

Media Release

September 4, 2018

NEW REPORT FINDS \$83 BILLION FUNDING GAP FOR AUSTRALIAN SMALL BUSINESSES—BUT MOST BUSINESS OWNERS DON'T TRUST BIG BANKS

Australian small and medium sized businesses (SMEs) are facing a “funding gap” of around \$83 billion but the vast majority of business owners do not trust the Big Four banks to do the right thing, a major new report released today has found.

The report – The Judo SME Banking Insights Annual Report - found the relationship between SMEs and banks has deteriorated to such a point that 9 out of every 10 business owners said they would rather consult friends and colleagues for lending advice than ask their banks.

When SMEs were asked to rate their trust in banks on a scale of 1 to 10, where 10 is the highest level of trust, the Bank Trust Index scored banks at just 2.5 points.

The independent report, which was conducted by East & Partners, also found that:

- The average owner of an SME is aged 39, has been in business for about a decade, employs 29 staff full-time, and is normally forced to rely on the Big Four banks for credit.
- The biggest problems faced by SMEs looking for funding to grow and expand their businesses were the turnaround time for credit approval, and the insistence by banks that applicants use their homes as collateral for loans.
- Half of all SME revenues and operational needs are dependent on the owner's personal involvement in the business, yet only 12 per cent of those interviewed had put in place a formal succession plan—one criterion used by banks when providing credit.

The Chief Customer Officer at Judo, Chris Bayliss, said the findings highlighted the enormous challenges faced by SMEs, which account for over a third of Australia's GDP and employ over 40 per cent of the nation's workforce.

“Having spoken to more than 1,750 SME owners across Australia who borrow money, these findings confirm what we understood to be true: that there is a big and growing gap between what the banks currently offer and what SMEs actually want,” Mr Bayliss said.

“It is quite clear that SMEs looking to borrow money have lost faith in our big banks.

“This loss of trust has been happening for some time, driven by an imbalance of power between the big banks and its SME customers; the gradual destruction of the relationship that used to exist between a bank and its customers; and a lack of true competition.”

Mr Bayliss said the report had been commissioned by Judo to give SMEs an amplified voice and provide a catalyst for change across the industry.

“At Judo, we want to be not just a lender to small and medium sized businesses, but a true champion for SMEs,” he said.

“We want to bring back the craft of relationship banking and in the process, become Australia’s most trusted business bank.

“Our business is based on the highly successful challenger bank model in the United Kingdom, which has resulted in increased competition, especially in the SME space.

“We believe that there is a place in the market for a credible player committed to traditional relationship lending.”

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ABOUT JUDO

Judo is challenging the one size fits all approach to transform SME lending in Australia by bringing back the craft of relationship banking.

Built from the ground up by a group of deeply experienced and highly credentialed business lending professionals, Judo opened for business in March 2018 to provide a genuine alternative for small and medium sized businesses to access the funding they need and deserve.

Headquartered in Melbourne, Judo currently has a team of 50, with plans for a staged national roll out in the coming months.

Judo has lodged with APRA (Australia's banking regulator) its formal application for a full banking license, expected in December 2018.

Judo is backed by leading global investors and to date has raised \$140m in one of the largest pre-revenue equity raisings in Australia's corporate history.

For more information on Judo, please visit www.judocapital.com.au