

BBRS.™

Business Banking
Resolution Service

Annual Report

Year Ended 31 December 2021

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Company Information

Company registration number	12096333	
Directors	Lewis Shand Smith (Non-Executive Chair) Mark Grimshaw (Chief Executive Officer) (appointed 16 June 2021) Samantha Barrass (Chief Executive Officer) (resigned 17 April 2021) Alexandra Marks CBE (Chief Adjudicator) John Spence (Non-Executive Director) Dame Janet Gaymer (Non-Executive Director) Lucy Armstrong (Non-Executive Director) Caroline Barr (Non-Executive Director) Stephen Pegge (Non-Executive Director)	
Secretary	Nicholas Hornsey (resigned 28 July 2021) Kamaljit Kandola (appointed 22 July 2021)	
Registered office	(From 26 May 2022) C/O Legalinx Limited 3rd Floor 207 Regent Street London W1B 3HH	(To 26 May 2022) c/o Legalinx Limited Tallis House 2 Tallis Street Temple London EC4Y 0AB
Auditor	MHA MacIntyre Hudson 2 London Wall Place London EC2Y 5AU	
Bankers	HSBC Canary Wharf London E14 5AH	

Chair's Report

At the end of the Business Banking Resolution Service's (BBRS') first full year in operation, I am pleased to say that the organisation is delivering as it should be.

The BBRS Board is responsible for the independence, governance, and strategic direction of the BBRS. We have a full board meeting quarterly, as well as monthly board updates to examine delivery in these areas.

These meetings are used to ensure that the BBRS executive remains independent of both the banks and the SME community, as well as to ensure appropriate governance measures are in place and that the strategic direction of the organisation is sound.

To date we are convinced that in each of these areas the BBRS is delivering appropriately according to the BBRS' contractual documentation.

The structure of the organisation ensures independence.

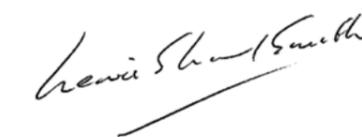
The SME Liaison Panel and the Bank Liaison Panel have been set up to provide valuable independent advice and guidance on issues and trends that may affect our work. Our Chief Adjudicator is a deputy high court judge and the BBRS' contractual documentation and scheme rules expressly safeguard her independence to ensure that she can adjudicate without fear or favour. The BBRS has a necessarily complex governance system, in part

to ensure our independence and in part to protect customer and bank data.

Although we do not have the volume of cases that were anticipated, I am satisfied that the customers who have registered with us have been assessed appropriately, independently, and fairly.

That does not mean that all customers are satisfied. Many are frustrated that they fall outside the scheme rules that were unanimously agreed by the members of the Implementation Steering Group. While we acknowledge that frustration, changing the rules by which we adjudicate is not within the gift of the BBRS.

The BBRS exists to give eligible businesses the opportunity to have their complaints heard and independently reviewed. I am content that the BBRS is delivering an independent and fair service.



Lewis Shand Smith
Chair

Chief Executive Officer's Report

As the BBRS comes to the end of its first year of full operation the organisation has moved from concept to actuality, from start up to steady state, from expectation to reality.

Before the BBRS launched, the hopes of the business community were high. Many businesses had expectations that previously settled cases could be overturned, that cases eligible for the Financial Ombudsman Service (FOS) could come to the BBRS for a second hearing, and that where the courts had ruled on a case it could be appealed. The reality at the outset of the BBRS was, and remains, that the BBRS cannot deal with any of these cases.

Additionally, as the Post Implementation Review found, expectation of the numbers of eligible cases was also out of kilter with reality. There was an initial forecast that there were 60,000 eligible historical cases of which 6,000 were expected to register (over 3 years). But recent data from Bayes Business School tells us that there are only 14,000 eligible cases of which we could expect to see 1,400 register with us.

We have left no stone unturned to find eligible cases. We ran a comprehensive, multimedia awareness campaign which generated total opportunities to see of 56.45 million and website landing page visits of 73,800. But despite this, we still have low levels of registration.

So, the number of eligible cases and what we can deliver is very different twelve months on compared to pre-launch expectations.

Of course, some would say the eligibility rules are too narrow. The BBRS does not make the rules and can't change them. We simply deliver against them without fear or favour.

Despite smaller numbers, the BBRS has been focused on delivering for the customers we can help. And there's good news to report.

