

Nations and Regions Tracker

Small Business Finance Markets 2025



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Foreword

The British Business Bank's fifth Nations and Regions Tracker presents a snapshot of the UK's small business finance markets, covering the latest developments in the supply and demand of finance across the UK as well as the Bank's own activity outside London.

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The report finds that trends in the use of external finance by smaller businesses varied across the UK in 2024, although they were relatively stable at the UK level compared with the previous year. Despite market conditions remaining challenging across the UK Nations and regions, particularly for equity finance, the analysis reveals some positive signals, including a widespread recovery in smaller businesses' demand for lending from the UK's major banks. We will continue to follow these developments as smaller businesses navigate an uncertain outlook.

The report also highlights that designing effective place-based support must go beyond the analysis of regional trends to consider differences at more granular levels, such as Strategic Authorities, and to reflect the characteristics of business locations where firms are more likely to be underserved by finance markets, including highly deprived areas.

Understanding the evolving needs of smaller businesses across the UK remains central to our mission. Through tools like the Nations and Regions Tracker, we continue to gather insights that empower us to better help our customers to prosper and grow, no matter who they are or where in the UK they are based. This remains a priority as we work with the UK Government on the delivery of its Modern Industrial Strategy. The Bank is set to be at the forefront of these efforts, with an additional £6.6bn in capital to invest in smaller businesses and innovation across the eight Industrial Strategy growth-driving sectors over the next four years.

As we look ahead to this expanded role, we have established a new Business
Development function that brings together several externally facing teams into an integrated structure supporting both our Investment and Banking businesses.

The new Business Development team will play a pivotal for the Bank in ensuring ambitious businesses across the UK have access to the finance they need, including supporting high-growth businesses and underrepresented founders by connecting them to suitable investors.

Meanwhile, our commitment to addressing regional finance gaps outside London remains a central part of our strategy, with £1.6bn currently being deployed through six Nations and Regions Investment Funds (NRIF) and an expanded suite of geographically-focused funds and activities that will boost our ability to unlock potential in people and places.

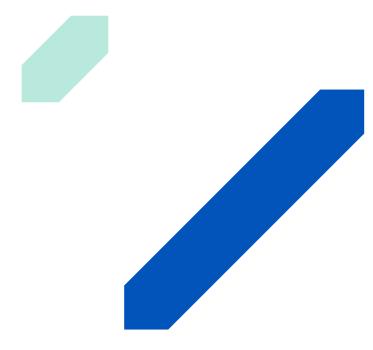
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Alongside launching two new funds in the East and South East of England, in 2026/27 we will enhance our presence across the UK's Nations and regions by evolving and expanding our UK Network team into a single Innovation and Growth team. This includes deploying new Cluster Champions to provide targeted support to ten innovation clusters identified in the UK's Modern Industrial Strategy.

As we continue to evolve and expand our support for smaller businesses across the UK, our focus remains on ensuring that high-potential entrepreneurs can access the capital they need to scale, regardless of background or location. The insights from

this year's Nations and Regions Tracker reinforce the importance of targeted, place-based interventions and a deep understanding of local finance ecosystems. With new capital, a strengthened operating model, and an expanded regional presence, the Bank is well-positioned to help drive innovation, growth, and opportunity across the UK's diverse business landscape.

Richard Bearman
Chief Development Officer,
British Business Bank



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Executive summary

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Smaller businesses' external finance use showed mixed trends across UK Nations and regions in 2024, with borrowing intentions increasing in some areas

External finance use by smaller businesses remained stable at the UK level in 2024, but regional patterns were mixed, with half of the twelve Nations and regions seeing declines and the other half holding steady or growing. Overall, the share of smaller businesses using external finance declined by just one percentage point to 45%, from 46% in 2023. This marked a shift from the strong growth seen the previous year, when external finance use grew by 10 percentage points from 2022.

Northern Ireland recorded the highest usage rate (52%) while the North West and the East of England saw the largest increases in 2024 (by five and three ppts respectively).

In contrast, the sharpest declines were observed in the East Midlands (-9 ppts), the North East (-8 ppts) and Wales (-7 ppts).

There were no major shifts in the types of external finance used in 2024, with only minor UK-wide declines in grants, overdrafts, and credit cards (all down two percentage points). Credit cards were the most used finance type overall (15%), followed by overdrafts (11%) and leasing/hire purchase/vehicle finance (10%), though usage varied slightly across the UK. The largest declines were concentrated in the North East and East Midlands, particularly for credit cards and leasing/hire purchase/vehicle finance products.

Borrowing intentions in 2024 also suggested a modest improvement in future demand for external finance across many Nations and regions, especially Yorkshire and The Humber, the South West and the Midlands.

These trends reflect a more stable economic outlook compared to 2023, driven by reduced uncertainty and declining interest rates. However, business sentiment weakened toward the end of the year, and

caution continues to dominate, with many smaller businesses waiting for clearer and more sustained signs of recovery before taking action.

External finance attitudes reflect regional and socioeconomic variations, including differences in smaller businesses' propensity to seek external advice and access certain finance types

Half (50%) of smaller businesses in 2024 said they would seek external advice if they needed finance in the future – up from 44% in 2023 – with intent highest in the North East, Scotland, and London. This growing willingness is a promising sign, as advice can help businesses overcome barriers like limited awareness or networks. Yet, historical data on actual uptake of external business advice suggests this remains limited (particularly among the smallest businesses) and variable across the UK.

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Furthermore, regional data can obscure more granular disparities in finance access, which our prior research shows are particularly pronounced in highly deprived areas. Chapter 2 of this report shows that smaller businesses in these areas are less. likely to use debt products such as overdrafts, loans, and asset finance, often due to lower confidence, poorer credit profiles, lack of collateral, and a higher concentration of entrepreneurs from underrepresented groups (eg from an ethnic minority background). It is further shown that these businesses are less likely to be confident in their ability and skills to secure finance, and when applying, to obtain the full amount of finance requested.

Demand for loans and overdrafts from major banks showed strong recovery in 2024 in all UK Nations and regions except Northern Ireland

In 2024, SME loans and overdrafts from major banks increased by 33% in number and 4% in value compared to 2023,

reversing previous declines. Growth was seen across all UK Nations and regions except Northern Ireland. The South East led growth in the number of facilities approved or increased (+57%) despite having low volume and value of lending per capita, while the West Midlands saw the highest value growth (+36%). This surge was driven by falling interest rates, improved affordability, and rising SME risk appetite, with slightly more SMEs reporting they were happy to use finance to support growth.

Taking a longer-term view, lending from major banks remains more evenly distributed than equity finance across the UK Nations and regions, though some show concentrations of lending per capita that are consistently above or below the UK average. Northern Ireland, Scotland, the North East, South West, and North West all exceeded the UK average between 2022 and 2024 in both the number and value of loans and overdrafts per 10,000 SMEs (169 loans and £29m). In contrast, London, East of England, South East, and East Midlands fell below the UK average in terms of the number of loan and overdraft facilities approved or increased, with all but London also below average in terms of value.

Scotland, the North West and the East Midlands all saw annual growth in equity activity in 2024 amid more mixed trends elsewhere

As reported in our latest Equity Tracker, UK equity investment declined slightly in 2024 to £10.8bn (-2.5%), with deal volumes down 15.1%, returning close to 2018 levels. London's market share fell both in terms of deal volume (-21.3%) and value (-3.5%). Scotland, the North West, and East Midlands saw growth in both deal volume and value, with the North West leading in value growth (+46.2%).

Strategic Authorities and city regions play a key role in regional equity activity, with hubs like Belfast, Newcastle, Cardiff and Manchester each accounting for over 60% of deals and investment occurring in their respective Nations and regions between 2022 and 2024. While most saw subdued equity activity in 2024, a few – such as Tees Valley, Cardiff, Greater Manchester and East Midlands – recorded strong growth.

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Equity deal volumes declined across all stages between 2023 and 2024, with sharper drops in H2 2024 driven by falling investor confidence. Stage-specific trends varied between London and the rest of the UK. Growth stage activity saw the largest decline in the rest of the UK (deals -12%, value -24%), while London experienced the steepest fall at the venture stage (deals -26%, value -13%).

The most recent equity data (as of Q2 2025), reflects ongoing market contraction, with UK equity deal volumes falling to a decade-low in both London and the rest of the UK. Investment values declined sharply nationwide, with the steepest drops seen outside London between April and June 2025.

Examining the broader concentration of equity investment over the last three full years of data, this remains highly concentrated in London, with persistent regional disparities. London still far outpaces other areas, with 44 deals and £289m per 100 high growth enterprises – over three times the rest of the UK average between 2022 and 2024. While regions like the North

West and South West have seen modest increases in concentration of equity deal activity per capita, others such as Yorkshire and The Humber and the Midlands continue to lag. London also leads in Venture Capital (VC) investor presence, with 45 unique investor offices per 100 high growth enterprises (HGEs) – a 42% rise from 2023. However, VCs' local presence outside the capital is expanding, with the number of unique VC investor offices rising from 3 per 100 high growth enterprises in 2023 to 5 in 2025. This marks the first time since 2017. that growth in VC investor presence across the Nations and regions has outpaced the capital.

The Bank is expanding activity to boost smaller businesses outside London and support the UK's Modern Industrial Strategy

In 2024/25, the Bank supported 24,000 new businesses, 84% of which were located outside London – slightly above their

regional share. This is expected to generate £4.7bn in additional GVA and support around 22,100 jobs in the rest of the UK.

The Nations and Regions Investment Funds (NRIF) made a notable contribution to this, supporting ambitious businesses to access growth finance across the North, Midlands, South West, and Devolved Nations.

The Bank is expanding geographically targeted interventions aligned with the UK's Modern Industrial Strategy. These include new investment funds in the East and South East, a major expansion of the Regional Angels Programme, and additional support for 10 innovation clusters through NRIF and a new Cluster Champions initiative. These efforts address challenges highlighted by the Bank's own research, which identified a need to boost support for promising innovation clusters throughout the UK and the persistence of localised access to finance barriers, particularly in deprived and coastal areas.

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Introduction

This is the Bank's fifth annual Nations and Regions Tracker, designed to complement our flagship Small Business Finance Markets report with analysis that illuminates the geographic patterns seen in UK small business finance.

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Our understanding of small business finance markets across the UK draws on both the latest available data and the intelligence we obtain through our regional presence and as an active participant in finance markets.

This knowledge base is central to being the centre of expertise on smaller business finance markets for government. It is also used to shape our strategic planning and in the design of our activities. As such, it informs our approach to supporting access to finance in the UK's nations and regions.

Structure of the Report

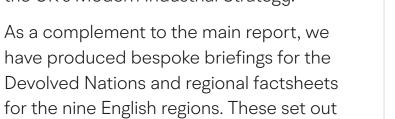
The report is divided into four chapters. Chapter 1 presents an overview of finance markets in the Devolved Nations and regions of the UK, utilising industry data and our own management information to give as complete a picture as possible. The overview explains which forms of finance are most used across the UK and delves into some of the geographic imbalances and recent trends in usage we see.

Chapters 2 and 3 provide more in-depth analysis on, respectively, debt and equity finance markets, highlighting recent trends in smaller businesses' use of these forms of finance across the UK Nations and regions.

Chapter 4 discusses the Bank's updated suite of regional finance access solutions following recent developments related to the UK's Modern Industrial Strategy.

As a complement to the main report, we have produced bespoke briefings for the for the nine English regions. These set out for each Nation and region in the UK the data points needed to understand finance markets in that location and provide an overview of how these have changed since our fourth report.

Throughout the report, we refer interchangeably to businesses with 0-249 employees as 'smaller businesses' or 'Small and Medium Enterprises (SMEs)', depending on the context and the definition provided in the data source.



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Nations and regions market overview

- External finance use among smaller businesses fell in 2024 in half of the UK Nations and regions, but was stable or rising in the rest
- Credit cards remained the leading external finance type in 2024 as usage patterns across finance types held steady in most UK Nations and regions
- Borrowing intentions across UK Nations and regions mostly reflected stability or a cautious recovery in 2024
- Around half of smaller businesses in 2024 were likely to seek external advice if they need finance in the future, though regional variations persisted and actual uptake remained low.

