TURNING A CORNER:
Turnaround, signposting, and supporting business customers in difficulty

A report by The Institute for Turnaround and The Lending Standards Board

TURNING A CORNER:
A MESSAGE FROM THE CEO, THE INSTITUTE FOR TURNAROUND

IFT Members are highly experienced business leaders who have a proven track record in resuscitating troubled but viable businesses. They are bound by a code of conduct and therefore work to high professional standards. Their skills deliver outcomes and provide certainty for all stakeholders – owners, investors, lenders, employees, and the economy. However, IFT Members are not just focused on immediate rescue measures, they are skilled at finding the underlying value in a business and ensuring its sustainability beyond their departure.

As the COVID-19 pandemic pushes more businesses to the edge of insolvency, the skills and experience of IFT Members is more important than ever. Even for the most successful business and management team, COVID-19 has created an unprecedented challenge beyond their control. However, by engaging with professional turnaround advice early, many stressed businesses will be able to reverse their decline and prosper, even in these complex and challenging times.

At The IFT, we encourage greater use of turnaround as an informal and essential means of avoiding unnecessary business insolvency. That is why we hope this report broadens understanding of turnaround and highlights the important relationship between our corporate partners and Members.

Milly Camley

CEO, The Institute for Turnaround

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TURNING A CORNER:
A MESSAGE FROM THE CHIEF EXECUTIVE, THE LENDING STANDARDS BOARD

The Lending Standards Board's mission is to drive fair outcomes for personal and business customers in financial services through independent oversight of the Standards and Codes for which we are responsible. Our Standards of Lending Practice for business customers provide protection for SME customers with a turnover of up to £25 million and have been formally recognised by the Financial Conduct Authority (FCA).[1] As SMEs face unprecedented challenges and uncertainty as a result of the coronavirus pandemic, these protections are now more important than ever.

The Standards outline the way registered firms are expected to deal with their customers throughout the entire product life cycle, from the initial design stage and first engagement through to collections and recoveries. An important aspect of the Standards is to promote the support of SME customers in financial difficulty and this includes signposting to turnaround experts where appropriate. This should be done in a timely manner so the customer is given the opportunity to work with third-party support and implement steps to bring the business back to a sound financial footing.

It is vitally important that both registered firms and the wider lending industry continue to support SME customers during this challenging time. By considering how they support those most in need by signposting to external support, firms increase both the likelihood of good outcomes and the number of SMEs that will continue to trade and prosper long into the future.

Emma Lovell

Chief Executive, The Lending Standards Board

[1] FCA, FS20/1: Recognition of Codes

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STRUCTURE

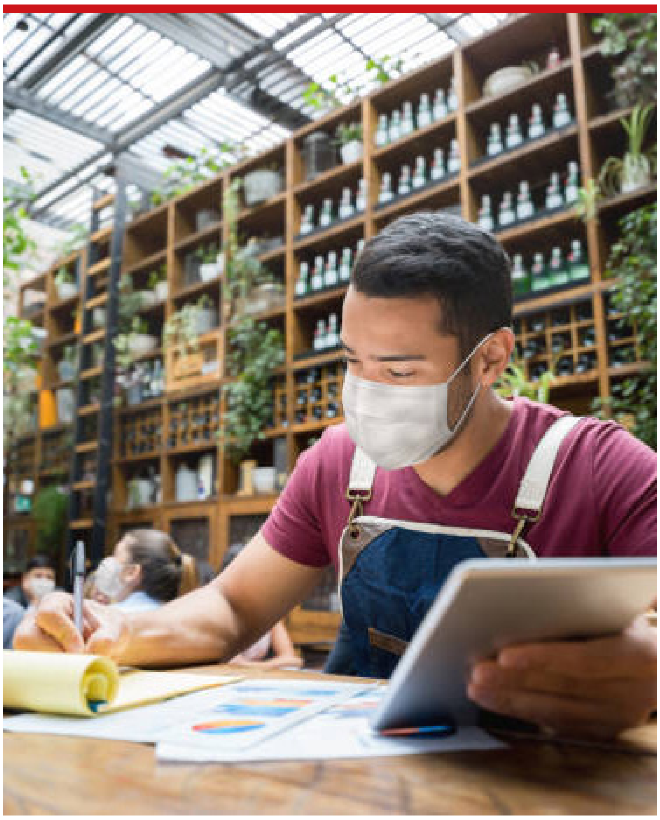
This report is split into two parts. The first is authored by the Institute for Turnaround (IFT) and focuses on explaining what turnaround is and its benefits to both individual firms and the wider economy.

The second section, produced by the Lending Standards Board (LSB), explains the importance of having established governance structures and processes for banks and other lenders in relation to signposting to turnaround.