Since our launch, the BBRS has seen levels of trust in mediation from both banks and customers increase. Indeed, there is much conciliation and mediation going on in the background that is not reflected in the absolute numbers of settled adjudicated cases. I hope to cover more on this method of alternative dispute resolution (ADR) in future reports. I'm also pleased to report that banks are showing increased willingness to look at concessionary cases.

We also have a warm handover process set up with the FOS. This allows the BBRS to take cases from the FOS where businesses have a bigger turnover than it can process. In return, the BBRS transfers over cases where the businesses are too small for us to assist.

The BBRS is a highly skilled organisation delivering on adjudication. But the Walker Review did not limit the BBRS's activities to adjudication.

The reality is that twelve months in, the number of businesses we can help is significantly lower than expected. However, we remain focused on our mission: to help restore SME trust in business banking. I look forward to sharing more of our progress delivering against that mission in the months ahead.



Mark Grimshaw
Chief Executive Officer

Chief Adjudicator's Report

During its first full year of operation for the BBRS, the organisation started to deliver dispute resolution by a variety of means for eligible customers.

At the end of 2021, the BBRS had 708 cases including 200 open cases and 508 closed cases. Many of the cases we initially received were ineligible for the BBRS. Most of these were eligible for the FOS or another redress scheme, had already pursued legal proceedings, or had settled directly with their bank. While in many cases it became obvious that they fell outside the BBRS eligibility criteria, 57 cases required a formal eligibility assessment.

We understand how disappointing it can be for customers to find their claim to be ineligible, but the BBRS must assess, fairly and independently, whether a case meets the eligibility criteria we have been given.

We have also been able to progress several cases via the 'concessionary case' route. This is a novel feature of the BBRS and enables even ineligible cases to be reviewed by the BBRS where we consider we should be able to do so and the bank agrees. As the name suggests, these are cases which are reviewed by concession: in most similar schemes, they would simply be dismissed as ineligible. Examples are where a case falls marginally outside the eligibility criteria, or

there is a technical reason why it is ineligible. As of 31 December 2021, the BBRS had referred 19 cases to the banks for the concessionary case process. Of these, six cases were taken forward and seven did not progress. The remainder were still under consideration. I am grateful to the banks concerned for considering concessionary cases which, by definition, are strictly speaking ineligible for the BBRS.

Most of the complaints registered with us have been historical complaints against banks (84%), that is the customer first complained to their bank before April 2019: some go back 20 years to our start date of December 2001. Historical cases are difficult, not least because the customer has to endure the emotional trauma of reliving the issues, but also because the data and paperwork is often hard to find. The deadline for the historical claims to be registered with the BBRS is 14 February 2023.

More recently, we are seeing more contemporary cases register which may mean that the data is easier to find and the cases are more straightforward to progress.

I have been enormously impressed at the careful and considered analysis by our case assessors as well as the empathetic and practical support offered to complainants by my customer champion colleagues. Our goal is to secure a fair and reasonable

outcome for all customers eligible for our service.

As we look to the future, we will consider the lessons learned from our casework and engagement with both banks and their customers in order to deliver against our mission to help build trust in the banking sector amongst SMEs.



Alexandra Marks CBE
Chief Adjudicator

Strategic Report

BBRS' first year of operation

The BBRS was founded in response to the commitments made by the banking and finance industry following the Simon Walker Review. The Walker Report highlighted the need for an independent service to resolve eligible historical and current complaints for small and medium sized businesses that have not previously had access to independent review.

The BBRS went live in February 2021, so the following data covers the 10 months until 31 December 2021. This section will cover findings from case data, notes on case volume, and the BBRS' future intentions.

Case registrations

As of 31 December 2021, the BBRS had a total of 708 registered cases. Of these, 84% were historical cases (relating to complaints between 2001 and 2019), 12% were contemporary cases (relating to complaints

since 2019) and 4% had not yet been established as either historical or contemporary due to insufficient preliminary customer data.

When the BBRS launched in February 2021, the number of cases was heavily weighted towards the historical scheme. This was due to the existing awareness of the BBRS among SME groups that were involved in the set-up of the BBRS.

Over the course of the BBRS' customer marketing and awareness campaign, which ran from July to November 2021, the ratio between historical and contemporary cases shifted. Before the campaign began, 88% of cases were historical and 12% were contemporary. Of those cases registered after the campaign ended, 34% were historical and 56% were contemporary (with 10% still to be established).

Status of cases as of 31 December 2021

These figures do not consider eligibility or include duplicates

	Total	Percentage
Historical	596	84%
Contemporary	82	12%
To be established	30	4%
Total	708	

Case status

As of 31 December 2021, the BBRS had 200 open cases and 508 closed cases.

