**PRESS RELEASE** 

**Personal Guarantees for SME loans must be appropriate and proportionate**

***Purbeck Personal Guarantee Insurance Responds to Super-Complaint to FCA by The Federation of Small Businesses (FSB)***

**December 2023:** Responding to FSB’s Super-Complaint[[1]](#endnote-1) to the FCA over SME lending practices Todd Davison, MD of Purbeck Personal Guarantee Insurance says:

“Around 45%[[2]](#endnote-2) of firms back off from a finance deal if they find out there is a personal guarantee attached. Personal guarantees must be proportionate to the loan being advanced and appropriate for each case. We support a full investigation by the Financial Conduct Authority into lending practices and whether personal guarantees are being overused by lenders, particularly in low value loans.”

The latest Purbeck Personal Guarantee Monitor shows[[3]](#endnote-3) that working capital is the top reason for new personal guarantee-backed loans - 47% of applications for personal guarantee insurance (PGI) were for this purpose in Q3 2023. Furthermore, the main source of funding is unsecured loans, typically provided by alternative lenders - Purbeck saw more applications for PGI in respect of unsecured loans than at any time in the past 6 years, in Q3 2023.

Todd Davison continues: “It is important to recognise that personal guarantees are a core element of the commercial finance market, particularly among alternative lenders. Therefore, while we want to a proper investigation by the FCA, we feel that any moves to discourage personal guarantees should not lead to lenders either failing or pulling out of the market. This would reduce choice for small businesses when they are searching for a new loan.

“Education on how to mitigate the risks is also key here and commercial finance brokers been commended in the Government’s Inquiry for the hugely valuable role they play in that process as they work with small businesses to find the right solutions for their needs[[4]](#endnote-4). Our research shows that 64%[[5]](#endnote-5) of small business owners would be more likely to sign a personal guarantee if they had insurance in place to protect against the risk of providing it. Therefore, along with a review of lending practices, we’d like to see greater awareness of the risk mitigation strategies small business owners can consider before they take the big step of signing a personal guarantee.”

Ends

**Notes to Editors**

**About Purbeck Insurance Services**

Purbeck Insurance Services is a Personal Guarantee Insurance specialist supporting Small and Medium sized Enterprises ("SMEs") and promoting business confidence

Insurance policies backed by Markel International Insurance Company Limited ("Markel"), an A-Rated insurer, as rated by A.M. Best (A), Fitch (A+) and S&P (A). Markel is a shareholder in Purbeck Insurance Services.

Purbeck Insurance Services is directly authorised and regulated by the Financial Conduct Authority

Insurance is underwritten by Purbeck Insurance Services, an authorised Managing General Agent ("MGA") of Markel

Purbeck Personal Guarantee Insurance is annual insurance policy that provides Director(s) with insurance cover in the event their business lender calls in the Personal Guarantee (provided by the Director(s) as part of raising business finance)    
    
Key features of Personal Guarantee Insurance:

* Premiums are competitively priced and based on individual circumstances
* Cover is available for Personal Guarantees signed to support a wide range of business finance facilities

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1. https://on.ft.com/3NlF2Kq [↑](#endnote-ref-1)
2. Survey conducted May 2021 via Cision of 1000 SME Owners and Directors [↑](#endnote-ref-2)
3. Purbeck Personal Guarantee Insurance Monitor for Q3 2023 [↑](#endnote-ref-3)
4. https://parliamentlive.tv/event/index/c2712025-747c-4ebe-a84f-a3d95cbb4f2a [↑](#endnote-ref-4)
5. Survey conducted May 2021 via Cision of 1000 SME Owners and Directors [↑](#endnote-ref-5)