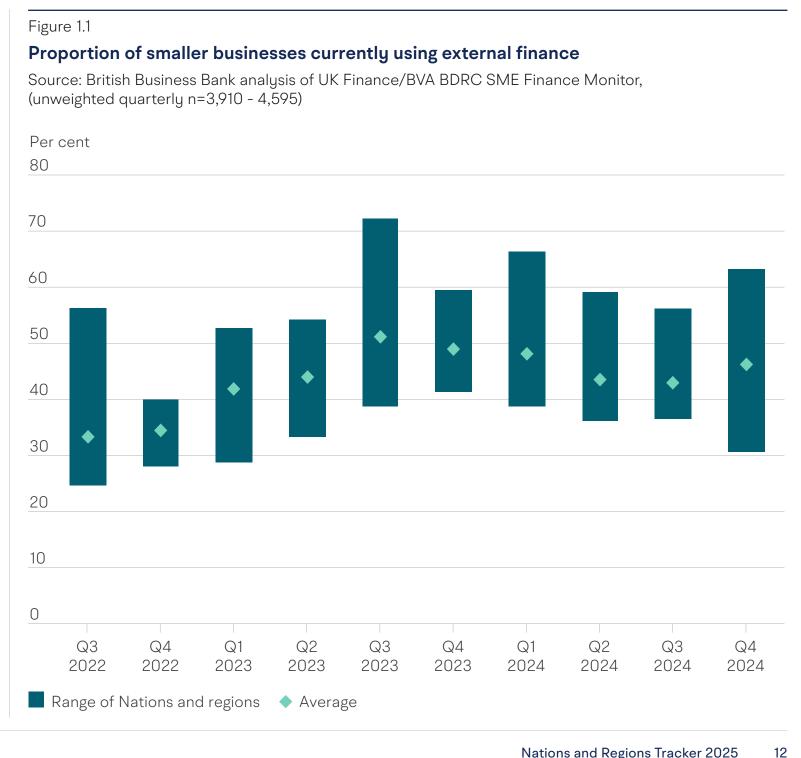


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External finance use among smaller businesses fell in 2024 in half of the **UK Nations and regions, but was** stable or rising in the rest

External finance use among UK smaller businesses varied across quarters in 2024, though it was less volatile than in 2023. It peaked in Q1 at 48% before falling to 43% in both Q2 and Q3. In Q4, usage rose slightly to 46% (Figure 1.1), with half of the UK Nations and regions also reflecting this upward trend. Overall, the annual finance usage rate fell by just one percentage point (ppt), from 46% in 2023 to 45% in 2024. This follows a sharp increase of 10 percentage points in 2023 compared to the previous year, which was driven by recovering demand for traditional finance sources, as well as more accurate reporting of businesses still repaying pandemic-related funding.

Regional trends showed a mixed picture. Half of the Nations and regions saw a decline in the proportion of smaller businesses using external finance in 2024



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compared to 2023, while the other half were either stable or saw modest increases.

The East Midlands had the lowest use of external finance of all UK Nations and regions in 2024 (39%) and experienced the largest decrease on this measure (-9 ppts) from the previous year, followed by the North East (-8 ppts) and Wales (-7 ppts). The West Midlands (-2 ppts), South East (-3 ppts), and Scotland (-3 ppts) also saw their share of smaller businesses using external finance decrease, though to a lesser extent year-on-year.

Among the remaining Nations and regions, five showed broad stability in finance usage. Only the North West (5 ppts) and the East of England (3 ppts) recorded increases larger than two percentage points in 2024 compared to 2023 (Figure 1.2). Northern Ireland had the highest use of external finance of all UK Nations and regions in 2024 at 52%, but this represented only a modest increase of one percentage point on 2023. External finance usage rates also remained largely unchanged in the South West (1 ppt) and Yorkshire and the Humber (1 ppt).

Figure 1.2

Proportion of smaller businesses using external finance by UK Nation and region: 2024 value and percentage point change from 2023¹

Source: British Business Bank analysis of UK Finance/BVA BDRC SME Finance Monitor (unweighted n=17,010 for 2023;17,011 for 2024)

Nation/Region	Proportion of smaller businesses using external finance (2024)	Change from 2023 (percentage points)
Northern Ireland	52%	1
North West	51%	5
West Midlands	47%	-2
Wales	46%	-7
South West	46%	1
London	45%	-
Yorkshire and the Humber	45%	1
North East	44%	-8
South East	44%	-3
East of England	44%	3
Scotland	43%	-3
East Midlands	39%	-9
UK	45%	-1

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Preliminary data for 2025 showed that external finance use among UK smaller businesses was 44% in Q1 and 42% in Q2 of this year.² While this is lower than Q4 2024, it remains close to the value observed in Q2 of the previous year (43%).

Credit cards remained the leading external finance type in 2024 as usage patterns across finance types held steady in most UK Nations and regions

There were no significant shifts in smaller businesses' use of specific finance types from 2023 to 2024. Most categories held steady, with only marginal declines observed in the use of grants, bank overdrafts and credit cards, none exceeding two percentage points at the UK level (Figure 1.3).

Credit cards remained the most commonly used form of finance among UK smaller businesses in 2024 (15%), with usage rates peaking in the East of England (17%). This was followed by bank overdrafts (11%), which smaller businesses in the North West

Figure 1.3

Use of external finance by type, 2023-2024

Source: British Business Bank analysis of UK Finance/BVA BDRC SME Finance Monitor (unweighted n=17,010 for 2023; 17,011 for 2024)



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(15%) and South West (14%) were most likely to report using, while the least likely were those in the North East, with 7%, and East Midlands, with 9%. Leasing/hire purchase/vehicle finance was the third most used finance type in the UK overall (10%), although regional rates ranged from a high of 19% in Northern Ireland and 14% in Scotland down to a low of 7% in London.

Regional trends in smaller businesses' use of different finance types from 2023 to 2024 showed some variations. The North East saw the largest drop in the use of a range of traditional finance types – namely, credit cards (-8 ppts), bank loans (-8 ppts) and bank overdrafts (-7 ppts) – as well as in the use of leasing/hire purchase/vehicle finance (-9 ppts).

Similarly pronounced declines in the use of credit cards were observed in the South East of England (-6 ppts) and in the East Midlands (-7 ppts). The East Midlands also saw some of the largest reductions in the use of leasing/hire purchase/vehicle finance (-6 ppts) across UK Nations and regions.

Further notable declines were recorded in the West Midlands, where use of bank overdrafts fell at a similar rate to the North East (-6 ppts); Wales, where use of bank loans fell by five percentage points; and Northern Ireland, showing a five percentage point decline in the use of grants. However, Northern Ireland was the only part of the UK to experience a sizeable increase in the use of any finance types, with a seven percentage point rise in leasing/hire purchase/vehicle finance use.

All other Nations and regions of the UK showed more stable trends. Changes in usage rates for different finance types were generally small, with positive or negative shifts of no more than three percentage points.

Borrowing intentions across UK Nations and regions mostly reflected stability or a cautious recovery in 2024

The stable trend seen in smaller businesses' demand for external finance in 2024 was broadly reflected in measures that provide an insight into borrowing intentions.

Businesses that did not need to borrow or already had the facilities they required are described as future happy non-seekers of finance. In 2024, the proportion of smaller businesses that identified as such was stable or declining in over half of UK Nations and regions. This suggests that, in most parts of the UK, interest in using finance in the future was either unchanged or higher relative to the previous year (Figure 1.4).

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The largest declines in future happy nonseekers were in the East Midlands, South West, and Yorkshire and the Humber (all -6 ppts), followed by the West Midlands (-5 ppts). The last three regions saw little change in actual finance usage rates over the same period, while the East Midlands recorded the largest decline on this measure in 2024. Yorkshire and the Humber also saw the share of smaller businesses planning to apply/renew grow by nine percentage points to 16% in 2024, making it the highest among all the UK Nations and regions. The West Midlands and the South West likewise saw this share recover.3 Therefore, in most of the UK, there was not only stable or growing interest in using finance in the future, but proportionally more smaller businesses were actively planning to access it.

Smaller businesses self-describing as future happy non-seekers of finance, 2023-2024 Source: British Business Bank analysis of UK Finance/BVA BDRC SME Finance Monitor (unweighted n=17,010 for 2023; 17,011 for 2024) East of England South East Wales Northern Ireland North West East Midlands North East South West Scotland West Midlands Yorkshire and The Humber London 70 75 Per cent | 55 80 % Happy non-seekers of finance (2023)

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% Happy non-seekers of finance (2024)

Figure 1.4

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Another encouraging sign of sustained future demand for finance is the rising share of UK smaller businesses that were happy to use external finance to grow and develop. At 38% in 2024, this was five percentage points higher than in 2023 at the UK level, and had grown or remained stable in all UK Nations and regions, except in the North East, where it had fallen by four percentage points to 34% in 2024. The West Midlands saw a significant increase in this indicator of 20 percentage points, reaching 49% in 2024. This was the highest proportion of smaller businesses reporting they were open to using external finance to grow across the UK after Northern Ireland.

While these trends suggest growing openness to external finance, BVA BDRC⁴ reports that an increasing share of businesses that held this view also felt it would be difficult for them to secure it (19%), particularly compared to 2022 (13%). In addition, the proportion of smaller businesses that were confident they would be successful with an application for

finance remained broadly unchanged between 2023 and 2024. This was still below 2021 levels, particularly among smaller businesses in Wales, East Midlands, West Midlands and the North East.

This picture is consistent with the modest growth in the wider economy seen over this period, where GDP grew by more in 2024 than in the previous year and business confidence was largely on the rise, except for a setback in the last months of 2024 (as discussed in the next section). In this broader context, stable current finance usage combined with improved attitudes towards future borrowing suggest a cautious outlook. While mild improvements in trading conditions has helped sustain demand for external finance, many smaller businesses may be holding off on external finance decisions until they are more confident in the economic landscape.

This caution among smaller businesses is shaped by their perceptions of the wider operating environment, which remains influenced by economic uncertainty, sector-specific pressures and uneven regional growth. As noted in the Bank's latest Small

Business Finance Markets⁵ report, 2024 brought some recovery but also introduced significant challenges for the UK economy, including heightened global economic turbulence.

Data from the BVA BDRC SME Finance Monitor indicates that smaller businesses' views of the trading environment only improved slightly in 2024 from the previous year (Figure 1.5). Overall, most smaller businesses in the UK (58%) believed current trading conditions offered relatively more threats than opportunities. This sentiment was particularly strong in Wales, where around two thirds of smaller businesses held this view – the highest among all UK Nations and regions. London also had a relatively negative outlook, with 62% perceiving that current trading conditions offered relatively more threats than opportunities.

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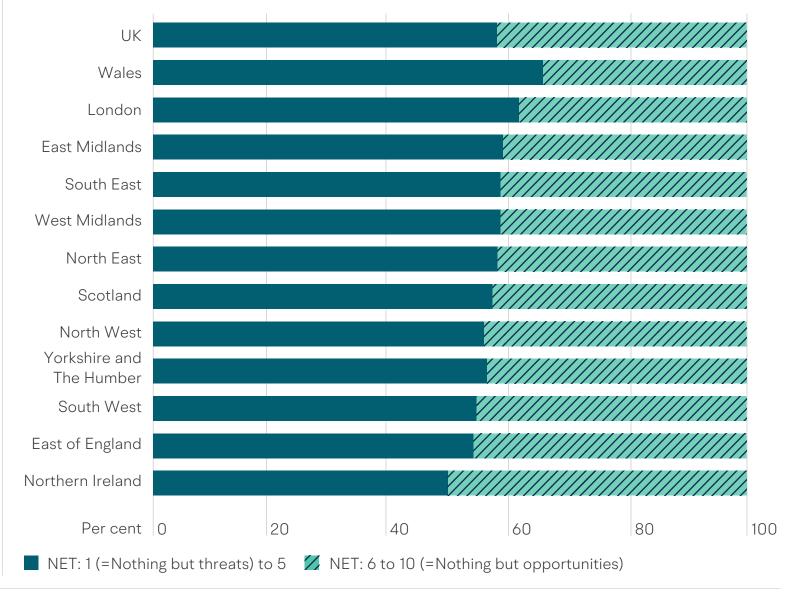
On the other hand, smaller businesses in Northern Ireland were the most positive, with an even split perceiving that threats or opportunities were most prevalent (50%). Businesses in the East of England and South West also showed relatively more optimism, but were still more likely to perceive threats as outweighing opportunities overall.

It is also worth noting that despite the slight overall improvement in perceptions of the trading environment compared to 2023, data from British Chambers of Commerce⁶ and the Federation of Small Businesses⁷ both suggest there was a deterioration in business confidence in the last few months of 2024.

Figure 1.5

Smaller businesses' perceptions of threats and opportunities in the trading environment in 2024

Source: British Business Bank analysis of UK Finance/BVA BDRC SME Finance Monitor (unweighted n=17,011)



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Around half of smaller businesses in 2024 were likely to seek external advice if they need finance in the future, though regional variations persisted and actual uptake remained low

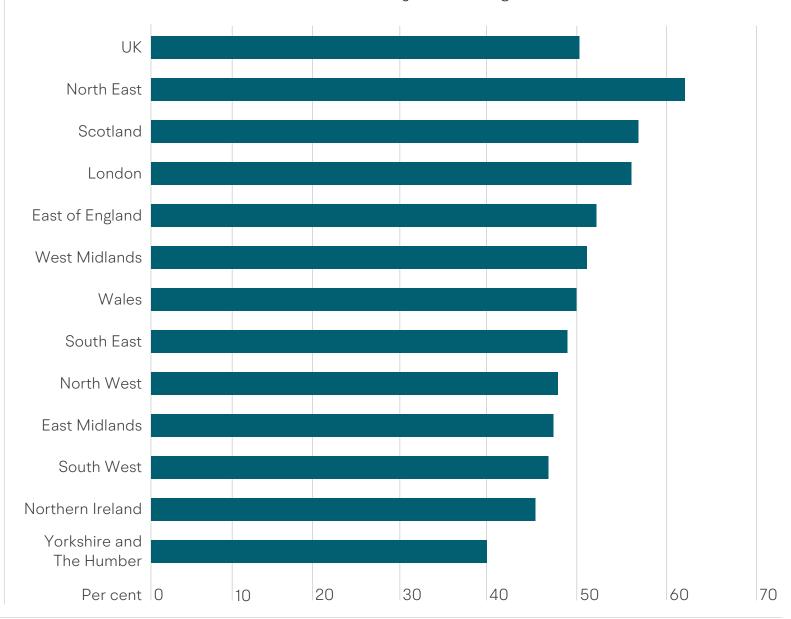
Several factors can influence smaller businesses' access to external finance, such as their awareness of finance options and capacity to evaluate alternatives. In this context, access to high-quality external advice is crucial in helping smaller businesses navigate their finance options and make informed decisions. It increases the likelihood of matching with suitable providers and products, enabling them to raise the capital needed to grow.

