



MONEY  
MOVER

UK SME 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 is increasingly international in its focus. For UK SMEs, international trade is worth over £700bn.

The Eurozone is the UK's largest trading partner, but non-EU trade has grown rapidly in recent years. The USA is the UK's second largest trade partner, accounting for 9.8% of international trade, with China hot on its heels.

More recently SMEs have developed an international mind-set. Research from Oxford Economics reveals that SMEs expect international revenues to grow from 40% to 66% in the next three years, while those doing business in at least six countries will jump 129%.

### £700bn+

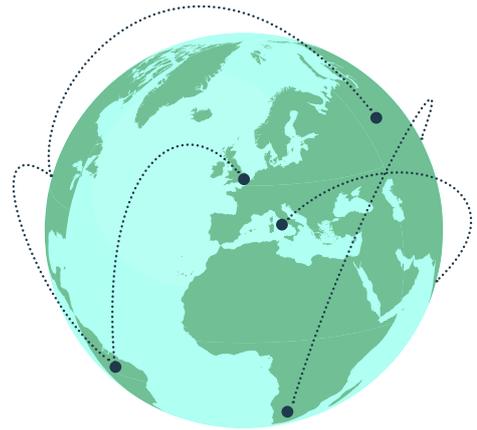
International trade is worth over £700bn.

### Up to 66% growth

SMEs expect international revenues to grow from 40% to 66% in the next 3 years.

### 129% increase

SMEs doing business in at least six countries will jump 129% in next three years.



## Europe is the primary trading market for UK SMEs

Despite the fact that trade with non-EU countries has been growing much faster than trade with EU countries in recent years, trade with the EU still makes up the majority of international business for UK SMEs.

50% of all imports and exports are with European countries, amounting to £365.3bn in 2014.

Germany is the UK's single largest trade partner and accounted for trade worth £90.8bn (12.5% of total trade).

### 50%

of all UK business imports and exports are with European countries.

### £365.3bn

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



## SMEs primarily transfer money abroad using their banks

Whether for import or export, fees associated with currency transfers and foreign payments represent a major cost for SMEs.

The problem is that most SMEs still use their bank for sending and receiving international payments. UK banks are overcharging and underserving their SME customers when it comes to international payments, yet the UK's SMEs represent a significant part of the national economy and are an important growth engine.

A survey of small businesses found that more than 80% didn't know the true cost of foreign exchange through their banks, which charge between 3% and 6% for money transfers. 43% of the respondents said they would find international trading more attractive if foreign exchange fees were more transparent and easier to understand.

### Key issues

#### Cost

Banks can charge up to 4% for money transfers, some even higher.

#### Transparency

It is almost impossible to compare prices, the final cost may be different to the one agreed, and fees/spreads are hidden.

#### Utility

International payments services from banks are extremely difficult to integrate into financial workflows providing small businesses with a major headache.

### Key stats

#### 80% of SMEs

Don't know the true cost of foreign exchange through their banks.

#### 43% of SMEs

Would find international trading more attractive if FX fees were more transparent.



## Banks are underserving and overcharging UK SMEs

A study of the six major UK banks by payments consultancy Account, commissioned by Money Mover, the online business currency exchange and international payments service dedicated to SMEs, found that these banks are underserving and overcharging SMEs. The analysis focused on three key areas:

### Cost

A typical SME transfer of £50,000 into Euros will incur an average transaction cost of 2.43% (£1,215) from its bank. Of this, £1,201 is hidden within the currency spread.

### Transparency

The total costs of international payments are hard to deduce. In general, the SME must either already be a bank customer or must make the actual payment first in order to deduce the total transaction cost. This makes it very difficult to compare the banks in terms of the costs they apply, and therefore choose the lowest cost provider. Furthermore banks are not transparent about settlement and delivery dates.

### Utility

UK banks' currency transfer services are not only opaque in calculating and comparing transaction costs – they also provide very little in the way of utility for their customers. SME customers could benefit hugely from payments applications which are designed to meet the specific requirements of their sector.