The BBRS continues to see instances of inactivity from customers. This inactivity results in deregistration. The number of inactive customers is smaller than in the previous reporting period, with most customers actively engaging in the process. Cases that are deregistered have not necessarily been the subject of a formal eligibility assessment, and these customers

can re-register in the future if they wish to do so. Where cases are deregistered, this happens only following sustained efforts to communicate with customers.

There are no open cases waiting for a customer champion to be allocated.

The BBRS continues to work actively with customers and banks on progressing cases in a timely manner.

Total number of cases registered as of 31 December 2021

These figures do not consider eligibility or include duplicates

	Total	Percentage
To be allocated	0	0%
Live	200	28%
Closed	508	72%
Total	708	

Eligibility

When a complaint is first assembled, information is collected to ensure that the complaint is eligible for the appropriate scheme. When there is a clear early challenge or lack of clarity, the customer is alerted. Not all cases receive a formal eligibility assessment. All cases are continuously evaluated during case assembly by the allocated customer champion and the case assessor. Only those cases where there is uncertainty regarding eligibility will undergo a formal eligibility assessment by a case assessor.

After a case has received a formal eligibility assessment from a case assessor, the case may be subject to appeal by either party.

Between the launch of the BBRS and 31 December 2021, 57 cases have required a formal eligibility assessment. As formal eligibility assessments are only carried out where there are uncertainties relating to a

case's eligibility, the majority of eligibility assessments result in findings of ineligibility. This is not, however, reflective of the overall proportion of ineligible cases.

Reasons for ineligibility

The most common reason for ineligibility remains that a case may be, or may have been, eligible for – or received an outcome from – the FOS. The BBRS is not able to review cases that have been assessed by the Financial Ombudsman Service.

The second most common reason is that at the time the case was referred to the bank, the business appeared not to meet the required BBRS financial characteristics.

Please note that there can be one or more reasons affecting eligibility in any single case. As of 31 December 2021, 36% of ineligible cases had multiple reasons making them ineligible for consideration.

Concessionary cases

If a case falls outside the BBRS' eligibility criteria, the BBRS may still be able to consider the case provided that the BBRS, the customer and the bank all agree. If the BBRS is asked to consider a complaint and we believe we should be able to do so (for example, because there is a technical reason why it is ineligible), the BBRS will write to the bank, explain why we think we should consider it, and we will seek their agreement.

The BBRS looks at the option of the concessionary case process in all negative eligibility assessments.

As of 31 December 2021, the BBRS had referred 19 cases to the banks for the concessionary case process. Of these, six cases were taken forward and seven did not progress. The remainder were still under consideration.

Determinations

Both parties to a complaint can respond to a provisional determination after it has been issued. Any responses to the provisional determination will be considered before the issuing of the determination.

There have so far been eleven determinations, including a range of outcomes.

The BBRS will only report on closed cases in terms of outcomes. As of 31 December 2021, seven cases had closed. Of these, one was upheld in full, five were partially upheld and one was not upheld.

Five financial awards and one non-financial award were made in respect of closed cases. This also includes any financial awards issued for distress and inconvenience, regardless of whether a complaint was substantively upheld.

Appeals

The BBRS recognises that there may still be some situations in which either a customer or the bank they are complaining about feels there is more to be considered about the case. In such instances, a customer may wish to appeal the whole or part of a determination. It is also possible to appeal an eligibility decision made at any stage in the process.

Permissible grounds for appeal are:

- **Mistakes:** If there has been a clear error of fact or law in the decision being appealed.
- **New information:** If there is new evidence or information relating to the decision that has only become available since the decision was issued.
- **Non-compliance with scheme rules:** If the BBRS, in handling the case, has failed to comply with the scheme rules in a material way and this has had a significant impact on the outcome.

As of 31 December 2021, the BBRS had received 32 appeal notices in relation to eligibility assessments. This is out of a total of 57 eligibility assessments that had been undertaken to date.

This proportion of eligibility appeals relative to total eligibility assessments is higher than we anticipated receiving. Many cases were originally registered before the scheme rules were agreed and published, and the BBRS went live.

Of the 32 appeal notices that had been received as of 31 December 2021:

- Five appeal notices are being considered by an appeal panel.
- 26 were unsuccessful as they did not meet the grounds required.
- One appeal is not proceeding as it has been accepted as a concessionary case.

