Rebuilding Trust in SME Finance: Why Commission Clarity Must Come First

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The UK's SME finance market stands at a critical juncture. In a landscape where small business owners face tightening margins, unpredictable trading conditions, and increasingly complex credit options, the integrity of how finance is sourced and sold has never been more critical.

Over recent weeks, I've shared examples of short-term SME loans carrying effective APRs of over 300%, with broker commissions exceeding 15% of the total facility. These are not edge cases. They involve trade-body members, award-winning brokers, and accredited lenders.

And critically, these commissions are not always disclosed to borrowers.

What's the issue?

The problem is not commission in itself. Brokers provide vital expertise and access. However, the current model permits a discretionary commission, where fees vary significantly between brokers and are embedded into deals in a manner that most clients will never fully comprehend.

In practice, this means a broker charging 7% may offer the same facility that another would have secured for 1.5%. The client has no visibility. And no recourse.

Why now?

Last week's Supreme Court ruling on undisclosed commissions in the motor finance sector has sent a clear signal: transparency failures are not a niche concern. When paired with the FCA's redress scheme announcement over the weekend, there is now a live question around read-across risk for the commercial finance space.

Yes, most SME lending falls outside the regulated perimeter. But the principles underpinning Consumer Duty, fair value, good outcomes, and acting in the client's best interest are not optional extras. They are how we preserve trust in the ecosystem.

What do SMEs need?

SMEs aren't asking for free advice. They're asking for fair advice. That means:

- Clear disclosure of broker fees early in the process
- Consistency in how fees are explained across the market
- Facilities that are priced to reflect risk and value, not just sales commission

This is not about punishing good brokers. It's about ensuring good practice becomes the standard, not the exception.

A call for leadership

We can wait for regulation to catch up. Or we can lead.

I believe the responsible parts of our industry have an opportunity right now to come together, define transparency standards, and protect the future of non-bank lending.

Let's not allow opacity to become our Achilles' heel.

Because the question is no longer whether scrutiny is coming – it's whether we'll be ready when it arrives.