The Bank's latest Business Finance Survey gathered information on respondents' propensity to seek external advice for finance in the future. The survey suggests that in 2024, across the UK as a whole, half (50%) of respondents were very likely or fairly likely to do so (Figure 1.6), representing a higher share than in 2023 (44%). The year-on-year increase in 2024 is promising, as a

Figure 1.6

Smaller businesses likely to seek external advice if they needed external finance in 2024, by UK Nation and region

Source: British Business Bank Business Finance Survey 2024 (unweighted n=1,532)



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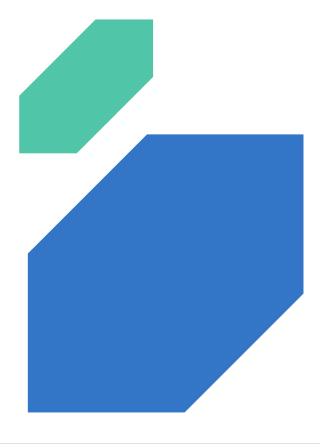
growing likelihood to seek external advice could improve smaller businesses' awareness of different finance types and options available.

The Nations and regions with the highest proportion of respondents indicate that they were very likely or fairly likely to seek external advice if they needed external finance in the future were the North East (62%), Scotland (57%) and London (56%).

On the other hand, the one with the highest proportion of respondents saying they were not very likely or not at all likely to seek external advice if they needed external finance in the future was Yorkshire and The Humber (55%), followed by Northern Ireland (52%).

Growing interest in seeking external advice for finance is a positive sign. According to the Bank's latest Business Finance Survey, most smaller businesses (60%) considered only one finance provider on the last occasion they were seeking finance, and one in five reported they lacked confidence in obtaining information on the types of finance and specific providers available.⁸ Yet, uptake of external business advice of any kind has remained low overall (16% of businesses with no employees and 26% of SME employers in 2023°) and local differences can also affect opportunities to seek in-person support nearby, which still plays an important role for some businesses.

The British Business Bank actively provides non-financial support through business guidance offerings. 10 An example of this is our "Finance Finder", which provides an overview of relevant finance options once a questionnaire has been completed. We will also continue to develop further avenues that could support smaller businesses in becoming more aware of the different external finance options available.



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Nations and regions debt market trends

- Northern Ireland, Scotland, the North East, the South West and the North West show greater use of loans and overdrafts per capita
- Demand for loans and overdrafts recovered across all UK
 Nations and regions in 2024, except Northern Ireland
- Use of asset finance grew in 2024 and remained well spread across the UK Nations and regions, based on the Bank's programme data
- Smaller businesses in highly deprived areas are less likely to use core debt finance, have lower confidence in accessing it, and are less likely to secure the full amount requested



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When managed correctly, debt finance can be a good way to provide a cash injection that can help businesses grow, invest in new technologies or refresh a firm's capital stock.

This can be vital for smaller businesses looking to boost investment and improve productivity. Given that regional finance flows are more balanced for debt than other finance types, this can be a good way to stimulate more broad-based growth across the Nations and regions.

However, there is also evidence of locationspecific imperfections that may affect the use of any finance types by specific subsets of the business population found across the UK. One way to assess the supply and demand for core debt products in each UK Nation and region is through the data collected by UK Finance, which provides a regional breakdown of loans and overdrafts secured by smaller businesses from the UK's seven largest SME lenders (which we also refer to as 'major banks'). While this data does not capture regional debt markets comprehensively, it encompasses a large share of supply and demand for core debt products in the UK Nations and regions.

Combining this information with data on the scale of the SME population in each Nation and region allows for an understanding of which parts of the UK have the highest level of bank lending activity when adjusted for business population size.^{13,14}

Northern Ireland, Scotland, the North East, the South West and the North West show greater use of loans and overdrafts per capita

In Figures 2.1 and 2.2, an examination of the average volume and value of loans and overdrafts from major banks between 2022 and 2024 per 10,000 SMEs highlights that Northern Ireland, Scotland, the North East, the South West and the North West outperform the UK average (169 and £29m) on both measures, suggesting that smaller businesses in these areas have a greater concentration of lending than would be implied by their share of the UK SME population.



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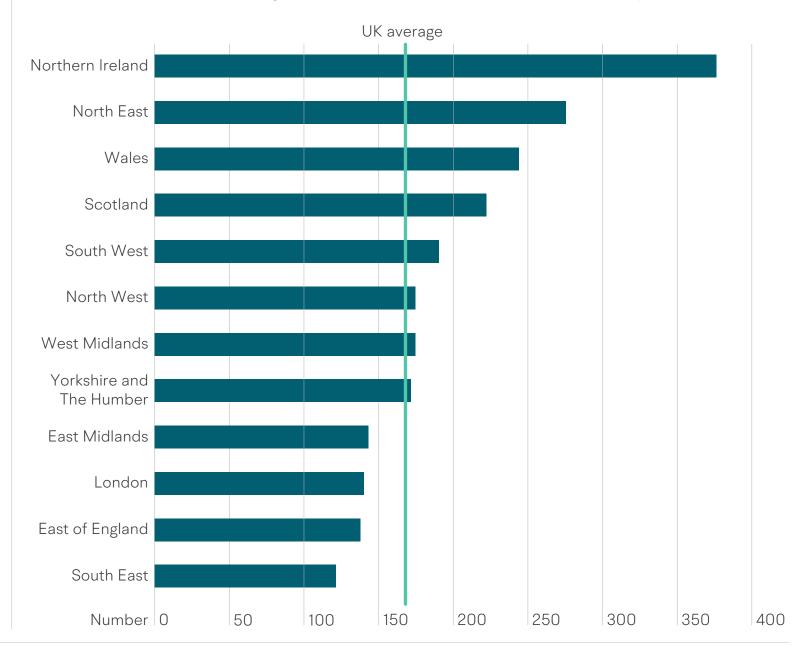
Northern Ireland's leading position in SME lending activity can be attributed to multiple factors. Smaller businesses in this Nation consistently demonstrate high engagement with external finance. In 2024, Northern Ireland ranked first across the UK both in the proportion of SMEs actively using finance and in the share of businesses open to using finance to support growth. Additionally, differences in lender coverage and reporting practices in Northern Ireland compared to Great Britain could influence the observed lending figures.

Conversely, the South East, East of England and the East Midlands were below average on both measures. There were also a few Nations and regions with a pronounced difference in how they ranked on value, compared to volume. For instance, Wales ranked third on the number of loan and overdraft facilities per 10,000 SMEs (245) but only eighth when the value of those facilities is considered (£24m), suggesting lending amounts are typically smaller for businesses in this location. The West Midlands presents a similar picture, with an

Figure 2.1

Number of loan and overdraft facilities per 10,000 SMEs, by UK Nation and region

Source: British Business Bank analysis of data from UK Finance and DBT's Business Population Estimates



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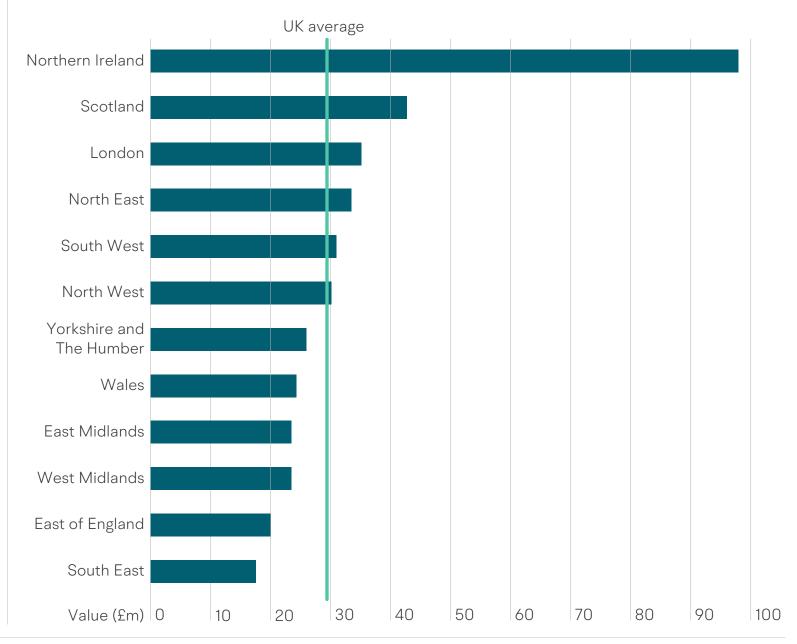
average of 175 facilities and £23m lending value per 10,000 SMEs. Meanwhile, London combined below-average volume of facilities (141) with above-average concentration of value (£35m) per 10,000 SMEs, indicating a skew towards fewer, larger loans and overdrafts.

This is not a standalone measure of the Nations and regions' access to finance challenges, as it partly reflects underlying factors such as the sectoral composition of local businesses. Nevertheless, it is important to monitor as an indicator of the level of debt finance engagement among smaller businesses in different parts of the UK, since mainstream lending often serves as a gateway to other finance options.

Figure 2.2

Value (£m) of loan and overdraft facilities per 10,000 SMEs, by UK Nation and region

Source: British Business Bank analysis of data from UK Finance and DBT's Business Population Estimates



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Demand for loans and overdrafts recovered across all UK Nations and regions in 2024, except Northern Ireland

Figure 2.3 shows the demand for loans and overdrafts from the UK's seven largest SME lenders bounced back from a subdued 2023 and the steep declines seen in 2022. It increased across all Nations and regions, except Northern Ireland.

The overall number of loans and overdrafts to SMEs in 2024 rose by 33% overall compared to 2023, a substantial improvement on the 9% decline from 2022 to 2023 and the 57% decline from 2021 to 2022.

In 2022 and 2023 lingering concerns regarding the trading environment and the cost of borrowing constrained smaller businesses' demand for core debt finance. In 2024 the cost of borrowing for loans to smaller businesses peaked in May, before falling for the rest of the year as speculation over interest rate cuts gathered pace. Since most SME lending is advanced by banks on floating rates, decreases in interest rates will

have eased repayments and likely make the cost of borrowing more affordable, increasing demand.¹⁵

The increase also occurred in the context of SME loans and overdrafts falling to a record low during 2022 and remaining subdued in 2023. The growth in 2024 may reflect the market compensating for low levels of activity in previous years and the prospect of lower interest rates on floating-rate loans. The SME Finance Monitor indicates that smaller businesses had more appetite for risk in 2024, with the proportion of "Ambitious Risk Takers" (SMEs that both want to grow and are willing to take risks) increased from 27% in 2023 to 31% in 2024, although caution still prevailed among many. It also showed that the proportion of smaller businesses that were happy to use finance to grow and develop fluctuated throughout 2024 but was generally higher than in 2023, peaking at 41% in Q3 2024 compared to 29% in Q3 2023.