## Banks hide foreign exchange rate spreads which make up the majority of the fees they charge

The currency spread applied by a bank is an arbitrarily determined margin on the exchange rate they receive from the money markets (the interbank rate). Each bank generates its rate using internal systems which are closed to customers. This hidden rate difference between the bank rate and the mid-market rate is where they generate their profits. The SME will never see this charge, as the banks never break it out.

In total, UK banks charge SMEs nearly £4bn in hidden fees, which is around £2.7bn more than they would pay with the best independent service providers.

	Best Bank	Average	Worst Bank
<b>GBP amount</b>	£ 50,000	£ 50,000	£ 50,000
<b>EUR amount</b>	€ 67,525.67	€ 66,740.00	€ 65,945.00
<b>Bank rate</b>	1.3505	1.3348	1.3189
<b>Mid-market rate</b>	1.3714	1.3669	1.3675
<b>Fixed fees</b>	£ 25.00	£ 13.83	£ 15.00
<b>Currency spread costs</b>	1.55%	2.41%	3.68%
<b>Total costs</b>	1.60%	2.43%	3.71%
<b>Total cost of transaction</b>	<b>£ 799.76</b>	<b>£ 1,215.07</b>	<b>£ 1,855.55</b>

SMEs are paying huge hidden fees. Whereas the bank may advertise a small fixed fee this makes up only a few percent of the total transaction cost, with up to 96% of the bank's profit on a foreign exchange transaction being hidden within the spread.

The most expensive bank surveyed for this report charges a currency spread of 3.68% of the transaction value on a £50k transaction.

It appears that the UK's major banks are collectively failing to give SMEs the information and transparency that they need to make intelligent and informed decisions. This lack of transparency is not only unfair and uncompetitive, it is also a significant – but hidden – overhead for SMEs doing businesses overseas. It is effectively a tax on international trade.

In total UK banks charge nearly £4bn in hidden fees.

They make more than £2.7bn extra in fees over the best alternative providers.

The most expensive bank charges 3.68% in hidden spread costs.



over  
**96%**  
of a bank's profit on a  
£50k transaction comes  
from the currency  
spread cost

## What is the solution?

SMEs should look at alternative, independent providers that deliver equivalent services to their bank but provide the transparency, utility and cost-effectiveness they need. Independent providers such as Money Mover show their customers exactly what they are paying in fees and provide definitive figures for the currency amounts to be transferred.

Money Mover charges a percentage fee for each transaction based on the amount transferred and that's it. Customers see exactly the rate they're getting, the fees they're paying and the final transfer amount before they make payment.

Money Mover has built a payments application specifically for SMEs. It understands what its customers need from such a service, how they wish to use it, and provides the tools, reporting and functionality that they need. It connects with the systems that they already use, reducing errors due to 'double-keying' and streamlining the process.

In an increasingly globalised economy, it's time for businesses to look elsewhere for better currency transfer services that are more transparent and easier to use – and which give them a better deal.

### Single fee for each transaction

Money Mover charges a single fee for each transaction, which is linked to the size of the payment and is clearly displayed.

### Fully transparent final cost and exchange rate

Customers see a final figure and the rate before making payment; they know exactly how much money will end up with the recipient.

### Powerful web app for international payments

Through its web application, Money Mover provides a suite of tools and functionality which assists SMEs and their advisers to make and manage international payments and transfers.

“The reason we get out of bed in the morning is to help make our clients richer – and this is a great way for us to add value. The first client we referred to Money Mover was being charged an average of 3.6% of each payment in exchange rate spreads alone. Money Mover immediately cut this to 0.9% - over a twelve month period this marks a significant saving for any business.”

Paul Reid, Founder, Resolve Business Solutions

“Money Mover’s success in bringing a new technology-led financial product to its clients is indicative of the incredible talent that is emerging from the alternative finance sector. Britain has become the undisputed global centre of sustainable financial services and technology innovation and Money Mover’s achievement shows the tremendous business opportunities that exist for fintech entrepreneurs across the UK.”

Claire Cockerton, CEO of Innovate Finance and technology ambassador for the Mayor of London

---

Get in touch with us to find out what we can do for your business

**MONEY  
MOVER**

**Hamish Anderson**  
Founder, CEO

+44 (0) 1223 928 030  
[hamish@money mover.com](mailto:hamish@money mover.com)

