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Big Issue bank leaps forward with HSBC's £4m

By Patrick Jenkins, Banking Editor

The venture capital arm of the Big Issue – a self-styled “social merchant bank” – has taken a leap forward with a £4m contribution towards its latest £10m fund from HSBC.

Big Issue Invest, which directs funding to socially responsible businesses, now has total committed capital of £8m, with Deutsche Bank also among the fund's backers, alongside more traditional supporters.

“This is definitely part of a move by the banks to show they're doing something,” Nigel Kershaw, Big Issue chairman, told the Financial Times. “Attitudes have changed in the last three years. Banks are starting to think about their social impact.”

Big Issue Invest, a spin-off from the magazine that supports homeless people, is aiming to close its first equity fund by next March. It also operates two £4m loan funds. All the financing is directed to social enterprises, most of which are profit-seeking. The equity fund is now understood to be targeting other banks, including the likes of Lloyds and Barclays.

The project would fit well with the new-found ethos of Bob Diamond, Barclays chief executive, who told a high-profile BBC event earlier this month that banks needed to learn the lessons of past failures to become “better citizens”.

In recent months, Mr Diamond has put “citizenship” on a par with profit and capital targets as one of his key goals, distancing himself from earlier comments that argued “the time for remorse needs to be over”.

Banks in the UK, and worldwide, have come under fresh fire in recent months amid anti-capitalist campaigning. In London, there are tented occupations outside St Paul's cathedral and in Finsbury Square, while squatters have occupied a building owned by Switzerland's UBS in Bishopsgate.

Mr Kershaw said he was hopeful other banks would back the equity fund, as well as two more planned ventures - a £10m enterprise investment scheme fund, due for launch in April, and a listed venture fund that will target up to £50m of financing.

The current equity fund, which is targeting a 5 per cent return, has so far earmarked four companies for investment: Cool2Care, which provides carers for families with children who have disabilities; Hackney Community Transport, which operates social bus services; My Time CIC, a mental health counselling service; and The Fire Station, a social enterprise hub. Past Big Issue loan funds have helped high-profile social enterprise launches such as Fifteen, Jamie Oliver's chef-training venture.

Mr Kershaw predicted that just like the micro-finance industry, which has helped small-scale business people in the developing world, social enterprise venture funding would grow dramatically.

“This is an emerging asset class,” he said. “People are realising it's something they can't afford to miss out on.”

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