The largest increase in number of loans and overdrafts approved/increased was in the South East, although it had the lowest volume and value of all the Nations and

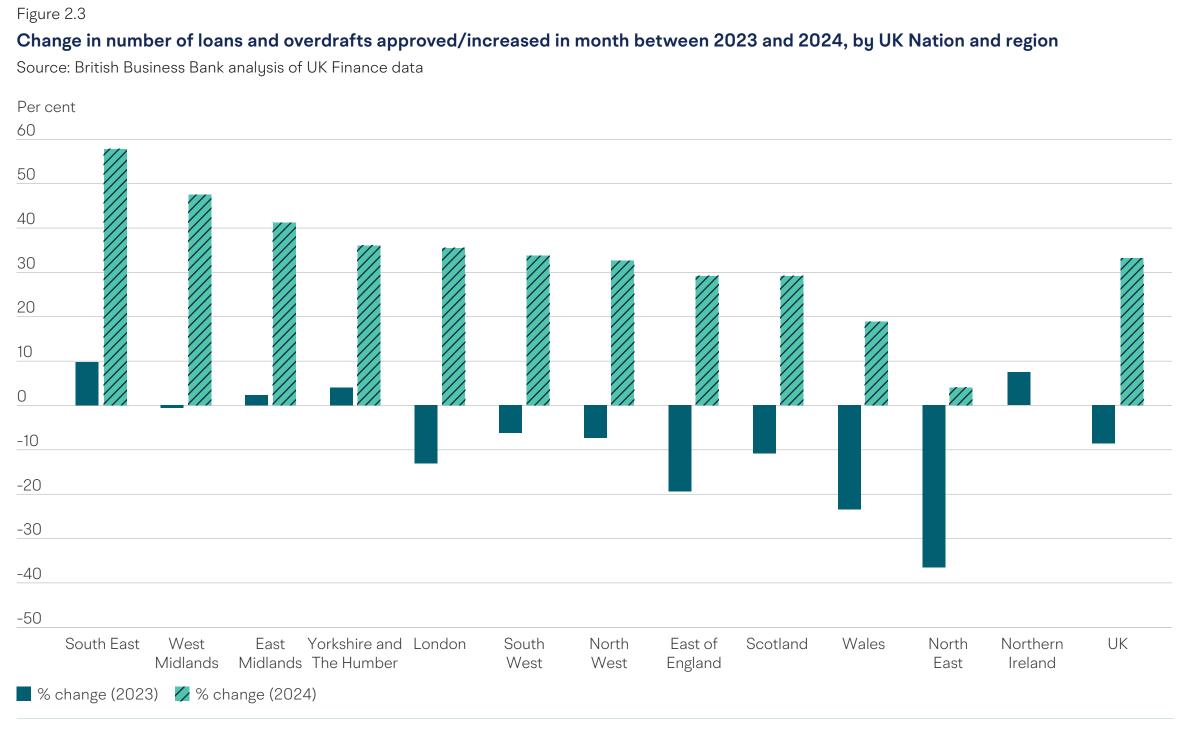
regions per capita over the last three years. Meanwhile only Northern Ireland saw no growth, despite ranking highest on both metrics, which may be due to very high per capita lending activity during 2022-2024 with the value of loans and overdrafts being over twice as much as Scotland's, which ranked second.

In eight of the Nations and regions the value of loans and overdrafts increased between 2023 and 2024, with the West Midlands having the highest growth of 36% (as well as the second highest growth in number of facilities, at 48%). London, the South West, Scotland and Northern Ireland all saw declines in value for consecutive years, albeit generally at a diminished rate from 2022-2023. Overall, the UK had growth of 4%, after consecutive years of decline (25% and 18% respectively), showing signs of market recovery.

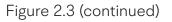
Despite the rise in the number of loans and overdrafts approved or increased in the UK, the average volume and value of loans and overdrafts between 2022 and 2024 per 10,000 SMEs was lower than in 2021-2023 (221 and £32 million respectively).

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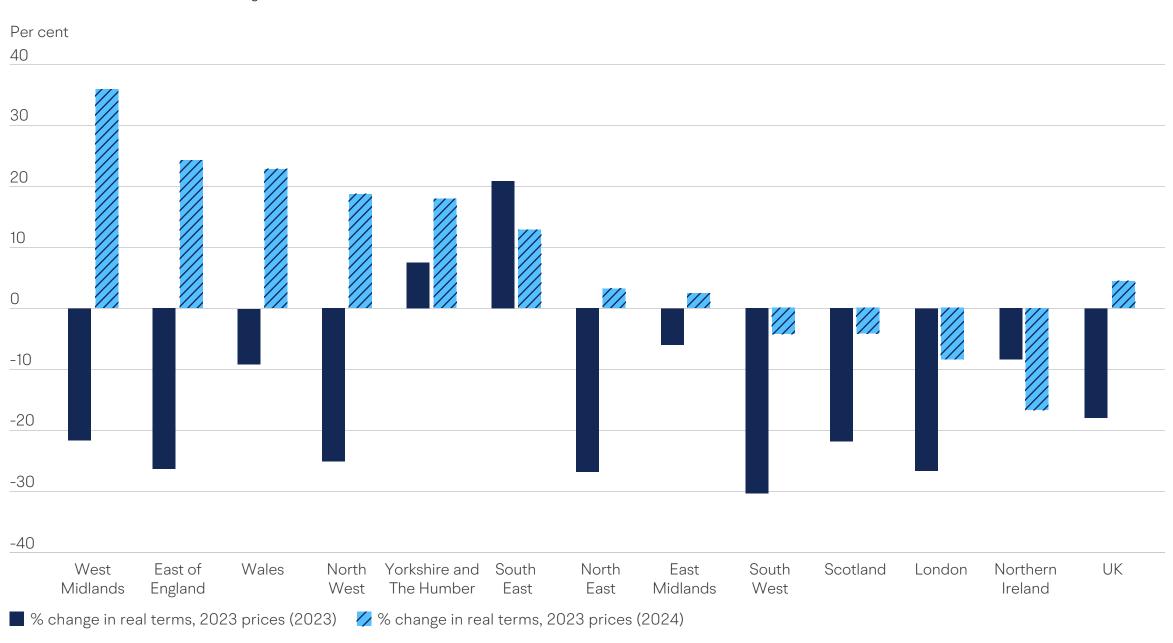


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Change in value (real terms) of loans and overdrafts approved/increased in month between 2023 and 2024, by UK Nation and region

Source: British Business Bank analysis of UK Finance data



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This reflects the low numbers in 2022 and 2023, as well as suggesting that activity in 2021 was greater than in 2024.

Our Small Business Finance Markets report shows that SME applications for loan facilities to the seven largest UK banks were particularly high in Q1 2021 due to the impact of the COVID-19 pandemic on the UK economy with over 140,000 applications. Meanwhile in only two quarters in 2022 and 2023 did applications exceed 20,000. Therefore, the data from 2021-2023 is skewed by this outlier which is not included in the 2022-2024 data.

The SME core debt market landscape in the first six months of 2024 looks more promising across Great Britain, while equivalent data from Northern Ireland was not yet available at the time of publication. The current year started with a relatively strong first quarter in terms of the volume of approved/increased loans and overdrafts applications (up 23% from Q1 2024) and a stable positive trend in the related value, which increased to just over £4bn.

Use of asset finance grew in 2024 and remained well spread across the UK Nations and regions, based on the Bank's programme data

Smaller businesses have access to a range of other products beyond core debt finance. These are commonly described as 'alternative finance', with asset finance being the most widely used. These forms of finance are less evenly distributed across the UK than mainstream bank lending, making it important to monitor their geographic spread to build a fuller picture of regional debt markets.

In the absence of industry figures, the best proxy we have for the reach of asset finance is via the Bank's own activities (Figure 2.4).¹⁷ This excludes regionally unallocated funding which amounts to 11.6% of the Bank's activities, a higher proportion than in previous years. This evidence suggests that asset finance facilitated via British Business Bank and British Business Investments continues to be well spread around the UK. In 2024, nine of the 12 Nations and regions

receive a percentage of asset finance close (i.e. within +- one percentage point) of their share of the SME population published in the 2024 UK Business Population Estimates.

Of the Nations and regions receiving a high share of asset finance relative to their SME population, the East Midlands had the strongest overrepresentation. On average, over the last five years, this region has received 8.5% of our asset finance facilitated (9% in 2024), slightly above its 7% share of the UK's SMEs. This contrasts with the East Midlands' below average concentration of loans and overdrafts, showing a stronger preference for non-core debt finance sources among local businesses.

The Nations and regions receiving a lower share of asset finance tended to show a modest, but consistent over time pattern of underrepresentation. London received 12% asset finance facilitated in 2024, up from 10% in 2023. This was the largest increase seen across the 12 Nations and regions (1.8 percentage points).

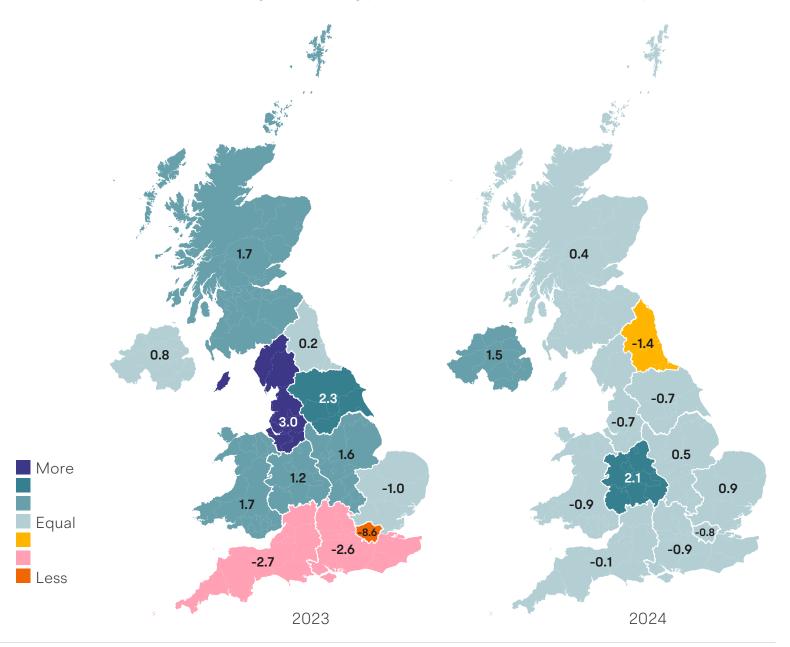
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Despite this, London remains slightly underweight as its average share of asset finance facilitated over the last five years remained around 11%, which is slightly below its 13% of the UK SME population. The North East was also mildly underrepresented in 2024, with just under 3% of asset finance facilitated, compared to its 4% share of the UK SME population. This marks the first occurrence since 2021, likely reflecting the overall negative trend in external finance use observed in the region.

The same applies to the South East and the South West, whose shares of asset finance facilitated in the last 5 years (13% and 7% respectively) marginally exceed the share of UK SMEs they represent (14% and 9%). The fact that London and the South of England still receive a far smaller proportion of asset finance compared to their SME share is a result of structural factors including the sectoral composition of those SMEs, the greater diversity of finance available within London and 'headquarter' effects (whereby the data is skewed by the many companies that are registered in London, but mainly operate in other places).

Figure 2.4 **Asset finance share vs SME population, 2023 and 2024**

Source: British Business Bank analysis of delivery partner MI data and DBT's Business Population Estimates



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Nevertheless, a comparison of volumes of asset finance facilitated in 2023 and 2024 also suggests a slight upturn in the use of this finance form in the South West (1 ppt).

Overall, the volume of asset finance facilitated by the Bank in 2024 increased by 12% compared to 2023. This contrasts with the -2% decline seen in the previous year and exceeds the slight upturn observed at the UK level over the same period (0.9%), which represents the fourth consecutive annual increase of SME asset finance new business. This suggests that, despite ongoing economic pressures and uncertainty, demand for this form of finance among smaller UK businesses has remained resilient.

These positive signs persist in the current year. According to estimates based on FLA data, total SME asset finance new business amounted to £11.6bn in the first half of 2025, up 3.4% year-on-year. The FLA also projected single-digit growth in asset finance new business value for 2025.¹⁹

Smaller businesses in highly deprived areas are less likely to use core debt finance, have lower confidence in accessing it, and are less likely to secure the full amount requested

A regional level assessment of the supply and demand for finance is often insufficient to understand the challenges businesses may face in specific geographies within the Nations and regions of the UK. This is particularly applicable to debt finance, where these nuances may not emerge in a pan-regional analysis of finance markets.

Figure 2.5 shows that use of core debt products across highly deprived areas is significantly less than in non-highly deprived areas, with usage rates of 6%, 2% and 7% for bank overdrafts, commercial loans and asset finance respectively, compared to 10%, 5% and 9% among businesses in non-highly deprived areas. Nations and Regions Tracker 2024²⁰ evidenced that smaller businesses in deprived areas were more inclined to seek finance, but were more likely to be discouraged from doing so. They display

behaviours and characteristics associated with increased barriers in accessing finance, such as having low credit balances, lack of assets for collateral and being ethnic minority-led.

These characteristics are not typical of rural businesses, which display relatively high uptake of debt products. These businesses are generally more established with capital stock, which can be used to guarantee the finance will be repaid. The sectors they more typically operate in, such as agriculture, are more capital intensive and therefore conducive to a high uptake of asset finance. They also tend to have more established links with their finance providers, thus building greater trust in their ability to repay.

This underscores the importance of recognising that localised gaps can exist even in seemingly well-developed regional debt markets, and that public policy interventions such as those taken forward by the Bank should continue to take gaps that do not follow a stark regional divide into account.

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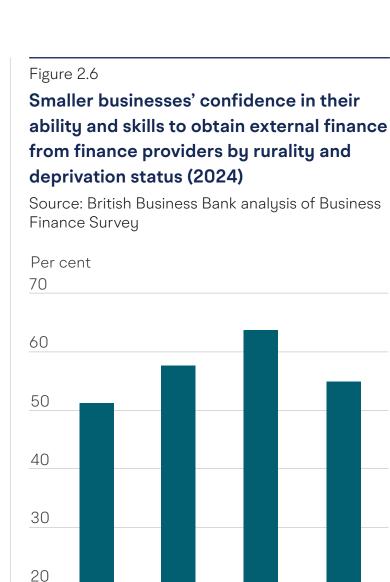
Figures 2.6 and 2.7 show that smaller businesses in highly deprived and urban areas are less confident in their ability to access finance, and are less likely to be offered the full amount they asked for. The main reasons they were given were a poor credit rating and current business performance (growth/profitability etc.). The lack of confidence could be down to a lack of financial knowledge and may mean that these businesses are not aware of which finance option is best for them. This may limit their ability to access finance and invest or grow their company.