THE INSTITUTE FOR TURNAROUND
INTRODUCTION

BIG-PICTURE FACTORS

Recent headlines have made difficult reading for the UK's small and medium-sized firms. A range of trusted sources have provided varying estimates of how many SMEs are currently under threat from the ongoing effects of the pandemic, with statements and reports from the early part of this year painting a grim picture. Figures from the banking industry trade association UK Finance showed that SMEs borrowed twice as much money in the first three quarters of 2020 as they did in the whole of 2019. Gross SME lending from the beginning of January last year to the end of September hit a total value of around £54 billion. Some 620,000 SMEs were in a state of "significant distress" in Q4 of last year, up by 76,000 on the previous quarter – that is according to RealBusinessRescue.co.uk, a website set up by specialist advisers Begbies Traynor.[2] Its research puts the number of jobs under threat in the affected firms at 2.8 million.



By any gauge, the black swan of Covid-19 has taken a heavy toll on the UK's SMEs. It is a climate that has significantly increased the burden of daily challenges that SMEs face. Some firms may find it beneficial to seek advice from turnaround professionals even if they are not in full-blown distress.

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[2] Begbies Traynor, The Business Distress Index

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WHAT IS TURNAROUND?

Put simply, turnaround is the process of restoring a business's long-term health and viability. That may involve freeing the firm from the effects of inefficiencies that are hampering its ability to thrive or rescuing it from outright distress.

When a business is underperforming, it runs the risk of slipping into full-blown distress. A business in distress faces the prospect of insolvency: a winding up of its activities and outputs, and the dispersal of its material assets and employees. In either case, the business in question has come to a 'fork in the road' moment. The more desirable path it can take is turnaround. This will provide the business with an opportunity to harness the insights and expertise of specialist advisers who are able to help the owners identify why their company is stressed or underperforming and recommend and implement a programme of appropriate solutions.

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TRIGGERS FOR TURNAROUND

In its May 2020 report Unlocking Value, Saving Jobs: The Contribution of Turnaround to Business and People, the Institute for Turnaround (IFT) set out three defining hallmarks of a firm in need of turnaround expertise:

1. **Stressed not fatal** Any firm that lies on a spectrum from underperformance to distress.

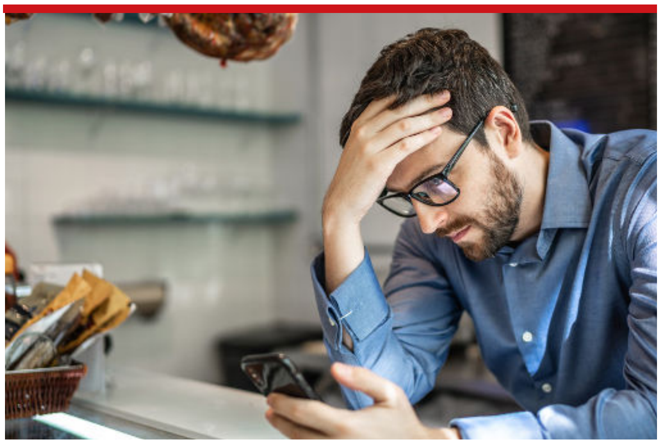
2. **Decline and fall** Failure to reverse the firm's decline will lead to its overall failure as a business.

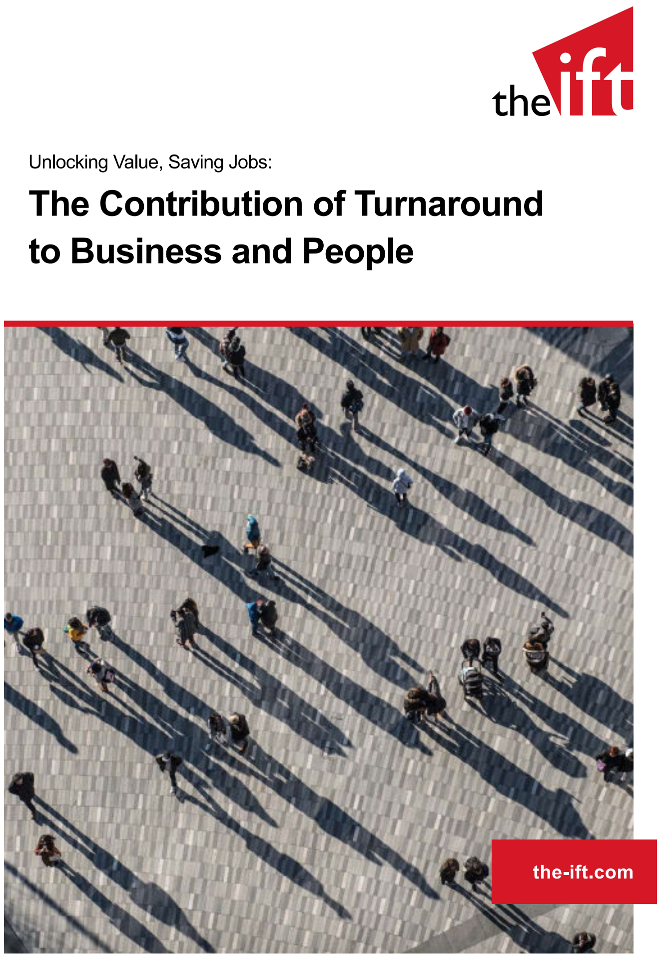
3. **A viable future** If the firm can overcome its immediate troubles, it has a good chance of succeeding in the medium to long term.

