A Market Worth Trusting

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From diagnosis to design

In September last year, I wrote in these pages that the question facing the SME finance market was no longer whether scrutiny was coming. The question was whether we would be ready when it arrived.

Ten months on, the scrutiny has not eased. It has deepened. HMRC enforcement is running at levels not seen since before the financial crisis. AI is compressing credit decisions from weeks to minutes. Market consolidation is reshaping who holds power in the lending ecosystem. Trade body governance is being pulled in competing directions. SMEs are still being funded in response to immediate pressure rather than long-term planning.

The environment has moved. The industry has responded in parts. But the honest answer to September's question is that the work is not finished.

This article is an attempt to say clearly what finished would look like.

What ten months of writing has shown

The themes that have run through this column since September are not coincidental. They connect.

Commission opacity was the starting point because trust is the foundation. A market in which broker fees vary between 1.5% and 7% on the same facility, with no visibility for the borrower, is a market that has quietly traded its credibility for short-term margin. The motor finance redress story has made the read-across risk explicit. The commercial finance market does not need to wait for a formal regulatory trigger to understand what that means. Businesses and advisers who move first on transparency will not just be better positioned when scrutiny intensifies. They will have earned something more durable than compliance. They will have earned trust.

HMRC enforcement followed because the external environment does not pause while the industry resolves its internal questions. The businesses and advisers who fared best were those who had already built early negotiation and proactive cash management into how they operated. Readiness is always a choice made before the pressure arrives. That lesson applies well beyond tax enforcement.

Market consolidation raised a different kind of question. The rise of the super-challenger is a rational structural development. Scale brings stability and the ability to engage credibly with regulators. But stability without flexibility carries its own risk. When fintech agility is absorbed into regulated frameworks, credit models tend to converge and nuance can narrow. The long-neglected missing middle, businesses too complex for automated underwriting yet too small for corporate banking, needs the market to retain its judgment alongside its efficiency. Scale should not come at the cost of the human thinking that made the challenger model valuable in the first place.

Governance followed naturally because it determines whose interests are represented when difficult decisions are made. Trade bodies in maturing markets face a genuine tension between institutional credibility and practitioner representation. The strongest resolve it through deliberate counterbalance, protecting the practitioner voice not as a courtesy but as a structural necessity. The weakest allow it to resolve itself, and it is rarely the institutional voice that gives way.

Capital sequencing is where the consequences of all the above land for the business owner. Funding arranged episodically, in response to immediate liquidity pressure rather than long-term capital planning, compounds cost and reduces optionality over time. Each transaction may be individually justified. Collectively, the picture is often very different. A business can move from facility to facility, each one solving the immediate problem, and arrive several years later in a structurally weaker position than when it started. No part of the current system is responsible for asking the long-term question. That is not an individual failing. It is a design flaw, and the intermediary market is the only part of the system positioned to address it.

And AI has accelerated everything. The efficiency gains are real and the industry should embrace them. Credit decisions that once took weeks now take hours. That is good for businesses that need capital quickly. But speed of approval and quality of outcome are not the same thing. The cases that benefit most from broker involvement are precisely those that do not reduce neatly to automated assessment. The algorithm can determine whether a business qualifies for a facility. It cannot determine whether that facility is right for that business, at that stage of its journey. That question belongs to the adviser. It always has.

What the market needs to build

None of this requires waiting for regulation. The market that SMEs need already exists in parts. There are brokers who disclose properly, sequence thoughtfully and advocate genuinely for the long-term interests of their clients. There are lenders who price fairly, explain clearly and decline cases that are not right for the business rather than approving everything that qualifies. There are trade bodies working seriously on conduct and standards.

The job is to make those practices the norm rather than the exception. Not to celebrate them as outliers.

That is not a regulatory challenge. It is a professional one. And the profession has everything it needs to meet it. The knowledge is there. The frameworks exist. The data is better than it has ever been. What the market requires now is not more diagnosis. It has had ten months of that.

What it requires is the decision to act on what it already knows.

Scrutiny reveals what a market is. Standards determine what it becomes. The SME finance market has spent long enough being revealed. It is time to decide what it wants to be.