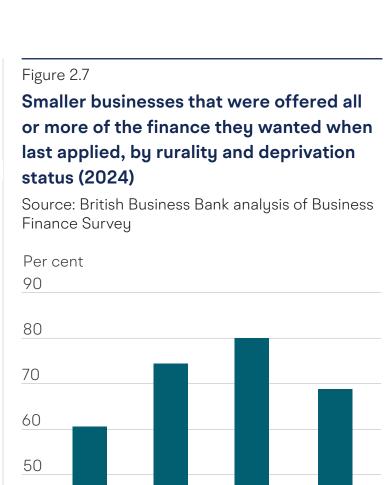
This evidence shows that where your business is located has an influence on your ability to access finance, not just at a regional level, but also at a subregional level. The Bank's initiatives aim to provide finance to companies no matter who, or where they are. Alongside continued research, the Bank will continue to provide a wealth of financial information through our Finance Hub to help businesses of all characteristics understand their finance options.

Figure 2.5 Smaller business use of core debt finance types by rurality and deprivation status (2024) Source: British Business Bank analysis of Business Finance Survey Per cent 12 10 8 Highly-deprived Non-highly Rural Urban deprived area area A % using bank overdrafts or revolving credit facilities B % using commercial bank loan or term loan © % using asset finance

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While rural businesses are more confident, and more likely to have their finance request accepted, Figure 2.8 shows that three quarters of rural businesses only seek finance from one provider. In contrast, 45% of urban businesses look at more than one. This could be a supply-side issue, as they may not have the same access to in-person support or wide finance networks that urban businesses have. There may not be multiple options available to them. Additionally, last year's Nations and Regions Tracker showed that rural businesses are less likely to engage with finance. This suggests that more can be done in helping rural businesses access a wider range of finance options.





40

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20

10

0

Highly

deprived

area

Non-highly

deprived

area

Rural

Urban

Urban

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Rural

Non-highly

deprived

area

10

0

Highly

deprived

area

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Conversely, three in five businesses in deprived areas consider more than one finance provider. It is encouraging that they are seeking a variety of options, this may reflect a lack of established finance connections or uncertainty about where to access the best options. It may also be down to their need to find finance options that are more affordable or that be more flexible on requirements such as credit ratings or the amount of collateral available.

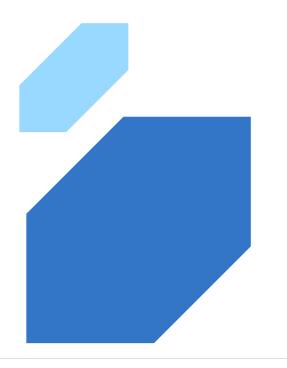


Figure 2.8 Number of providers considered by smaller businesses on the last occasion they sought finance, by rurality and deprivation status (2024) Source: British Business Bank analysis of Business Finance Survey Per cent 80 75 70 63 60 60 55 50 45 40 40 37 30 25 20 10 0 В % that considered more % that considered than one finance provider one finance provider A Highly deprived area B Non-highly deprived area C Rural area D Urban area

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Nations and regions equity market trends

- London remains the dominant hub for UK equity activity, but
 VC investors are expanding their footprint beyond the capital
- Scotland, the North West and the East Midlands all saw annual growth in equity activity in 2024 amid more mixed trends elsewhere
- Most Strategic Authorities and city regions saw muted equity activity in 2024, but a few stood out with growing deal volume and investment value
- Nations and regions outside London saw a smaller reduction in seed stage deal activity than the capital, but a larger one in growth stage deal activity



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London remains the dominant hub for UK equity activity, but VC investors are expanding their footprint beyond the capital

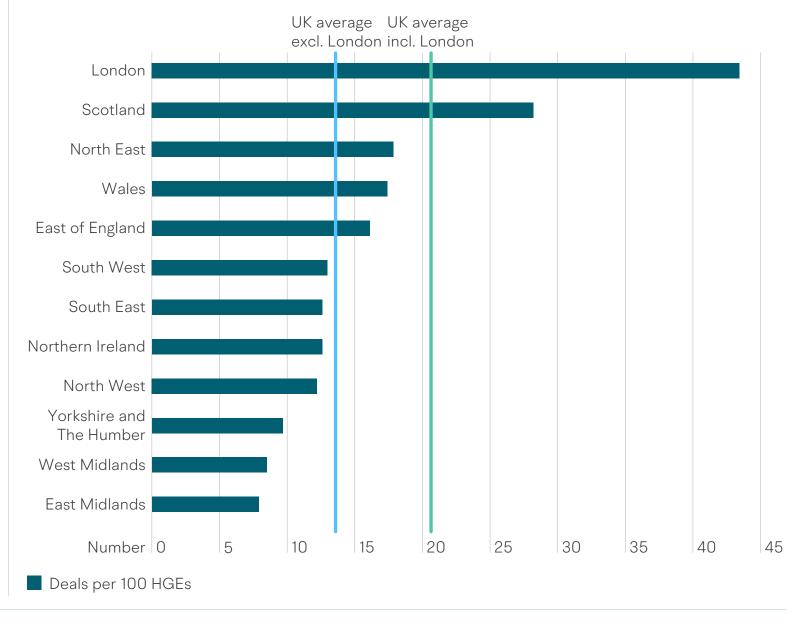
Unlike debt finance, which tends to be more closely aligned to the distribution of SMEs across UK Nations and regions, equity investment shows stark geographic imbalances. London consistently attracts the majority of equity deals and capital, significantly outpacing the rest of the UK. These disparities are not simply a reflection of where high-growth businesses are located. They stem from deeper structural factors such as the geographical concentration of investors, established business ecosystems, and regional infrastructure.

This is particularly evident when comparing equity deals and investment value per 100 high growth enterprises (HGEs) in each UK Nation and region. This data was also included in last year's edition of this report (using a 2021-2023 average) and has been updated since then (using a 2022-2024 average).

Figure 3.1

Number of announced equity deals per 100 High Growth Enterprises (HGEs), by UK Nation and region

Source: British Business Bank analysis of Beauhurst data



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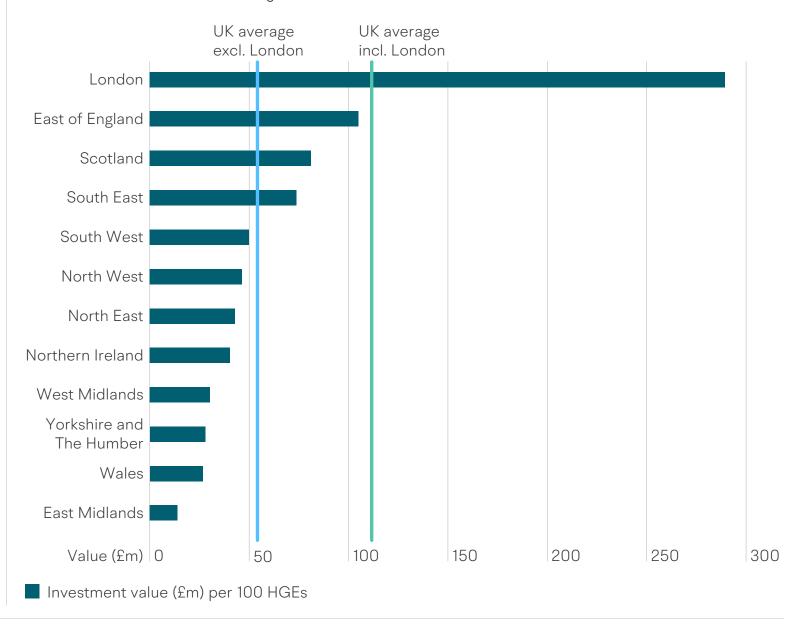
The average intensity of deals per 100 high growth enterprises over the last three full years of data has declined in most UK Nations and regions compared with our previous analysis. This reflects the more challenging state of regional equity markets in recent years compared with the outlier year of 2021. London recorded 44 deals per 100 HGEs over the latest period, down from 50 in our previous analysis. Nevertheless, the North West showed an increase in this ratio, slightly narrowing the gap with London. This was mostly driven by strong equity market performance over 2024, with deals up by 11% and investment value up by 46%, bucking the declining UK-wide trend (as presented in Figure 3.4).

Despite these shifts, the overall ranking of Nations and regions by equity activity per capita has not been altered dramatically. London continues to lead by a wide margin, with a ratio representing more than three times the average of 14 deals per 100 HGEs observed elsewhere. In the rest of the UK, it is Scotland and the North East that maintain the second and third highest levels of equity

Figure 3.2

Value (£m) of announced equity deals per 100 High Growth Enterprises (HGEs), by UK Nation and region

Source: British Business Bank analysis of Beauhurst data

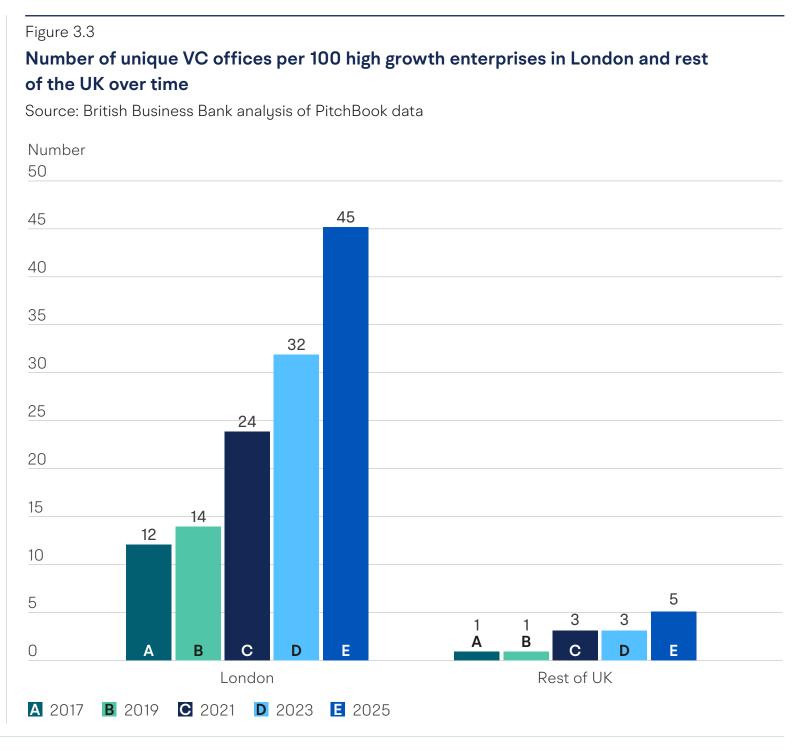


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activity relative to their pool of fast-growing businesses, consistent with our previous analysis. These are followed by the North East, Wales and the East of England, which also show concentrations of deals per capita above the average for the rest of the UK. Conversely, Yorkshire and The Humber, along with the West and East Midlands, continue to show the lowest levels on this indicator and a gap with the UK average (even when London is excluded), pointing to structurally lower equity activity in these areas relative to their high-growth enterprise base.

A similar pattern emerges in equity deal value per 100 HGEs across UK Nations and regions. The ranking remains unchanged from our previous analysis, with London, Scotland, and the East of England remaining at the top. London has a ratio of equity investment value per 100 HGEs of £289m, well in excess of the average ratio of £54m seen in the rest of the UK. At the other end of the spectrum, Yorkshire and the Humber, Wales (despite an above average number of deals per capita) and the Midlands consistently report the lowest values,



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highlighting the persistent regional disparities in equity investment within the UK.

Imbalances also persist in the geographical distribution of equity investors across the UK, though there are emerging signs of improvement outside London. Fast-growing businesses seeking equity finance outside of the capital have more limited local access to Venture Capital (VC) investors compared to their London-based counterparts, which tends to increase their barriers to securing equity investment.

Between Q1 and Q3 2025, London had 45 unique VC investor offices per 100 HGEs, surpassing the figures from previous analyses, and marking a 42% increase from 2023 (Figure 3.3). Outside London, the corresponding ratio was just three unique VC investor offices per 100 HGEs until 2023 but had increased to five in our latest analysis - a 67% increase since then. While the gap in proximity to VC investors remains significant for companies located outside London, it is encouraging that growth in investor presence in these areas has outpaced that of the capital for the first time since 2017.

Box 1: Angel investors

Angel investors play a vital role in regional and local business ecosystems that goes well beyond providing capital. They often offer strategic guidance, help businesses connect with skilled talent and facilitate introductions to potential corporate clients. Crucially, they also bring in coinvestors, such as other angels or alternative sources of equity, and help firms access grant support and secure follow-on funding, with referrals from angels to venture capital firms significantly increasing the likelihood of investment.

However, our 2025 survey of 250 angel investors confirms these remain unevenly spread across the UK, which continues to give rise to regional imbalances in access to early-stage equity finance for smaller businesses. The angel picture remains London and South East dominant, albeit less so than the wider equity market.