Mediation

Not reflected in this data are the cases using mediation as a means of resolving disputes. Since its launch, the BBRS has seen levels of trust in mediation from both banks and customers increasing. At present, two cases have left the adjudication process and are currently going through mediation. Mediation can allow greater flexibility in achieving resolution for all parties, and this will continue to be presented as an option for resolving complaints where appropriate.

Case volume

Early indications of eligibility at launch showed that the BBRS had an imperative to find complaints. As a result, the BBRS launched a customer marketing and awareness campaign which ran from July to November 2021. This encouraged SMEs to visit the BBRS website to find out if they were eligible to submit their business banking complaint.

The campaign included social media, stakeholder engagement and both paid and organic media spots. It achieved 56.45 million opportunities to see, resulting in 73,800 visits to the BBRS website which led to 200 active conversations with customers about bringing forwards complaints. Despite the success of the campaign, the number of registered complaints remains low.

Prior to the launch of the BBRS, the initial forecast was that we would see 6,000 cases registered over the first three years. This original forecast was found to be too high, in light of new research conducted by Bayes Business School. Researchers from Bayes went through three steps, beginning by estimating the number of eligible firms, followed by estimating the "bank complaint rate" and then finally estimating the potential number of current cases. This found that the BBRS should expect to receive 1,650 cases across both the historical (1,400) and contemporary (250) schemes.

Key financial performance indicators

During the year ended 31 December 2021, the BBRS operated within a budget for 2021, which was agreed with the participating banks.

The BBRS' only income for the period was the financial resource provided by the banks, with any funding not utilised being credited back to the banks at the end of the year. As such, the BBRS' income statement shows a nil net profit for the period, and the balance sheet, as at 31 December 2021, shows nil net assets.

Total expenses in finalising the set-up of the service and ongoing operating costs of the service during the year ended 31 December 2021 consisted of:

- Staffing costs of £4.129m (2020: £3.052m), consisting of salaries and benefits for all employees and Non-Executive Directors, recruitment and training.

- Professional fees and administration costs of £6.106m (2020: £19.930m) including professional services costs, legal costs, operational services, including business operations and case costs, and other administrative costs.

During 2021, the BBRS increased staff headcount and significantly reduced reliance on external advisors, which is reflected in the increase in staffing costs (an increase of £1,077m) and significant decrease in Professional fees and administration costs (decrease of £13,834m).

Future plans for the BBRS

The BBRS will continue to focus on assessing business banking complaints by providing a free and impartial alternative to legal proceedings for SMEs, giving eligible businesses the opportunity to have their complaint heard and independently reviewed.

Cases that fall just outside our eligibility criteria will continue to be considered on a concessionary basis, with early signs from the banks of an increased willingness to consider these.

The deadline for registering for the historical scheme is 14 February 2023. In the year ahead, particular focus will be placed on reaching SMEs that could benefit from this scheme. A new awareness campaign will focus on encouraging those with a long-standing banking complaint to come forward in good time.

Our purpose

To resolve disputes fairly between businesses and banks, and to promote trust in business banking relationships.

enquiries@bbrs.org



Directors' Report

The directors present their report and the financial statements for the year ended 31 December 2021.

Directors of the company

The directors who have served on the Board of the BBRs during the period under review were as follows:

Lewis Shand Smith
(Non-Executive Chair)

Mark Grimshaw
(Chief Executive Officer)
(appointed 16 June 2021)

Samantha Barrass
(Chief Executive Officer)
(resigned 17 April 2021)

Alexandra Marks CBE
(Chief Adjudicator)

John Spence
(Non-Executive Director)

Dame Janet Gaymer
(Non-Executive Director)

Lucy Armstrong
(Non-Executive Director)

Caroline Barr
(Non-Executive Director)

Stephen Pegge
(Non-Executive Director)

Chair

Lewis Shand Smith was appointed as a director of the company on 10 July 2019, and as Executive Chair with effect from 1 February 2020, transitioning to Non-Executive Chair with effect from 1 February 2021.

Third-party indemnity provisions

Qualifying third party indemnity provision for the benefit of one or more director of the company was in force during the financial period.

Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable

steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditors

We, the directors of the company who held office at the date of approval of these financial statements as set out above each confirm, so far as we are aware, that:

- there is no relevant audit information of which the company's auditors are unaware; and
- we have taken all the steps that we ought to have taken as directors to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, MHA MacIntyre Hudson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

By order of the Board

Signed by Mark Grimshaw,
Director and Chief Executive Officer

Date: 24 May 2022

Company Registered Number 12096333

Auditor's Report

Independent Auditor's Report to the Members of the Business Banking Resolution Service

Opinion

We have audited the financial statements of the Business Banking Resolution Service (the 'company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021, and of its profit/loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the

directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included critical reviews of budgets and forecasts provided.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either

intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management and those charged with governance around actual and potential litigation and claims.
- Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations.
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.
- Reviewing minutes of meetings of those charged with governance.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stuart McKay BSc FCA DChA
(Senior Statutory Auditor)



for and on behalf of

MHA MacIntyre Hudson
Statutory Auditor
London, United Kingdom

Date: 27/05/2022



Business Banking Resolution Service

Year Ended 31 December 2021
Financial Statements

Business Banking Resolution Service

Year Ended 31 December 2021 - Statement of Comprehensive Income

		Year Ended 31.12.21	Period 10.07.19 to 31.12.20
	Note	£000	£000
Turnover	2	10,235	22,982
Cost of sales		-	-
Gross profit		10,235	22,982
Administrative expenses		10,235	22,982
Operating profit		-	-
Profit before taxation	3	-	-
Profit for the year/period		-	-

There were no recognised gains and losses for 2021 or 2020 other than those included in the Statement of Comprehensive Income.

There was no other comprehensive income for 2021 (2020: £Nil).

The notes on pages 19-22 form part of these financial statements.

Business Banking Resolution Service

Year Ended 31 December 2021 - Balance sheet

		31.12.21	31.12.20
	Note	£000	£000
Current assets			
Debtors	4	1,345	8,976
Cash at bank and in hand		4,668	1,660
		6,013	10,636
Creditors: amounts falling due within one year	5	(6,013)	(10,636)
Net assets		-	-
Capital and reserves			
Profit and loss account		-	-

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf by:



Mark Grimshaw
Director and Chief Executive Officer

Date: 24 May 2022

Company Registered Number 12096333

Business Banking Resolution Service

Year Ended 31 December 2021 – Statement of Cash Flows

		Year Ended 31.12.21	Period 10.07.19 to 31.12.20
	Note	£000	£000
Cash flow from operating activities	6	3,008	1,660
Net cash flow from operating activities		3,008	1,660
Net increase in cash and cash equivalents		3,008	1,660
Cash and cash equivalents at 1 January 2021		1,660	-
Cash and cash equivalents at 31 December 2021		4,668	1,660
Cash and cash equivalents consists of:			
Cash at bank and in hand		4,668	1,660
Cash and cash equivalents at 31 December 2021		4,668	1,660
Analysis of changes in net debt			
	01.01.21	Cash flows	31.12.21
	£000	£000	£000
Cash and cash equivalents	1,660	3,008	4,668
Total net cash	1,660	3,008	4,668

Business Banking Resolution Service

Year Ended 31 December 2021

Notes to the financial statements

1 Summary of significant accounting policies

(a) General information and basis of preparation

The Business Banking Resolution Service is a company limited by guarantee incorporated on 10 July 2019 in England and Wales. The address of the registered office is given in the company information on page 2 of this report. The nature of the company's operations and principal activities is dispute resolution.

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' (FRS 102) and the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are presented in sterling which is the functional currency of the company and rounded to the nearest £000.

These financial statements are for the year ended 31 December 2021, and comparatives are for the period from 10 July 2019 to 31 December 2020.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

(b) Debtors and creditors receivable/payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in other administrative expenses.

(c) Leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

(d) Turnover

UK income is recognised at the point where eligible expenditure has been incurred and there is the ability to recharge such expenditure to the company's funders.

(e) Employee benefits

When employees have rendered service to the company, short-term employee benefits to which the employees are entitled are recognised at the undiscounted amount expected to be paid in exchange for that service.

The company operates a defined contribution pension plan for the benefit of its employees. Contributions are expensed as they become payable.

Termination benefits are recognised as an expense when the company is demonstrably committed to incurring the expense. The amount recognised is the company's best estimate of the expenditure required to settle the obligation at the reporting date.

(f) Going concern

The directors have assessed the use of going concern basis of accounting and have considered possible events or conditions that might cast significant doubt on the ability of the company to continue as a going concern including the impact of COVID-19. The directors have made this assessment for a period of at least one year from the date of the approval of these financial statements. Based on the commitments from the BBRS's funders to continue supporting the service, the directors have concluded that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing these financial statements. The directors are not aware of any post balance sheet events which would have a material impact on these financial statements.