It is within the decline stage that we find some clues about which sorts of problems turnaround professionals investigate and work on.

Some of the factors that cause a firm's decline may be external such as

- a disruptive competitor
- a destructive event
- new regulations changing the operating environment
- macroeconomic developments affect customers' buying habits
- supply chain disruption





While those factors are hard to predict or control, other internal issues are within the business owner's scope to influence or change. These can be in crucial fields such as:

- Governance: inadequate procedures or lack of adherence to vital controls

- People: lack of depth or experience

- Strategic choices: overdiversification, not diversifying enough, growing too fast, misjudged acquisitions

- Financial constraints: Lack of cash, inadequate capital, high debt, expensive financing, poor budgetary controls and insufficient data

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TRIGGERS FOR TURNAROUND

HOW DO TURNAROUND PROFESSIONALS COME TO WORK WITH BUSINESSES?

Whatever the introduction to a stressed or underperforming business, for IFT members a reputation for delivery and successful track record are the basis for engagements. The foundation of success as a turnaround expert is in the situational skills briefly explained in this report, and beyond that, IFT members have often developed a track record in different sectors.

In 2021, banks play a reduced role in terms of introducing turnaround to businesses; IFT data indicates that in 2019 the largest source of referrals for IFT independent advisers was advisory firms, followed by professional networks, and then banks. In all of these areas, the aim is to avoid insolvency and get the best possible result for the business and its stakeholders.

Despite the varied routes to referral and the diversification of lending and equity providers, banks remain important in the business lending community. Since 2008, there has also been significant development of lending governance in stressed situations, which is matched by the high standards of practice set by organisations such as the IFT.

RECOMMENDING EXTERNAL ADVICE

Underperformance and distress within an SME have a significant impact upon the firm's relationship with its bank. In any case where a business's issues are casting doubt upon its long-term future, a bank will move the firm out of its 'mainstream' relationship with its day-to-day bank manager, and into a specialist support function, often termed the Business Support Unit (BSU): a part of the bank tasked with caretaking firms that are deemed to be challenged. This process may vary depending on the type and size of the bank or lender.

During the firm's time within the specialist support function – which could be up to two years – the bank may decide that the business requires specialist, independent advice that will answer the specific challenges it is facing. Beyond the banks' own governance and approach to relationship management, this is underpinned by the LSB's Standards of Lending Practice for business customers[3], which explicitly addresses customers in financial difficulty. Highlighting free resources always comes first. However, in cases where the firm's predicament is particularly complex, the bank will propose turnaround as a potential way forward. As Joanne Mountford of Lloyds Banking Group explains, where circumstances dictate 'turnaround consultants can provide intensive support to management teams; helping identify and implement actions, while often bringing an additional level of sector experience.'

Rather than imposing a solution or external advice, the emphasis is on signposting, which typically involves identifying areas where external advice may assist, signposting to sources of recognised expertise and information on advisers who have successfully supported comparable businesses facing similar issues.

For turnaround advisers, this means that the ability to demonstrate a track record of success has never been more important, nor have the wider skills in terms of objectivity and the ability to build trust and empathy, particularly in relation to SMEs.

[3]LSB, [The Standards of Lending Practice (business customers)]

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THE ROLE OF THE TURNAROUND EXPERT

As we have seen, the BSU provides a more focused environment in which business owners can break down and confront the problems within their firms.

The BSU may have identified a need and recommended external advice and provided signposting. If a business decides to engage, the contract is then between the business and the adviser. However, as we will see, the adviser will play an important role in achieving the common aim of getting the company onto the right footing financially and operationally, playing a crucial stakeholder relations role alongside providing expert advice and support.

So, over and above that arrangement, what can turnaround advisers contribute that will add value? Turnaround specialists are independent and can provide the advice and guidance BSU relationship managers cannot. This includes:

1. an in-depth knowledge of the markets in which customers are operating;

2. the capacity or capability to carry out detailed due diligence on the customer's business, in terms of analysing its commercial relationships and financial structure, and

3. the experience to provide advice on some of the key turnaround options that may be available to the customer, depending on the various factors that are impacting upon the business's performance.

Once a business engages with the turnaround process, it becomes part of a relationship between its owners, the BSU and the appointed turnaround professional(s).

Nina Warwick, former BSU banker and now independent turnaround adviser, says:"When an independent adviser is working in a business, it's important for that firm to authorise the adviser to speak to the bank. After all, the independent is engaged and paid for by the SME. So, as an independent, you can't breach that confidentiality.

Bankers have a duty of confidentiality, too. So, what you need is the SME's agreement that the bank and yourself can speak to each other. As a banker, you must encourage your SME customer to allow that communication to flow between the three parties."

