

BANKS FAIL TO AID START-UPS

AS small businesses struggle to stay afloat in the tough climate, one in six has had to turn to a payday loan for funds.

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Research from Amigo Loans also found that despite small businesses needing an average of just £2,143 to start up, many have struggled to get funding.

Just 20% could get cash from a bank, with a third being forced to borrow from friends and family or rely on personal overdrafts.

The Government's Funding for Lending scheme, launched last year, was meant to encourage banks to lend by giving them access to low-cost cash. But banks are still not handing out cash to encourage people to take the plunge and set up businesses.

James Benamor, founder and chief executive of Amigo Loans, said: "Banks have forgotten why they exist. It is scandalous that, despite billions of pounds worth of taxpayers' money being given to them, they are still not lending to these entrepreneurs, who are the lifeblood of our economy.

"For many small business owners, once they're turned down by their bank they have to find the money elsewhere or resort to extreme measures such as a payday loan.

"For this to change there has to be a greater awareness of the alternative funding options such as guarantor loans, peer-to-peer lending or crowd funding."