximately 150,000 taking money out of personal savings. Similar numbers will be borrowing from friends and family in order to fund business expansion. Around 50,000 SME owners are remortgaging their own home while another 50,000 plan to sell their home or sell a second home.

However the research by rebuildingsociety.com shows using personal credit cards - where standard APRs for cash withdrawals can be as high as 29.9% - are the most popular form of personal borrowing methods. Using credit cards for long-term borrowing will also mean interest charges mounting up if business owners only make minimum monthly payments on their debts.

Its research shows SME owners are committing large sums of their own cash to businesses - around 56% of owners have invested some of their own cash in their business either to finance debt or support growth in the past year.

The average amount invested is around £22,700 - although the median amount that owners have invested is less than £10,000 in the past 12 months.

Daniel Rajkumar, Managing Director of rebuildingsociety.com said:

"Using credit cards to fund businesses is not necessarily a bad idea if owners have plans to repay debts and clearly SME owners are willing to do whatever it takes to ensure their businesses stay on track. More often than not though, it is a quick fix and the hidden costs of a credit card can spring some nasty surprises.

"If more people had heard of P2P lending, we believe more would use it.

"56% of company owners have used their own money to support their company in the past year. They should consider a business loan instead and protect their personal finances - the regular repayments are easy to manage and all costs are revealed in advance. Credit cards can then be used for really short term borrowing, which is what they were designed for."

rebuildingsociety.com enables firms with at least two years of trading history to source growth capital at consistent interest rates, sometimes without asset protection from lenders looking for strong investment returns. Repayment terms range from six months to five years.

Daniel Rajkumar concluded:

"Business owners might be surprised to know there is an online community of individuals and other businesses actively looking to lend to profitable UK businesses as an investment product, so the supply of funds is definitely there."

rebuildingsociety.com currently has around 350 active online individual lenders who have offered a total of around £1.5 million to British businesses. Lenders provide funding to SMEs on their own terms and as rebuildingsociety.com has lower overheads than banks and building societies, borrowers can refinance expensive bank products like credit cards and overdrafts, while lenders make a better return compared to traditional savings accounts.

rebuildingsociety.com facilitates loans from £25,000 upwards and businesses must have at least two

years of trading history and be profitable. For more details on its borrowing criteria, please visit https://www.rebuildingsociety.com/

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Notes to Editors:

1. Research conducted by Consumer Intelligence among a representative sample of 401 UK SMEs between 12th and 19th December 2013

2. According to http://www.fsb.org.uk/stats

3. Case Studies of Borrowers (Images available on request):

- Mike Harris began his business career with the purchase of established chartered accountancy firm, Chegwidden & Co, in 2009 which was financed by a bank loan that frustratingly took four months to materialise. In 2013 he acquired Goatcher Chandler Ltd although this time he secured a loan through rebuildingsociety.com. Lenders on the site were able to offer the required £110,000 in less than a fortnight.

Mike Harris commented on the borrowing process with rebuildingsociety.com:

"The completion process was straight forward and I would recommend the experience to anyone in a similar position. As someone with a great deal of experience in traditional funding, I can see the world shifting. The banks simply couldn't accommodate my needs in the same way rebuildingsociety.com was able to do so quickly, so you wonder how long big banks will dominate the SME loans market."

- In early 2013 Dave Gough, a Director at Elginns Ltd which trades as The Windsor Castle pub in Weston-Super-Mare, wanted £50,000 to help with the buyout of a shareholder. Dave had taken a back seat role in recent years but was still drawing a salary, which was preventing reinvestment of profit back into the business at the rate the current directors wanted. Crucially, the loan would provide working capital for the business to further develop its food trade and expand its wine offering to match the new menu. Two months after receiving the £50,000 loan, the shareholder had been bought out, the business make its repayments on time and the new menu went down very well with customers.

Dave Gough on his experience of using rebuildingsociety.com: "This was my first experience of peer-to-business lending, but I would certainly recommend it to my business contacts. Finance was faster than the banks and there is no early repayment charge, so it makes our finance flexible and affordable."

- Primavale Ltd, a franchise of GreenThumb - the nationwide lawn care company - secured £50,000 of working capital from rebuildingsociety.com in September 2013 which answered the funding request at a final rate of 12.89% on a loan with a 60 month repayment term. Phillip Evans, of Enable Finance in Sheffield, referred Primavale Ltd to rebuildingsociety.com and from listing the business to signing the agreement and drawdown, the process lasted less than two weeks.

Phillip Evans said:

"I was impressed with rebuildingsociety.com's personal approach - the team understands brokers' needs. This market is growing enormously and needs credible competition to the market leader to maintain high standards and choice for brokers. My client is delighted with his loan and is looking forward to growing the company though new marketing activity."

4. About rebuildingsociety.com

rebuildingsociety.com brings together creditworthy UK businesses looking for funding with individuals who want to lend money at interest rates that match their risk appetite.

It is privately owned by founder Daniel Rajkumar.

To date it has advanced £1.2m of cash generated through private individuals to UK businesses and plans to reach £20m by the end of 2014.

Peer-to-business lending is currently an unregulated market and investments are not covered by the Financial Services Compensation Scheme.

However, from April 2014, the Financial Conduct Authority will regulate the peer-to-peer lending market.

The Financial Conduct Authority has granted rebuildingsociety.com interim permission to act as a platform from April 2014

5. About Daniel Rajkumar

Dan Rajkumar is the founder of rebuildingsociety.com. He is a successful technology entrepreneur, founding his other main business interest, Web Translations Ltd while still an undergraduate at Leeds University. Dan's own experience of peer-to-business lending started when his otherwise helpful relationship with Web Translations' bank ceased in the aftermath of the credit crunch, so after he got a loan for growth he decided to make a difference to thousands of other business owners by founding rebuildingsociety.com.

Dan is a big believer in the value of SMEs to society and sees raising funds through rebuildingsociety.com as a networking and marketing opportunity for business owners, whereas lenders can earn generous returns while helping local businesses expand and create a more sustainable economy. rebuildingsociety.com is approaching £1.5m of loans to 25 SMEs across the UK and plans to scale rapidly in 2014.

Dan is an evangelist of collaborative working and is currently writing a book on the impact of the web as a function of business.?

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