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UNDERSTANDING THE BUSINESS

Business is personal – especially for SMEs, and even more so for family businesses. It is sometimes the case that SME owners can benefit from an external objective view to identify problems. Some owners may have been focusing so hard on one part of the business that they have neglected other, crucial details. For others, the cause is more emotionally complex and related to wider factors and the traditions of the business.

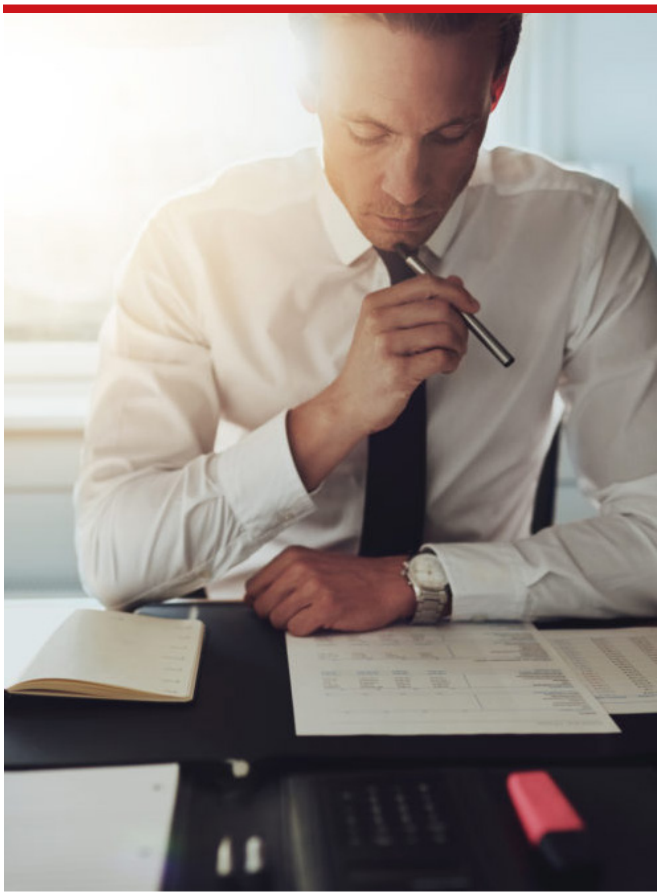
An important part of the service that turnaround professionals provide is a sensitivity to the human dimensions around troubled businesses: a particularly useful skill in an SME context. As well as being good listeners, turnaround advisers are effective negotiators who approach each new project with equal measures of honesty and empathy. And crucially, they work for the firms they are engaged to help – not the BSU.

As Kelly Jones, turnaround director at Kingsgate UK, puts it: "the way we would describe it is that we build that vital empathy: 'Look, we're here to work with your team – not around them.'"

Andy Leeser, an independent chief restructuring officer (CRO), says that if senior executives in a firm are defensive, "that's normally because it is just who they are". However, he notes: "Others are so committed to the business that they just want the problem solved. It's about reading those types and adjusting accordingly. Some of the closest working relationships I've had have been with incumbent CEOs who started the turnaround process by being heavily criticised, but ended up being identified as part of a success."

For independent turnaround expert Ian Gray, one of his main objectives in any engagement is to leave behind valuable knowhow. "I've worked with some great management teams who say, 'fantastic – you're here. I really want to learn from you.' That shaped my approach, which focuses on skills transfer and mentoring."

Andy Leeser explains that in one recent turnaround he worked on, the CEO "had equity and was seen as the guy that everyone else relied on, especially by himself. He was 100% committed to fixing things and valued my input. He said, 'Look – you run the refinance process, but you report to me. I'll run the business itself. We will talk three times a day.' And he was happy with that. And so was I. It worked well."



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THE ROLE OF THE TURNAROUND EXPERT

A CLEAR PATH TO RECOVERY

There are typically six stages to a turnaround project:

1. crisis management;
2. stabilisation;
3. planning;
4. financial restructuring;
5. operational restructuring, and
6. running through all of the above, stakeholder management and engagement.

Before getting started, the scope of the adviser's role is defined in an engagement letter, agreed with the business.

After that, the first three stages hinge upon intensive fact-gathering and the art of creating breathing space. Andy Leeser says: "There's an early phase of every job where you're pulling all the relevant pieces of information together into an integrated whole, which helps you determine maybe two or three viable options to move forward – plus a rough outline of the 'gates' for each option. You start with the basics: how much cash have we got? How much do we need?"

He explains: "Short-term cash flow is always a great place to start. It determines the timeframe and the approach for everything else. The board needs to set priorities, with that information in front of them."

On the operational side, Ian Gray explains, a turnaround adviser's job is to help improve the client firm's underlying efficiency. "You're analysing every single part of the business," he says. "And you're saying: "That may be your business model now – but what should it look like? And how do we get from here to there?"