(g) Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Although these estimates are based on management's best knowledge of the amount, event

or actions, actual results may ultimately differ from those estimates.

The critical estimates and assumptions in applying these policies are as follows:

The BBRS will be registering for VAT, which will be effective for the year ended 31 December 2021. These financial statements for 2021 have been amended for the retrospective impact of VAT registration.

2 Turnover

The analysis of turnover by activity and geographical area is as follows:

	Year Ended 31.12.21	Period 10.07.19 to 31.12.20
	£000	£000
UK income	10,235	22,982

The UK income comprises funding of the administrative expenses, which consist of (1) £4.129m (2020: £3.052m) of staffing costs, including salaries and benefits for all employees and Non-Executive Directors, recruitment and training; (2) professional fees and administration costs of £6.106m (2020: £19.930m), including professional services costs, legal costs for the BBRS and SME organisation, operational services, including business operations and case costs for the Live Pilot, and administrative costs.

3 Profit before taxation

Profit before taxation is stated after charging:

	Year Ended 31.12.21	Period 10.07.19 to 31.12.20
	£000	£000
Auditor's remuneration	20	23
Operating lease rentals	193	240

4 Debtors

	31.12.21	31.12.20
	£000	£000
Trade debtors	1,323	6,897
Prepayments and accrued income	22	2,079
	1,345	8,976

5 Creditors: amounts falling due within one year

	31.12.21	31.12.20
	£000	£000
Trade creditors	90	8,084
Other tax and social security	846	139
Accruals and deferred income	5,077	2,413
	6,013	10,636

6 Reconciliation of profit to cash flow from operating activities

	31.12.21	31.12.20
	£000	£000
Profit for the year/period	-	-
Operating profit	-	-
(Increase)/decrease in debtors	7,631	(8,976)
Increase/(decrease) in creditors	(4,623)	10,636
Cash flow from operating activities	3,008	1,660

7 Leases

Total future minimum lease payments under non-cancellable operating leases are as follows:

	31.12.21	31.12.20
	£000	£000
Not later than one year	182	13
	182	13

8 Directors' remuneration

	Year Ended 31.12.21	Period 10.07.19 to 31.12.20
	£000	£000
Remuneration	1,284	1,378

1 (2020: 1) director was accruing pension benefits under a defined contribution pension scheme.

The emoluments (excluding pension contributions) of the highest paid director included above was:

Pension contributions for the highest paid director totalled £nil (2020: £nil). A total of £39,000 (2020: £54,000) was expensed in respect of employer contributions to director's pension schemes.

9 Staff costs

The average monthly number of employees, including directors, during the period was as follows:

	Year Ended 31.12.21	Period 10.07.19 to 31.12.20
	£000	£000
Directors	8	8
Management and administration	25	6
	33	14

Staff costs including directors' remuneration, were as follows:

	Year Ended 31.12.21	Period 10.07.19 to 31.12.20
	£000	£000
Wages and salaries	3,020	2,095
Social security	408	239
Other pension costs	257	147
	3,685	2,481

During the year, one member of staff's employment at the company was terminated and they received a non-contractual termination payment. The payment was made in full during the year.

10 Pensions and other post-retirement benefits

The company operates a defined contribution pension plan for its employees. The amount recognised as an expense in the period was £257,000 (2020: £147,000).

11 Related party transactions and key management personnel

There are no related party transactions in the period.

Key management personnel are considered to be the Directors and Non-Executive Directors only and their remuneration in the period is as stated in note 8 above.

Customer Experience

We understand that submitting a complaint can be stressful for many of our customers and we endeavour to support them as much as possible during that time. All customers are assigned a customer champion to assist them. The customer champion is the main contact point at the BBRS for customers and banks.

Customer champions help customers to gather all relevant information and evidence about their complaint. They also notify the bank when to provide their comments and material in response, in readiness for the case assessor to use for resolving the dispute.

Customer champions can also identify opportunities when more informal dispute resolution methods might be suitable and can suggest potential courses of action to both parties.

Customer champions have experience supporting customers in a professional, empathetic, and courteous manner – especially in instances where potential vulnerability exists – and they help navigate customers throughout their case to resolution.



Preferred channels for customers

55% of those surveyed agreed, or strongly agreed, the application process was simple to complete. However, 71% of customers surveyed at the complaint registration stage told us they were able to complete the application process via the online portal without needing support from the BBRS team. This demonstrated that most customers were able to use the online portal to register their complaint with relative ease.

