

UK SMEs International Payments Analysis

Banks charge UK SMEs £4bn in hidden money transfer costs per year

UK SME trade is increasingly international

The UK SME sector is growing and increasingly international in its focus. For UK SMEs, international trade is worth over £700bn annually.

£700bn+

International trade is worth over £700bn.

£365.3bn

Trade with EU countries amounted to £365.3bn in 2014.

50%

of all UK SME imports & exports are with EU countries.

9.8%

of all UK SME imports & exports are with the USA.

129% increase

SMEs doing business in at least six countries is forecast to jump by 129% in the next three years.

Up to 66% growth

SMEs expect international revenues to grow from 40% to 66% in the next three years.

Banks charge UK SMEs £4bn in hidden money transfer costs per year

UK SME banking is dominated by the big four banking groups. The majority of SMEs still use their banks for making international payments.

The six banks surveyed (Barclays, HSBC, Lloyds, NatWest, RBS and Santander) charge average fees of 2.43% of the value transferred. This equates to £3.96bn in transfer costs for payments just to the EU.

85% of SMEs

bank with the 4 largest UK banking groups¹.

3.71% (£1,856)

Cost to convert £50,000 to Euros using the most expensive bank.

2.43% (£1,215)

Average cost to convert £50,000 to Euros.

£3.96bn

Total annual cost of payments made to the EU alone.

£2.70bn

Amount that SMEs could save by using the best alternative providers.

¹ Royal Bank of Scotland Group (including NatWest), HSBC, Lloyds Bank Group and Barclays - 'Banking services to small and medium-sized enterprises' - a CMA & FCA market study - 18 July 2014.

International payments services offered by the banks lack transparency

UK banks provide limited transparency on currency exchange rates, spread costs and delivery times (when payments will arrive at their destinations).

Each bank generates its own exchange rates. Mid-market rates and total costs are not visible to customers. Final exchange rates may not be available prior to confirming the payment. Banking platforms provide very limited information about when payments will reach their destinations.

This lack of transparency makes it very difficult for SMEs to make informed decisions.

96%

of the cost of an international payment is hidden in the currency spread.

80%

of SMEs don't know the true cost of international payments through their banks.

0%

of banks are showing the mid-market exchange rate.

0%

of banks are displaying total transaction costs, including the currency spread cost.

And they lack the functionality which SMEs deserve

The online payments services provided by banks are limited in their utility and do not provide tools and functionality which are of value to SMEs.

The best payment services empower their users by providing relevant data and reporting, integrating with existing financial applications and improving workflow.

Conclusion

Using the major banks to make international payments is expensive and opaque. Alternative global payments platforms such as **Money Mover** provide significantly more transparency and functionality at materially lower costs.

UK SMEs should make it a strategic priority to optimise the way they manage their currencies when trading internationally.

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Methodology and approach

Money Mover commissioned Account to research international payment and transfer costs incurred by small and medium-sized enterprises (SMEs). During September and October 2015, Account tested the international payment services provided by six major UK banks as part of their online banking services for small and medium-sized business customers.

Account tested each bank across a range of transaction sizes and currency pairs and gathered information about the fees charged and the currency spread² applied to each payment.

² The currency spread is the difference between the exchange rate available to the bank (the 'interbank rate') and the exchange rate which it offers its customers.