Turnaround professionals generally agree that financial and operational restructuring go hand in hand – indeed, in Ian Gray's view, "you can't have one without the other." Kelly Jones concurs: "financial difficulties are almost a symptom of operational woes - if you don't act to fix the root cause, all you've done is buy some time". Advisers' people skills play a pivotal role in ensuring that operational turnarounds stick. "It's vital to find within the process an unlock for tangible culture change," she says. "The new system must influence staff to behave, act and work in different ways to how they used to. Win their hearts as well as their minds, and you will make the change sustainable."

Kelly also cites overcommunication as a must. Understanding and working with stakeholders is vital: "Try to put yourselves in the stakeholders' shoes. You may find yourself in a stalemate. But the only way to unlock it is to empathise and try to work out what's driving them. Then you've got a chance of moving forward."

Indeed, stakeholder engagement is vital in getting people on board and keeping them there, as John Playfair, who works exclusively with SMEs, attests: "the way we approach it is to set out our agenda at the beginning and monitor against that. We discuss and amend as we progress and communicate with all stakeholders to achieve as much common purpose as possible."

Openness and engagement is essential: "Tell the truth – regularly and often" says Ian Gray.

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DEFINING SUCCESS

An improvement process that involves external turnaround advisers engaged by the business will involve the business, the adviser and the bank having clear means of ensuring and assessing success during the turnaround phase. This is a shared process, as Nina Warwick says: "You set a very clear plan. What are the key issues? What are the top priorities to address? How do they need to be fixed? What's the timescale for delivery? And those points are constantly reassessed."

The ultimate measure of success is simple, as Nina says: "As an independent adviser, I would measure success in the same way I would as a banker: for an SME to go back to the mainstream banking team means that the business has turned around and is on a firm footing again."

This remains true for banks, in the words of Andrew Ryder of HSBC: "The mission statement that guides our BSU is: 'The true measurement of success is the customer's rehabilitation to the mainstream banking unit.'

Given that businesses engage directly with independent turnaround advisors, Joanne Mountford of Lloyds explains that determining success is typically a matter for the business and client. However, in keeping with the comments above, Joanne adds "success for the Bank would see the customer deliver their plan and an improvement in the operational and financial dynamics of their business".

As the IFT's recent Unlocking Value report revealed, IFT members have a tangible impact on the fortunes of UK businesses and those who work in them and indicate wider success factors that impact on all of us. In 2019, assignments overseen by individual advisers in the IFT's community saved 44,000 jobs. Factor in the organisation's corporate members, too, and that figure exceeds 200,000. At the same time, IFT members' efforts unleashed £2 billion of enterprise value into the UK private sector's bloodstream. Those figures send a clear message: if troubled SMEs can be saved, they should be.

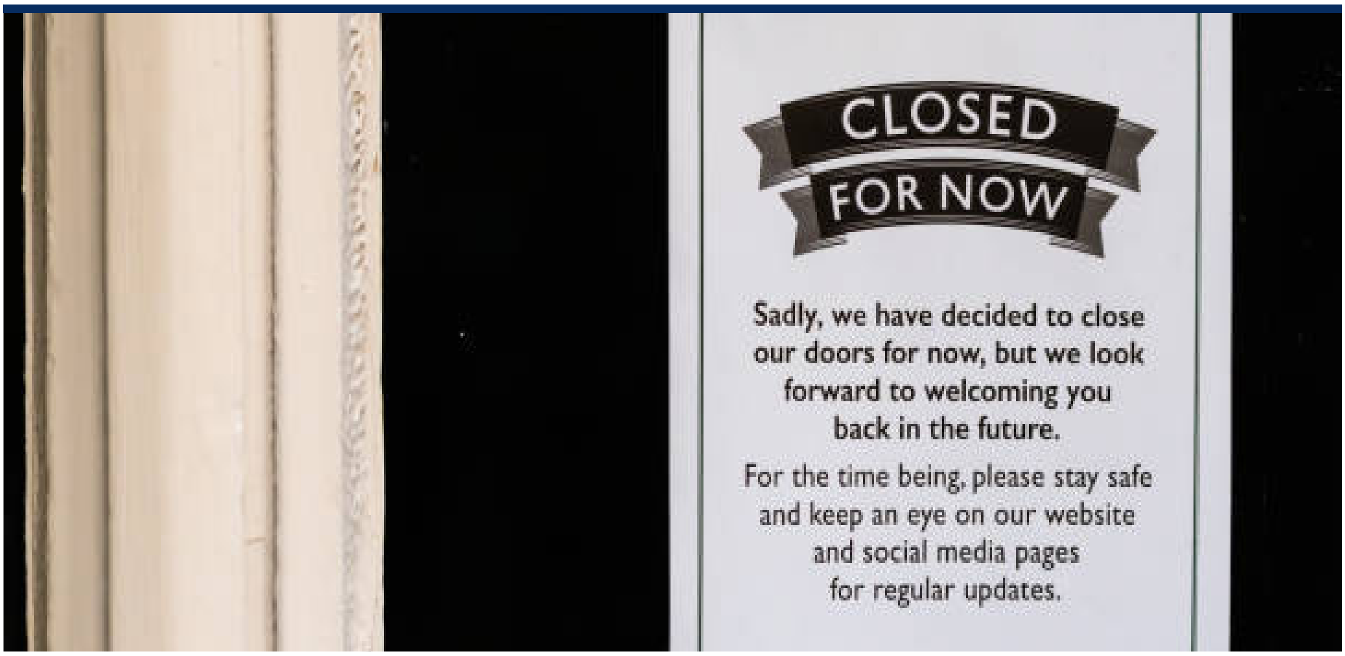
THE LENDING STANDARDS BOARD
INTRODUCTION