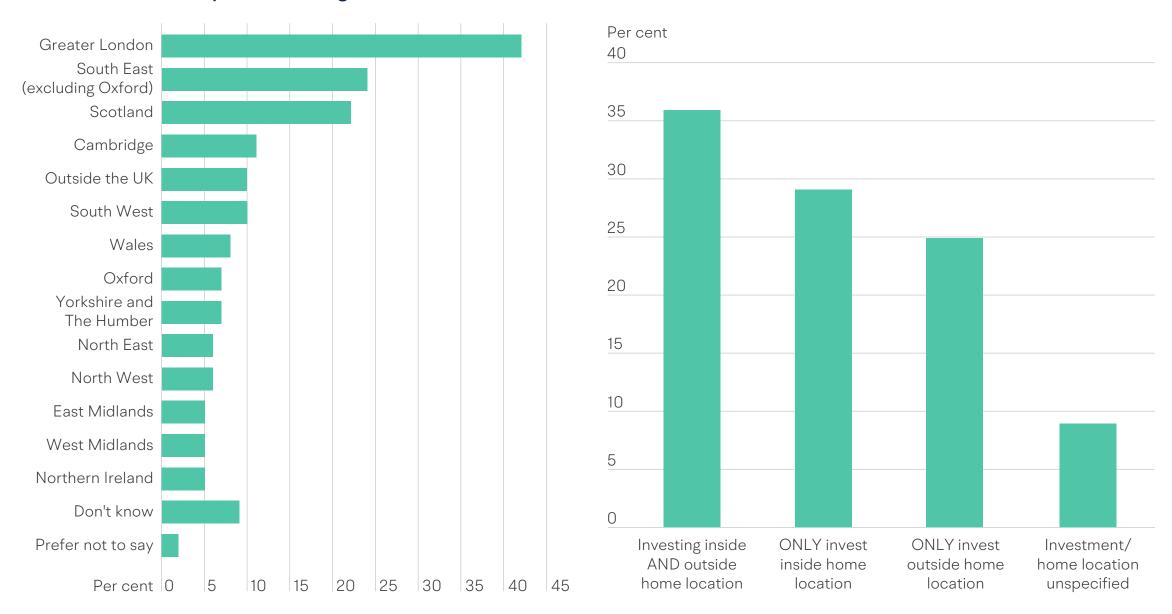
Over half (51%) of respondents to our survey were based in either London (29%) or the South East including Oxford (22%), which overall represents a slight decline from our previous 2019 survey (56% overall). Nearly three quarters (73%) of the firms they invested in during the 2023/24 tax year were in these regions. These are followed by the North East, Wales and East of England, which also show above average concentrations of deals per capita were in these regions. A relative majority of respondents to our survey were open to investing both within and outside their home region (36%) but the share of those focusing on their home region only was still considerable (29%), highlighting the continued importance of investment location for many angel investors.

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Figure 3A

Location of investments by angel investors active in tax year ending April 2024 (left); angel investors' home location

v. investment location preferences (right)



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Scotland, the North West and the East Midlands all saw annual growth in equity activity in 2024 amid more mixed trends elsewhere

Equity Tracker 2025 highlights how UK equity market conditions have remained subdued since early 2023, although activity levels for 2024 still rank as the fifth highest historically and remain above prepandemic levels.²¹

In 2024, UK smaller businesses raised £10.8bn in equity investment – a modest 2.5% decline from 2023 and well below the peaks observed in 2021 (£20.6bn) and 2022 (£17.4bn). Equity deal volumes fell sharply by 15.1% to 2,048 in 2024, marking a 33.9% drop from the 2021 peak, and bringing activity back to 2018 levels. The decline was particularly steep in the second half of the year, as heightened market uncertainty prompted investors to delay new commitments and prioritise existing portfolios.

At the regional level, equity activity trends were fragmented, with notable differences in deal volume and investment value.

Figure 3.4

Number and value of announced equity deals by UK nation/region, 2023-2024

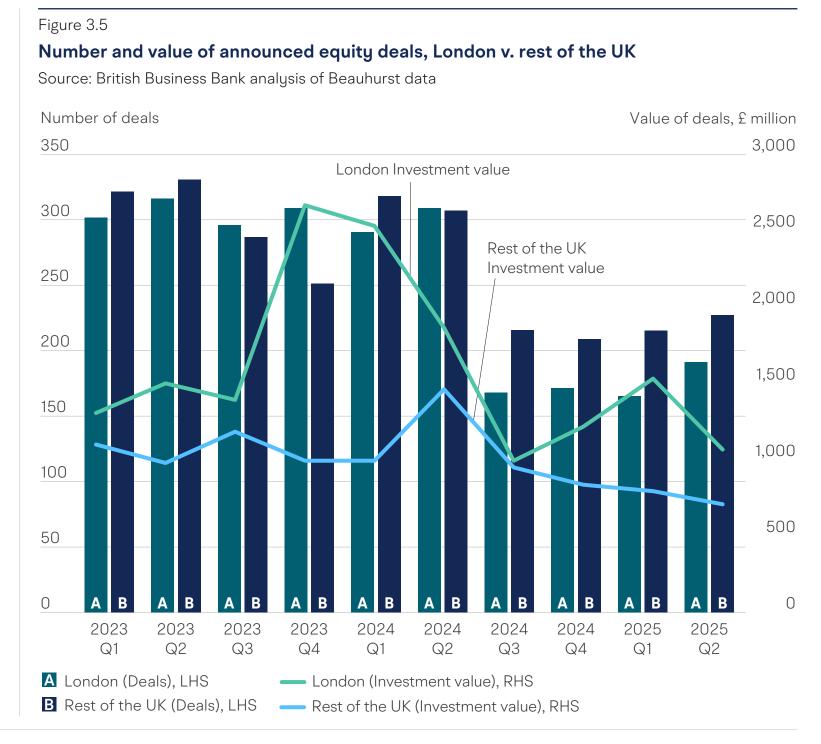
Source: British Business Bank analysis of Beauhurst data

Number of deals (2024)	% change vs 2023	Investment value £m (2024)	% change vs 2023
965	-21.3%	6,626	-3.5%
201	13.6%	507	28.3%
165	-25.0%	768	-23.8%
146	11.5%	654	46.2%
129	-26.3%	980	-20.1%
115	-11.5%	314	-17.2%
74	7.2%	113	-12.1%
68	-18.1%	248	14.1%
63	8.6%	141	-8.1%
55	7.8%	91	26.1%
43	-36.8%	301	141.9%
24	0.0%	78	-1.8%
2,048	-15.1%	10,822	-2.5%
	965 201 165 146 129 115 74 68 63 55 43	deals (2024) 2023 965 -21.3% 201 13.6% 165 -25.0% 146 11.5% 129 -26.3% 115 -11.5% 74 7.2% 68 -18.1% 63 8.6% 55 7.8% 43 -36.8% 24 0.0%	deals (2024) 2023 value £m (2024) 965 -21.3% 6,626 201 13.6% 507 165 -25.0% 768 146 11.5% 654 129 -26.3% 980 115 -11.5% 314 74 7.2% 113 68 -18.1% 248 63 8.6% 141 55 7.8% 91 43 -36.8% 301 24 0.0% 78

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London saw a sharp decline in deal volume (-21.3%), while the drop in investment value was less pronounced (-3.5%), only slightly exceeding the UK average. As a result, London's share of the UK equity market contracted slightly to 47.1% in 2024 (from 50.8% in 2023) in terms of deal numbers, and to 61.2% (from 61.9%) in terms of investment value. This shift points to a modest rebalancing of equity activity across the UK. Potential drivers include broader structural changes – such as the growth of remote and hybrid working – and the influence of targeted regional support initiatives, such as those delivered through the Bank's activity (see Chapter 4).

Outside of London, several Nations and regions experienced disproportionately lower deal activity, but a few demonstrated notable resilience. In 2024, Scotland was among the strongest performers in the UK equity market, with the highest growth in deal volume (13.6%) and a strongly positive trend in investment value (28.3%). The North West also saw a significant expansion, with a 11.5% rise in deal numbers and a 46.2% increase in investment value to £654m.



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Meanwhile, the West Midlands experienced the most dramatic rise in investment value, up 142% to £301m, primarily due to a single £200m funding round for housebuilder Harper Crewe. In addition, the East Midlands was one of only three Nations and regions to achieve annual growth in both deal numbers (7.8%) and investment value (26.1%) on 2023.

Using more recent quarterly data extending to Q2 2025, a clear divergence emerges between equity activity in the latest four quarters and the period leading up to Q2 2024. Deal volumes have reached a decadelow both in London and other UK Nations and regions. In H1 2025, deal volumes in London declined by just 2% from H2 2024, but were 41% down from H1 2024. The rest of the UK also saw a 4% drop relative to the second half of 2024, and a more pronounced year-on-year fall of 29%. Similarly, investment value in London rose by 17% in H1 2025 compared to the second half of 2024, but remained 41% lower than in the first half. The rest of the UK experienced declines in investment value in both comparisons: 38% lower year-on-year

and 16% lower relative to H2 2024. This may be influenced by data reporting lags, but shows that UK equity market conditions remain challenging all across the country, recording some of the lowest levels of activity seen over the past decade.

Most Strategic Authorities and city regions saw muted equity activity in 2024, but a few stood out with growing deal volume and investment value

The UK's Modern Industrial Strategy gives prominence to the role of city regions across the UK in supporting the eight growth-driving sectors identified, outlining a range of measures to enable investment and growth in these locations. In England, city regions are often governed as Strategic Authorities. Where an elected Mayor leads the authority, it is referred to as a Mayoral Strategic Authority (MSA), or Established MSA if it fulfils additional governance requirements. These hold significant powers and funding to encourage local investment, with improved access to finance for growing

businesses forming a key pillar. This section presents some key findings on recent equity activity in 15 Strategic Authority areas in England as well as three city regions located in the Devolved Nations – specifically, Belfast, Cardiff and Glasgow – which are also covered by a number of the Strategy's initiatives.

Of the 18 areas considered (Figure 3.6), Cambridge and Peterborough was the largest in terms of both the absolute number of deals (82 in 2024) and the related investment value (£748 million), alongside Greater Manchester (84 deals, £354 million), followed by the Glasgow City Region (63 deals, £100 million) and the West of England (50 deals, £163 million).

Equity activity has remained subdued across most Strategic Authorities and city regions in 2024, although a few recorded positive trends in deal volumes. The Tees Valley – one of the smallest both in terms of equity activity and business population – saw the steepest growth (86%) in deal numbers compared to 2023. Conversely, some of the areas hosting large strategic clusters – such as Cambridge and

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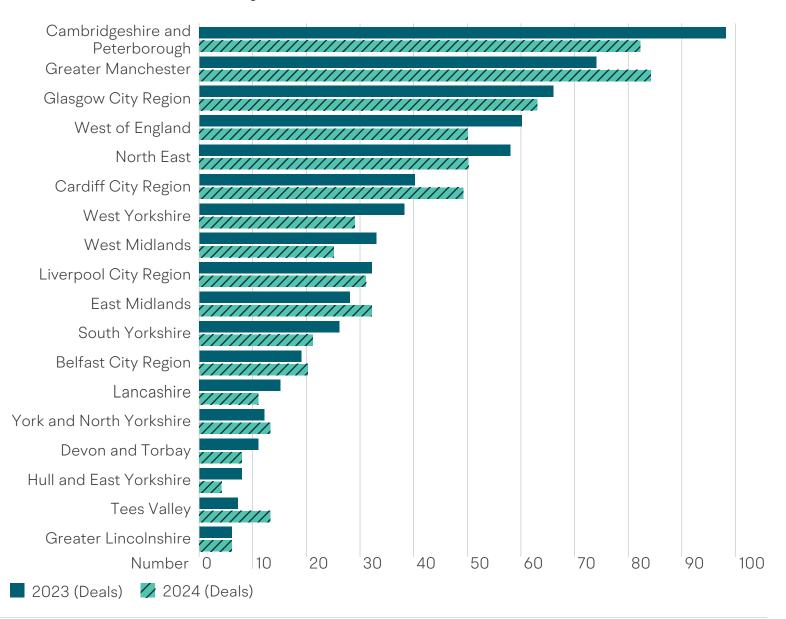
Peterborough, West Yorkshire, the West Midlands and Glasgow City Region all experienced a contraction.

Elsewhere, the most resilient performance based on deal volume came from the Cardiff City Region (23%), Greater Manchester and the East Midlands (both 14%), York and North Yorkshire (8%) and Belfast City Region (5%). Greater Manchester and the East Midlands also stood out for their positive trend by investment value (40% and 204%), alongside Hull and East Yorkshire (641%) and South Yorkshire (200%). Due to the smaller volumes of activity involved at such a granular geographical level, equity trends tend to show high volatility. Nonetheless, it is notable that those trends do not always mirror those of their wider regions, pointing to other factors at play.