Customers can also call the BBRS and speak to us over the phone to set up a complaint. This ensures customers have access to our service in the way that suits them best.

When we asked customers about the process of submitting documents via the online portal, 44% of them agreed, or strongly agreed, that the process was simple. The BBRS has since made many improvements to the system to make it easier for customers to manage their cases and we will continue to act on customer feedback.

Alongside the online portal, customers may submit documents via post or email, if necessary, which are uploaded to the online portal by the BBRS team.

The BBRS is always happy to make reasonable adjustments for any customers who may need them.

Decisions

There is limited data from this stage of the customer journey.

We received less survey participation as customers progressed further along the complaint adjudication process. This is likely due to reduced motivation to provide feedback as customers had received an answer about their complaint from us. This is why we ask for feedback throughout the process.

Achieving resolution

Where a case needs to be resolved through the BBRS making a binding decision, one of our case assessors will investigate the case, consider all the relevant evidence, and reach a decision. This investigative adjudication process results in a determination that is presented to both the customer and the bank. The banks have not refused to pay any recommended awards to date.

Since its launch, the BBRS has seen a gradual and growing interest in other means of dispute resolution from both banks and customers, including settlement, mediation and conciliation. The BBRS will continue actively promoting non-adjudicative alternative dispute resolution moving forward. Currently formal adjudication remains the most common form of resolving disputes, however, we are seeing increased interest from banks and customers for less formal and more flexible approaches.

Service complaints

It is important to us that we deliver good customer service, ensuring that we uphold our principles of independence, empathy and understanding. When things do go wrong, we want to make it right and ensure that we learn from our mistakes and make improvements.

As of 31 December 2021, we received eleven service complaints. Some related to the communications from when customers had initially registered with us for our live pilot in early 2020. The long period of time between some customers' registration of details and our go-live with final, agreed scheme rules has understandably been the cause of frustration.

Several service complaints fell outside the scope of our service complaints policy. These related to the outcome or decision within their case; or a policy of the BBRS. We are keen to ensure that feedback on the BBRS' policies is shared through the appropriate forum and continue to signpost customers to the SME Liaison Panel's webform so that this information can be considered in the right way.

Customer champion service

The main point of contact for customers on their complaint journey is their customer champion.

Customer champions have wide experience in case handling and understand the relevant dispute resolution mechanisms that are available at the BBRS. They help customers to understand the eligibility requirements of the scheme, perform case assembly, and have experience dealing with queries in a professional, empathetic, and courteous way. This is especially important where there is potential vulnerability. Customer champions also help navigate customers throughout their case to resolution.

When the BBRS asked customers about the level of support they received from their customer champion, 76% of those surveyed felt they had received a great deal of help in setting out their complaint. The remaining 24% felt the customer champion had somewhat helped them. No respondents felt they had little or no support from their customer champion.

This demonstrated the positive impact customer champions have had on the customer journey.



Employee Engagement



The BBRS has developed an in-house case assessment capability and a range of corporate functions. This ability was developed when consultants and advisors who developed the scheme transitioned to an in-house team when the service went live in February 2021.

The BBRS has invested in several training areas including customer relations, countering bias, mediation and social media. The BBRS has also dedicated time and resource to meet the compliance standards of a customer organisation that handles sensitive data.

The scheme was developed and launched during the Covid-19 pandemic with the full customer journey available on a remote basis. This is testament to the

dedication of the BBRS and supplier teams. The BBRS maintains a close working relationship with the Centre for Effective Dispute Resolution, with colleagues from both institutions meeting regularly, both in person and virtually.

The BBRS conducts regular staff surveys to understand staff wellbeing. More than 80% of the staff feel that they have a good work-life balance, despite the challenges of working in dispute resolution. More than 90% understand, understand well or completely understand the mission of the BBRS. Overall, staff believe the values of the BBRS remain at the centre of what we do, with staff recognising the importance of providing an accessible and transparent service, with determinations based on what is fair and reasonable.

Report from SME Liaison Panel Chair

The SME Liaison Panel was set up to provide the BBRS with an ongoing independent assessment of how issues and concerns of the SME community are being addressed. It provides a two-way feedback loop between SMEs and the BBRS on key issues. The panel exists to facilitate mutual consideration of changes which can be made to policy, practice, and customer service to assist SME customers of the BBRS. The objective is to ensure that the BBRS succeeds in providing a complaints resolution service in which SMEs can have confidence.