Signposting business customers to turnaround specialists can play a crucial role in the support firms offer SMEs in financial difficulties. By signposting customers in the right way, there is a greater likelihood of customers reaching the support they need whilst there is still time to improve the business's fortunes. There are also risks presented when it comes to signposting. Without proper governance, oversight, and training, it is possible that customers are either not signposted, are signposted inadequately, or are signposted in a way that creates risk for the firm and customer.

The opportunity to get a struggling business back on track means that successful signposting is vital. However, there is not one single approach to signposting that will work for every firm. The way signposting is delivered may vary depending on a number of factors, including those affecting both the firm and the customer. For example, the approach to training will be different for a bank with a large department involved in signposting than a boutique firm with two financial difficulties specialists. The customer's preferred method of contact may also influence how signposting is delivered.

The preceding piece by the Institute for Turnaround (IFT) set out the purpose, role, and potential benefits of engaging with turnaround specialists when there is a business need for additional support. We will now present some considerations for banks and other financial service providers in relation to signposting, focusing on the following areas:

- Governance and oversight
- Training
- Process
- Communication
- In conclusion: better signposting, better outcomes



THE LENDING STANDARDS BOARD
GOVERNANCE AND OVERSIGHT

The importance of turnaround means that registered firms[4] and other banking providers need robust governance processes in place. Good governance means that firms can be confident their staff are following established procedures and delivering good outcomes to customers. It also increases the likelihood of business customers being signposted to turnaround experts in a timely manner when there is the greatest likelihood of success. Firms can achieve this by ensuring appropriate levels of oversight are in place, including using customer journey reviews and quality assurance (QA) measures to test adherence to the process and identify areas for improvement.

CUSTOMER JOURNEY REVIEWS

Customer journey reviews can form a valuable part of the assurance and continuous development process. By looking at a sample of customers who were in difficulty and signposted to turnaround, journey reviews can see if there is any difference in success rates in relation to how and when they were signposted. By establishing the most effective way to signpost customers, firms can continually develop their processes and training to increase the likelihood of successful signposting.

Firms should consider whether customer journey reviews are currently completed and, if not, the value that they could add to the process. It is also worth considering which team or individual is responsible for completing these reviews. For example, if journey reviews form part of the second line oversight team's responsibilities, they should be scheduled within their compliance plans. It should also be clear who has responsibility for actioning any findings that arise as a result of the reviews. These steps help ensure that reviews are conducted at regular intervals and actions arising from them are put in place to mitigate any risks that were identified.

QUALITY ASSURANCE

Quality assurance reviews should not be tick-box approaches that merely check whether certain process driven elements were completed. If this is the case (for example, QA checks that just verify whether signposting was provided), it is possible that the conduct elements were not followed or that the signposting was delivered in a way that lessened the likelihood of success. Instead, QA testing should consider a range of factors in relation to the signposting process, including:

- When signposting was provided
- How it was delivered
- Whether and how it was recorded on internal systems

[4]LSB, Firms registered to the Standards of Lending Practice

THE LENDING STANDARDS BOARD
GOVERNANCE AND OVERSIGHT

QA testing should be risked based to make sure that those areas with a higher potential for customer detriment receive closer scrutiny. The importance of timely and consistent turnaround signposting should mean it is a regular feature of QA testing, with an appropriate balance of checks completed across those staff managing customer accounts. QA testing is not just there to identify failures to adhere to process or deliver good outcomes. Instead, it should form part of the continual training and development of staff.

When an issue or area for development is identified, staff should receive feedback and training to influence their approach in the future. Examples of good practice can also be shared with colleagues, whether through inclusion in training packs or in coaching sessions. QA processes should make it clear who is responsible for delivering any feedback and development, for example, whether it is the responsibility of the QA staff or line management.

QA teams should keep a record of any trends that are identified as a result of their checks and reviews. This should include in relation to signposting. Where trends are discovered, further analysis should take place to identify the cause. It may be that the reason for QA fails is down to the process; where this is the case, steps can be taken to change or improve the process to fit best practice. Alternatively, it could be that there is a training gap amongst the staff; if so, more training would be required across the department to increase staff knowledge and raise standards.