Figure 3.6

Number and investment value (£m) of announced equity deals by Strategic Authority or city region, 2023-2024

Source: British Business Bank analysis of Beauhurst data

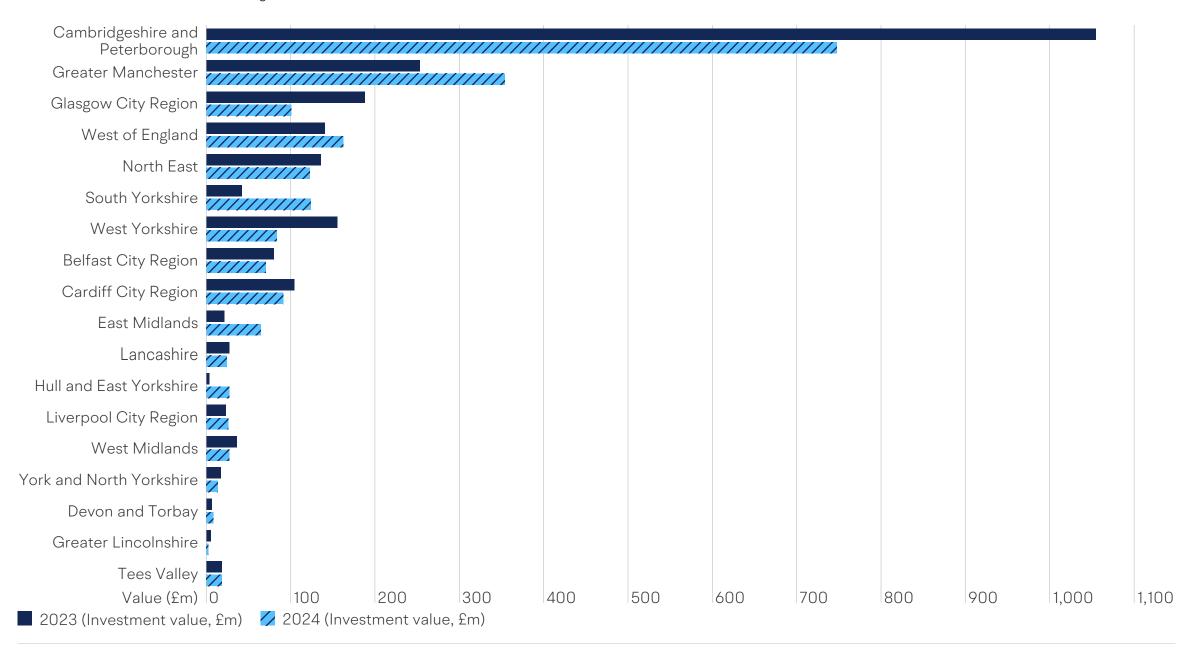


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Figure 3.6 (continued)

Number and investment value (£m) of announced equity deals by Strategic Authority or city region, 2023-2024

Source: British Business Bank analysis of Beauhurst data



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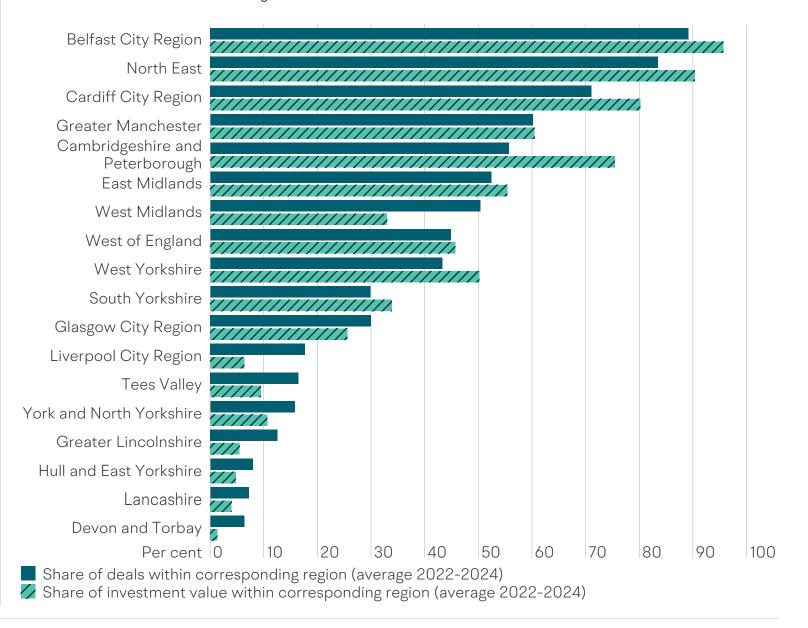
Strategic authorities and city regions are key to understanding local investment dynamics within broader regional contexts because of their role in concentrating equity activity. While concentration levels vary, these typically account for a material share of activity within the region they are located in (Figure 3.7). As shown in Figure 3.7, conurbations around Belfast, Newcastle, Manchester, Cambridge, Nottingham and Birmingham account for at least 50% of equity activity by deal numbers or value. In Yorkshire and The Humber, there is less dominance by any single city region, but Leeds and Sheffield together capture 73% of deals and 84% of equity investment in the region. This also highlights how, even in parts of the UK strongly dominated by one city region, there can be potential to grow smaller urban investment hubs that attract considerable equity activity, such as the Glasgow and the Liverpool city regions, the Tees Valley and York and North Yorkshire.

Figure 3.7

Share of regional announced equity deals and investment value (£m) by Strategic

Authority or city region, 2022-2024 average

Source: British Business Bank analysis of Beauhurst data

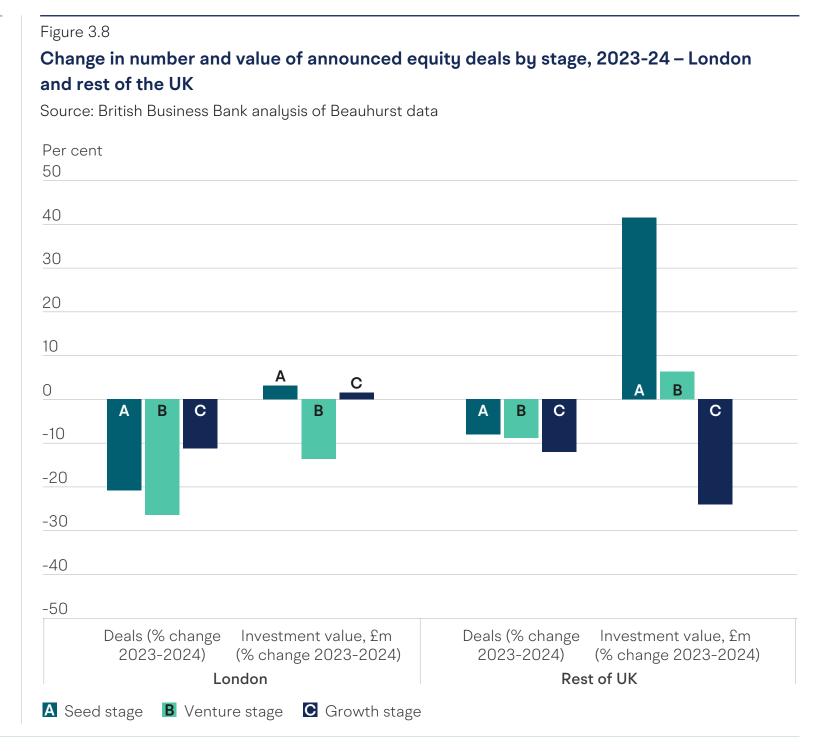


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Nations and regions outside London saw a smaller reduction in seed stage deal activity than the capital, but a larger one in growth stage deal activity

Trends in equity activity by stage are important to monitor, as they provide an indication of the strength of the investment pipeline at different stages of business development across the UK and of investor confidence and risk appetite. Over the last two full years of data (2023 and 2024), deal numbers have dropped at all stages both in London and the rest of the UK, with much of this decline occurring in the second half of 2024.

Beauhurst historically classified UK equity deals into three stages: seed, venture and growth. These stages are determined via a broad array of characteristics of a company's evolution such as product development, commercialisation, sales and profitability. In 2019, they introduced a new stage called "established", a subset of the original growth stage. We have combined the "established" category into a single



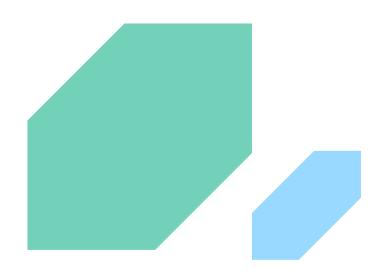
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"growth" stage category for both simplicity and consistency with past British Business Bank reports.

In 2024 seed stage investment rose by 18.4% to £1.97bn, while the number of deals fell by 14.5% to 858 in the UK as a whole. As presented in Figure 3.8, the rate of decline in seed stage deals was however much smaller in the rest of the UK (-8%) than in the capital (-20%). The same applies to seed stage trends by investment value, which were positive at the UK level (18.4%) but more strongly so outside the capital (42% v. 4% in London).

For the rest of the UK, the largest reductions over the period considered are observed in growth stage activity, with deals declining by 12% and investment value by 24% (v. -11% and 2% in the capital respectively). In London, it is activity at the venture stage which saw the sharpest fall, showing a 26% decline in deals at this stage and a 13% decline in investment value (v. -8% decline and 7% growth respectively in the rest of the UK).

As presented in the latest Equity Tracker,²² while reductions in activity at seed stage were not necessarily the steepest over the past two years, in historical terms seed stage equity funding (alongside venture stage funding) has dropped more considerably below the pre market peak period (2018-2020) than growth stage funding, which despite the declining trend remains close to those levels. This will remain important to monitor as availability of seed stage funding across the UK is fundamental for a healthy pipeline of investable businesses at later stages.



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British Business Bank activity outside London

- 84% of the Bank's investments in 2024/25 benefitted businesses outside London, with the Nations and Regions Investment Funds alone generating a £306m impact on gross value added
- The Bank's approach to place builds on consistent evidence on access to finance challenges in different locations
- The Bank's geographically-focused interventions are expanding to support the success of the UK's Modern Industrial Strategy
- The Bank is evolving its existing interventions to improve smaller businesses' access to debt products wherever they are, and whatever their barriers may be



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84% of the Bank's investments in 2024/25 benefitted businesses outside London, with the Nations and Regions Investment Funds alone generating a £306m impact on gross value added

Through funding a large and geographically spread group of businesses, the Bank is helping to unlock significant benefits throughout the UK. 84% of the 24,000 new businesses we supported in 2024/25 were based outside of London (slightly higher than the 82% businesses based in those regions), demonstrating how the whole of the UK benefits from the funding we catalyse. The boost to GVA expected from the 2024/25 cohort is more than £100m in each and every UK Nation and region over the lifetime of the finance, adding up to around £4.7bn outside of London and equating to around 22,100 jobs created.

The Bank's Nations and Regions Investment Funds (NRIF) make a critical contribution to this impact, ensuring that the benefits of our investments are widely spread across the UK. Overall, the 2024/25 NRIF cohort is expected to generate additional GVA of £306m, benefitting the North, Midlands and South West of England, as well as the three Devolved Nations.²⁴

The Bank's approach to place builds on consistent evidence on access to finance challenges in different locations

As part of the Spending Review on 11th June 2025, the Government announced that the British Business Bank's total financial capacity will be increased to £25.6bn.²⁵ Following this, the Secretary of State for the Department for Business and Trade announced a commitment of £6.6bn to the British Business Bank to boost growth, marking a major step change in financing to support smaller businesses to start and scale in the UK.²⁶

A Five-Year Strategic Plan will shortly be published, setting out how this additional capital will be deployed to further scale the Bank's impact.

As part of this, the British Business Bank will be committing £2.6bn of capital to support entrepreneurs wherever and whoever they are to access capital, driving the growth of smaller businesses across the UK's Nations and regions, including high-growth innovation clusters. This recognises the fact that the success of the UK's Modern Industrial Strategy depends crucially on supporting city regions and industrial clusters to reach their potential, which benefits substantially from well-connected finance and innovation ecosystems. These initiatives are also grounded in the Bank's long-standing research and evidence base on regional finance markets, which has consistently highlighted two key insights about the distribution of finance and business potential across the UK.



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First, pockets of ambitious but underserved businesses can persist even within regions that appear well-served by finance markets. Previous Bank research²⁷ found that smaller businesses in highly deprived areas were more likely to have growth ambitions and seek growth-oriented external finance than those in less deprived areas, yet they face greater barriers in accessing it. These include higher levels of discouragement from applying, lower awareness of alternative finance options, and historically higher rejection rates. These areas also had a higher concentration of businesses with characteristics linked to reduced access to finance, such as low credit balances, profitability, and being led by individuals from an ethnic minority or a lower socioeconomic background.²⁸ Further evidence of access to finance challenges is provided in Chapter 2 of this report, which suggests that businesses in highly deprived areas tend to show lower confidence in applying for finance, and when they do, a lower

likelihood of securing the full amount of finance needed.

Another type of geography requiring specific consideration in efforts to improve smaller businesses' access to finance is coastal areas, where structural and economic challenges shape financial behaviours and investment potential. Bank analysis from 2023²⁹ suggests that while businesses in coastal areas may show lower ambitions and greater risk aversion, they are well positioned to revitalise their local economies by capitalising on emerging growth opportunities, for example in green innovation. This is more likely to happen if the right financial support is in place.