I was appointed Chair of the SME Liaison Panel in February 2021. I was pleased to be able to recruit a strong, independent, and diverse panel – comprising representatives of SME stakeholder groups, SME entrepreneurs, and lawyers with experience of representing SMEs in cases involving the banks. My recommendations for the panel were approved by the BBRS board in July 2021. The membership of the panel can be found on the BBRS website.

COVID has prevented in-person meetings, but the panel has held several virtual meetings, some of which have been attended by BBRS's Chief and Deputy Adjudicators and members of the BBRS's executive team, and has engaged in extensive online discussions.

Given the long and fraught history behind the establishment of the BBRS, the panel's initial focus has been upon seeing whether the promise held out by BBRS – that the historic injustices suffered by some SMEs at the hands of the banks, as identified in the Walker Report – is fulfilled, and that new complaints can be dealt with fairly and effectively. Our concerns have focused on the following areas:

1. What the emerging data tells us about how the BBRS is dealing with complaints, particularly historical complaints. There is evidence from stakeholders that some historical complainants feel frustrated and disappointed with their BBRS experience, but the data currently available from the BBRS makes it hard to analyse this issue. A working group of the liaison panel has discussed this issue with the BBRS, and proposed improvements to the data to enable us to assess the issue. The panel will be discussing this further with the BBRS.
2. Whether the eligibility rules, and the system for concessionary cases, are working as intended – there is a concern that they may not be.
3. The panel is particularly concerned that the banks appear to have an effective veto on any changes to the scheme rules. The panel proposes to explore with the BBRS and the banks how changes could be taken forward.

4. The BBRS has undertaken part 1 of a Post Implementation Review, to review how the BBRS was established. The panel proposed changes to the review's terms of reference, since it was concerned that they failed to encapsulate a review of the legitimate expectations of SME stakeholders. These proposals were not accepted, but the panel agreed to give evidence to the review on the basis that its reservations about the review's scope were clearly registered. The panel is now considering the review report, and will discuss its continuing concerns with the BBRS.
5. Members of the panel have worked with the BBRS to improve the targeting of communications to minority groups.

All these issues are unresolved at the time of writing this report. The panel has expressed its concerns to the BBRS robustly but proposes to work constructively and openly with the BBRS to find resolutions, using evidence gathered from stakeholders and stakeholder groups.

Antony Townsend
Chair of the SME Liaison Panel

Report from Bank Liaison Panel Chair

The Bank Liaison Panel was established as an independent and transparent advisory body to the BBRS. It provides a two-way feedback loop between the BBRS and member banks by facilitating discussions on key issues facing SMEs in accessing finance from member banks.

The Panel's objectives are to:

1. Consider emerging trends, issues, and areas of concern regarding access to finance and treatment of SMEs.
2. Make recommendations to the BBRS on identified issues and areas of concern, so that these areas can be addressed early and effectively.
3. Ensure there is an ongoing dialogue between the BBRS, member banks and other stakeholders, including the SME Liaison Panel.
4. Provide ongoing independent assessment of how identified issues and concerns are being addressed.
5. Facilitate learning from previous complaints to inform the handling of future complaints.
6. Provide a two-way feedback loop between member banks and the BBRS to encourage dialogue on, and understanding of, key issues and changes to policy and practice that may be of relevance

in the context of the operation of the Scheme, including with a view to improving customer service and meeting the needs of stakeholders.

The Bank Liaison Panel has met twice since the creation of the BBRS. It comprises representatives of member banks and observers from UK Finance. It draws expertise from within member banks on resolving customer complaints and understanding SME business banking. The Chair of the SME Liaison Panel and representatives from the BBRS Executive have attended Panel meetings to share information, including insights from BBRS research and complaints data.

Members have brought to the BBRS areas they believe are of concern to SMEs, and, together with BBRS research findings, this has resulted in the Panel prioritising the following areas for further investigation:

1. Customer service.
2. Transparency of fees.
3. Care and understanding of the customer.

It is important the members comply with competition law, and to avoid any possible breaches, the BBRS will work bilaterally with Panel members to undertake deep dives into these areas of concern. This will enable open dialogue,

and greater learning of customer experiences that member banks can draw on to improve their services to SME customers.

The Panel is committed to learning from the experiences of past complaints and welcomes dialogue with the Chief and Deputy Chief Adjudicators. Members inform the BBRS of developments that may present risks to different sectors, and this in turn enables the BBRS to plan for its contemporary caseload. The Panel looks forward to working with the BBRS and the SME Liaison Panel to improve the service member banks provide to SMEs.



Caroline Barr
Chair of the Bank Liaison Panel

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