THE LENDING STANDARDS BOARD
TRAINING

The impact of coronavirus has meant that many businesses are in serious financial difficulty. This has created an increased demand on those teams tasked with supporting business customers in financial difficulties, such as Business Support Units (BSUs). To reflect this, some firms require more staff to work within these teams.

It is common for BSUs to be made of up of experienced staff who have worked in business banking for many years. It is possible that a lot of the 'in-house' knowledge is not necessarily documented or part of a training package but rather that it has built up over time. This can provide key-person risks, with knowledge gaps occurring as staff retire, fall ill, or move into other roles.

For these reasons, it is important that firms are confident that the training packages relating to SME financial difficulties teams are comprehensive and provide a thorough grounding in the skills needed to complete the role. In relation to signposting to turnaround, training should ensure staff understand signposting's importance and know how to signpost in a manner most likely to get a positive uptake from the customer.

Alongside training there has to be staff support and monitoring in place for new team members. For example, when new staff begin to work in the live environment, there should be additional quality assurance steps in place to check that new agents are working correctly. This additional oversight should be supported by a mentoring or coaching framework to help the new joiner continue to develop outside of the classroom environment.

PURPOSE AND PROCESS

Firms increase the likelihood of good signposting by training new and existing staff on the purpose of turnaround and its potential value to business customers in difficulty. This can include looking at turnaround from both a macroeconomic perspective and the role it plays with individual businesses. Explaining the 'big picture' makes it clear why it is important to get signposting right. It also helps lead into the process element of the training without signposting sounding like a tick-box exercise or something that can be rushed or ignored.

Training should educate staff on both how and when signposting should occur. This includes providing an understanding of the best time to signpost, both in relation to customer contact and, importantly, when in the journey signposting should be provided. This means that staff understand how signposting should be delivered (for example, in a meeting with a follow-up letter and note left on the system) and at what point (for example, before establishing long-term forbearance measures or after approval by a Credit Committee). Training should also cover what staff need to do in terms of documenting the steps taken when signposting, i.e., if advisors are required to leave a note on internal systems, good training would cover details of the information the note should include.

THE LENDING STANDARDS BOARD
TRAINING

TRAINING REVIEWS

It could be beneficial for firms to review their existing training in relation to signposting. This can provide reassurance on what is currently delivered and help ensure it is both accurate and clear. By having technical specialists (for example, management from within BSU teams) look at the content, firms can gain confidence in its accuracy. By involving other professionals from within the firm, such as from the training department, firms can also consider if the training is presented in the best way possible. It could be that the training is factually accurate but that it has not been reviewed for some time and new or alternative ways of presenting it are available. For example, case studies can be an effective way of delivering a message on what good outcomes look like. Their use can help increase the likelihood of the message 'sticking' by bringing real-life examples into the training environment.

Any training packages should be regularly reviewed and the same should be true for signposting training. Having individuals or a team accountable for regularly reviewing and (when needed) refreshing the training can mitigate the risk of training being missed or inaccuracies building up over time.

THE LENDING STANDARDS BOARD PROCESS

By reaching the right support at the right time, it is more likely that a business in difficulty will be able to get into a financially viable position and continue to trade into the future. For this reason, the way in which banks and lenders signpost is crucial and there should be a set process which underpins how that signposting is delivered. The business Standards state that 'firms should ensure that appropriate policies and procedures are in place to ensure that staff are trained and supported to deliver good turnaround practice.'[5]

Having a process in relation to signposting would form part of this.

The other important aspects of signposting presented within this piece, including the assurance process and staff training, are dependent on there being an established process in place. Without a process, firms cannot be sure that they are training out the right way to signpost and giving advisers the information they need to do it correctly. Equally, without a process in place, there is no set way described by the firm as to how and when signposting should be given. This makes it harder to complete consistent quality assurance checks because there is no bar set on what good looks like.

THE EXISTING PROCESS

Firms should consider if the current process in relation to signposting is sufficient and minimises the likelihood of poor outcomes. This can be done by thinking about whether the process is accurate, sufficiently clear and based upon insight of what works well. Where there is not an existing process in place or that process requires improvement, the development of it should be owned by a specific individual or team with input from other firm specialists.

As previously mentioned, firms' business support units are often staffed by experienced advisers who have worked with struggling customers for many years. Because of this, the process in relation to signposting may either not exist or be minimal due to an overreliance on the team's knowledge. Even where there are experienced staff within business support teams, it remains important to have policies and processes in place to both mitigate risk and improve the quality of signposting. The process can be designed based on the skills and experience of those existing staff, to reflect how signposting is currently delivered and gain insight on when signposting is most effective. The newly established process then has the potential to increase consistency across teams. Even in small teams, there may be discrepancies between how and when signposting is given to customers, with some approaches working better than others.