The East and the South East of England are a case in point due to the intersection of these characteristics in many parts of the two regions. Smaller businesses in highly deprived parts of the two regions are more likely than their counterparts elsewhere to pursue ambitious growth and be open to external finance (Figure 4.1), but do not

benefit from proximity to key finance hubs like Cambridge and Oxford to the same degree as businesses based in those locations. For instance, the volume of equity activity involving Cambridgeshire-based companies was 65 deals per 100 HGEs compared to just seven in the rest of the region. Similarly, Oxfordshire shows an average of 38 deals per 100 HGEs against 10 elsewhere in the South East.

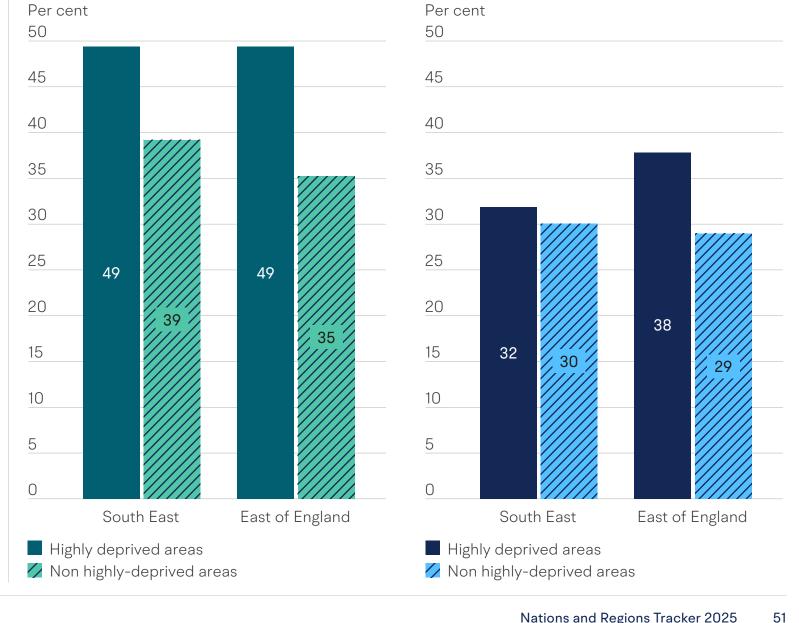
Second, the Bank's evidence base consistently highlighted how the UK is home to a diverse range of promising business hubs beyond London, Oxford and Cambridge. For instance, the 2023 edition of this report identified innovation-led clusters across 33 locations, 30 many of which are well positioned to build up their strengths in strategically important sectors, such as the eight identified by the UK's Modern Industrial Strategy. Facilitating investment in these local ecosystems is vital to unlocking their full potential.

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As also outlined in Chapter 3 of this report, there are clear differences both in the density of investors outside London and in the depth of finance markets across Strategic Authorities and city regions, which often align with the locations of these promising clusters. This reinforces the rationale for strengthening finance ecosystems in these areas. It also highlights the need for tailored approaches to respond to local challenges. These efforts should be built on close collaboration and coordination with local and national partners working around shared objectives for improving access to finance.

Figure 4.1 Smaller businesses with a long-term ambition to be significantly bigger (left) and who are happy to access external finance to grow (right) in the East and South East of England, by local deprivation status (Q1 2022-Q2 2024 average)



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The Bank's geographically-focused interventions are expanding to support the success of the UK's Modern Industrial Strategy

In response to the access to finance challenges identified in the evidence, the British Business Bank is set to launch new interventions that will help address those disparities while advancing the goals of the UK's Modern Industrial Strategy.

The British Business Bank will be launching two new Nations and Regions Investment Funds, which will be allocated £350m.

These funds will be in the East and South East and will address regional finance gaps outside traditional hotspots by bringing targeted equity and debt finance to growing businesses and supporting innovation clusters.

The new funds build on the success of the six funds currently forming NRIF and will for the first time enable the Bank to offer geographically-focused growth finance in each nation and region of the UK outside London. At the end of the 2024/25 financial

year, the Nations and Regions Investment Funds were collectively supporting £311.6m of finance to 641 businesses.

Additionally, there will be a £340m expansion of the British Business Bank's Regional Angels Programme (RAP) and there are plans to expand diverse angel networks through new Angel Syndicate Support and Embracing Diversity programmes. RAP has proven vital to facilitating access to angel investment for early-stage companies throughout the UK. The 2024/25 financial year marked a record for RAP, with 11 transactions completed totalling £66m. These included three direct Series A investments in Space Forge, Lunio, and Portal Biotech, reflecting continued support for high-growth, innovation-led businesses. RAP also backed its first solo general partner, Araya Ventures, a female-led fund, and supported the launch of Twin Path Ventures, which focuses on artificial intelligence. In addition, it extended commitments to five existing syndicates -Haatch, SFC Capital, Par Equity (twice), and DSW Ventures – demonstrating sustained confidence in collaborative investment

models. A new co-investment platform was also introduced to enable more effective partnerships with smaller syndicates, further broadening access to capital across the ecosystem.

Combined with other initiatives that will be launched or expanded to support the Industrial Strategy, this will add up to a significant scaling up of the investment that the Bank will deploy across the UK over the next five years. Nevertheless, the greatest impact for the UK's smaller businesses will come from enabling them to leverage the private capital they need to thrive, while tackling the systemic barriers identified in our evidence base. To support this the British Business Bank will also invest in expanding its capacity to work strategically with private sector partners and harness growing finance networks for the benefit of UK businesses.

A key vehicle for this will be the targeted support that the Bank will provide to the 10 innovation clusters identified in the UK's Modern Industrial Strategy: Greater Manchester, West Yorkshire, the West

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Midlands, Liverpool City Region, South Yorkshire, North East, West of England, Glasgow City Region, Cardiff City Region, and Belfast City Region. This support includes a £100m additional investment into NRIF to boost the capital available to promising local businesses. As a complement, we will also embed dedicated Cluster Champions in those clusters. These are individuals with deep expertise and local knowledge that will work directly with high-growth and high-potential businesses, British Business Bank Fund Managers, wider investors and ecosystem stakeholders to ensure that promising companies are connected to the right capital at the right time.

Figure 4.2

Location of the British Business Bank's new NRIF funds and Cluster Champions

Source: British Business Bank



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The Bank is evolving its existing interventions to improve smaller businesses' access to debt products wherever they are, and whatever their barriers may be

Following a period of low economic and productivity growth in the past few years, smaller businesses have had to navigate through a difficult macroeconomic climate. Now that interest rates have fallen and inflation rates are more stable, it is crucial for smaller firms to access the finance they need from the banking sector to maintain cash flow and, where possible, shift from survival mode to a growth oriented long-term plan for their business.

The British Business Bank continues to support bank lending to smaller businesses across the UK through its existing initiatives including the Growth Guarantee Scheme, ENABLE Guarantee, ENABLE Build and its geographically-focused funds, which include the debt and smaller loans provided under NRIF.

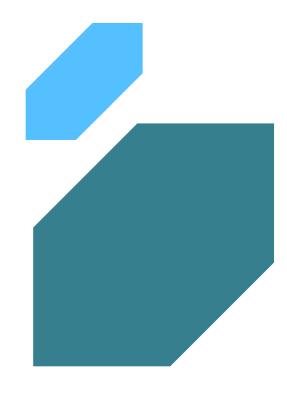
In June this year the Bank reached £5bn lending milestone for ENABLE structured Guarantee, with more than £3bn delivered to businesses outside London and the South East. A total of £500m of funding has been provided in each of the North West, East Midlands and East of England regions.³¹

In addition, in July this year the Bank has reached the landmark milestone of £2.5bn of lending under its Growth Guarantee Scheme, with 69% of lending delivered to businesses outside London and the South East.³² Over £200m of lending has been provided in each of the North West, West Midlands, East of England and Yorkshire and The Humber regions.

The Bank also operates Start-Up Loans, which help reduce regional imbalances in access to finance for start-up businesses across the UK. An evaluation conducted in December 2024 showed that since starting in 2012, Start Up Loans has provided more than £1.1bn of start up financing to UK start up and early-stage businesses across more

than 118,000 separate loans, disproportionately benefitting those located outside the capital.

In addition to the employment of the loan recipients themselves,³³ one additional employee job was created for each loan, on average. Loan recipients' businesses also experienced stronger growth since incorporation than comparator businesses and were 1.6x more likely to survive in the first five years.



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- 1. Note: The figures in this table are rounded, which may cause slight discrepancies in the percentage point changes. Specifically, in the North West, the actual percentage for last year is 45%, even though the calculated difference suggests it was 46%.
- 2. UK Finance/BVA BDRC (2025) SME Finance Monitor. 3 month rolling analysis to end June 2025.
- 3. UK Finance/BVA BDRC (2025) SME Finance Monitor. 2024 Annual Regional Report
- 4. UK Finance/BVA BDRC (2025) SME Finance Monitor. 2024 Annual Regional Report
- 5. British Business Bank (2025) Small Business Finance Markets Report 2024/25.
- 6. British Chambers of Commerce (2025) Quarterly Economic Survey Infosheet: Q4 2024.
- 7. Federation of Small Businesses. (2025) Small Business Index: Quarter 4 2024.
- 8. British Business Bank (2025) Ipsos Business Finance Survey 2024.
- 9. Department for Business and Trade (2024) Longitudinal Small Business Survey Businesses with No Employees UK 2023.
- 10. More information related to the support that British Business Bank offers can be found at the following link: https://www.british-business-bank.co.uk/business-guidance.
- 11. For Great Britain, this includes: Barclays; Co-Operative Bank; HSBC Bank; Lloyds Banking Group; NatWest Group; Santander UK; Virgin Money (CYBG). For Northern Ireland, lender coverage is more comprehensive and includes: Bank of Ireland, Danske Bank; First Trust Bank; Ulster Bank; and the SME business of Barclays, HSBC Bank, NatWest and Santander UK for Northern Ireland customers.
- 12. The share of the market captured by the UK Finance dataset is unavailable. However, as indicated in our Small Business Finance Markets report 2024/25, Bank of England data suggests the UK's big five banks accounted for 40% of nominal gross lending to SMEs in 2024.

- 13. These UK-wide figures represent British Business Bank estimates obtained by combining two separate UK Finance datasets, one focusing on Great Britain and the other on Northern Ireland. This mainly serves the purpose of providing as comprehensive a picture of UK core debt activity as possible. Please note however that the two datasets present some differences in terms of data definitions, methodology, provider coverage and timing of the data collection. For further details, please visit the UK Finance website.
- 14. Department for Business and Trade (2024) Business population estimates 2024.
- Bank of England (2024) Financial Stability Report November 2024.
- British Business Bank (2025) Small Business Finance Markets Report 2024/25.
- 17. Previous consultations with industry players have indicated that the Bank's portfolio is broadly representative of the wider asset finance market in terms of regional distribution. However, these figures must be interpreted cautiously, as the Bank's objective to reduce regional imbalances in smaller business access to finance makes it core committed to achieving a broad geographical spread of investment across the UK than the wider market.
- British Business Bank (2025) Small Business Finance Markets Report 2024/25.
- 19. Asset finance new business grew by 1% in June 2025 Finance & Leasing Association.
- 20. British Business Bank (2024) Nations and Regions Tracker 2024 Report.
- 21. British Business Bank (2025) Small Business Equity Tracker 2025.
- 22. British Business Bank (2025) Small Business Equity Tracker 2025.
- 23. British Business Bank (2025) Annual Report and Accounts 2025.
- 24. Estimates are provided in nominal terms, and include investments in the form of equity (up to $\pounds 5m$), small loans ($\pounds 25-\pounds 100k$) and larger debt ($\pounds 100k-\pounds 2m$).

- 25. For more information, please see: https://www.british-business-bank.co.uk/news-and-events/news/british-business-bank-total-financial-capacity-increased-ps255bn.
- 26. For more information, please see: https://www.british-business-bank.co.uk/news-and-events/news/british-business-bank-commits-ps66bn-back-innovation-part-uks-modern-industrial-strategy-and-unlock.
- 27. See https://www.british-business-bank.co.uk/about/research-and-publications/nations-and-regions-tracker-2022 and https://www.british-business-bank.co.uk/sites/g/files/sovrnj166/files/2025-02/small-business-finance-market-report-2025.pdf.
- 28. The latest Bank analysis (2025) of its Business Finance Survey found a positive correlation between businesses led by those with lower socio-economic backgrounds and businesses based in more deprived locations. 39% of businesses run by those with lower socio-economic backgrounds in 2024 were based in locations in the two most deprived quintiles compared to 28% of other businesses.
- 29. British Business Bank (2023) Nations and Regions Tracker 2023
- 30. British Business Bank (2023) Nations and Regions Tracker 2023.
- 31. British Business Bank (2025) British Business Bank reaches £5bn lending milestone for its ENABLE structured guarantee programmes.
- 32. British Business Bank (2025) British Business Bank reaches £2.5bn lending milestone for its Growth Guarantee Scheme.
- 33. British Business Bank (2024) Evaluation of Start Up Loans.

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