[5]LSB, The Standards of Lending Practice (business customers), Treatment of customers in financial difficulty

THE LENDING STANDARDS BOARD
PROCESS

USING INSIGHT

It is valuable to use insight on what works well when reviewing or creating new processes and procedures, including when doing so for signposting. Customer journey reviews can show the timing and methods of signposting and, potentially, what impact that had in terms of outcomes. For example, it may be that some advisers are providing signposting during meetings but are not following up with further written explanations. Where this is the case, the process may want to stipulate that to improve governance and assurance practises whilst increasing the level of information available to the customer, signposting should be delivered both in person and with a written follow up.

The timing of signposting should be a key feature within the process to ensure it is at the most opportune time for a business to seek third party support. If there is no detail of when to signpost there is a risk that signposting will be too late to be effective. It also increases the likelihood of inconsistency within the approach, with different customers receiving signposting at different times in the journey. It may of course be suitable to have some flexibility built into the process in relation to timing, to reflect the fact that business customers and their needs vary. However, having very different approaches being taken within one firm would likely mean inconsistent, and potentially unfair, outcomes for customers.

THE LENDING STANDARDS BOARD
COMMUNICATION

Alongside signposting in a timely manner when there is the greatest likelihood of success, effective signposting should both educate and encourage the customer. For some customers, they may have either little experience or knowledge of turnaround or, potentially, they could have experienced unsuccessful turnaround attempts in the past. Such an experience could lead the customer to have negative connotations with turnaround. Good explanations along with the opportunity to ask questions helps promote the value of turnaround and increase the likelihood of customers following up on the signposting.

VERBAL SIGNPOSTING

Providing signposting verbally allows the signposting to be tailored to the customer's individual circumstances and in the style that the adviser believes is most likely to be successful for that customer. It is likely that such an explanation would occur during the meetings between the customer and adviser (whether in person or during a call), especially due to the level of financial difficulty that the business would be facing. Following signposting verbally, there should be notes left on the account or file to explain what was said and any pertinent information provided by the customer following the signposting.

WRITTEN COMMUNICATIONS

Providing signposting verbally but supported by written communications has a number of benefits for both the customer and the firm. Letters or emails can provide clear and documented information for the customer to explain the reasons for and steps to take in relation to appointing a turnaround professional. It acts as a record for the customer but also the firm as to what was said and when. This adds a level of assurance that there is a consistent approach within the firm.

ASSURANCE AND RISK MANAGEMENT

A risk facing firms relating to turnaround is that their advisers act outside of the process when signposting. This could include signposting to unapproved individual experts or companies, failing to explain applicable fees or charges, or implying that receiving third-party support could positively affect the customer's relationship with the bank. For example, an adviser could (outside of policy and the agreed approach) suggest further lending or access to credit facilities were dependent upon appointing a certain turnaround professional. Without adequate assurance measures, firms are essentially entrusting their staff not to breach policy without there being oversight in place to check.

One way of ensuring that customers are being given accurate information is to have turnaround signposting followed up in writing. This gives the customer a record of what was discussed and allows the firm to see what was said. Firms will also want to be confident that their approach to record keeping means that customer correspondence is recorded within their systems. We have previously seen examples where important emails were left on advisers' email accounts but not transferred to a central storage location (be it a shared file or CRM record). This creates the risk of staff leaving or changing roles without there being a permanent record on customer accounts or files. It also creates challenges when looking to complete assurance reviews as there is an incomplete picture of the steps taken with the customer.

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IN CONCLUSION: BETTER SIGNPOSTING, BETTER OUTCOMES

Firms can optimise their signposting by having a set process based on insight of what leads to successful outcomes. This process should be governed by an assurance and oversight framework that gives the firm confidence that the process is being followed and delivered as intended. By continually reviewing how the journey is working for customers, firms can adapt their approach to improve and develop how signposting is delivered.

When a business customer is in financial difficulties, the way they are communicated with by a firm is vitally important. Having an open and engaged relationship with the customer makes it more likely the customer is open to a firm's proposals (for example, in relation to forbearance measures) and that they will value any signposting given. By training first line staff on how to communicate the purpose and potential need for turnaround, it is possible the firm will see greater timely take-up and, as a result, more turnaround success. Training is especially important given the potential need for new advisers, with less experienced staff joining business support teams to deal with increased demand.

Firms should be confident that their communication strategy includes considering how written communications are provided and recorded. It is important that firms not only treat business customers fairly and deliver good outcomes but also that they can be seen to do so. This is achieved by having record keeping practices that demonstrate the action taken on a customer's account. This provides additional reassurance to the firm that it is delivering as intended. Furthermore, good record keeping means that customer journey reviews can be completed which can then help influence the future direction of the overall process.

By considering the SME customer journey holistically, including the steps from difficulties to turnaround, firms can improve the overall service they offer their customers. As highlighted by the IFT, encouraging an environment where struggling businesses are supported and given the best possible chance of success not only benefits the customer but also the wider economy. Firms should always be looking to continually develop and refine their approach to supporting those in difficulty, and this is especially the case now. With the impact of coronavirus and other factors such as the country's exit from the European Union, it has never been more important to offer tailored, effective, and measurable support to help customers turn a corner and succeed.

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