

# BizFin. Information Booklet for Business Borrowers 'SMEs'

In credit unions we recognise the importance of the Micro and SME sector 'SMEs' in the Irish Business economy, as key contributors and significant employers. We are committed to supporting SME's along their business journey, partnering with businesses through their thriving and challenging times, bringing our personal approach, providing guidance, being accessible and making it simple to do business with us, while responding promptly to your requests.

The purpose of this booklet is to inform SME's about our Business Lending offering, as we have dedicated trained business officers waiting to talk to you about our smart business finance, a simple, transparent approach to business lending.

## SME REGULATIONS

Lending to Small and Medium Sized Enterprises Regulations 2015 and 2016 and 2018 ("the SME Regulations") came into effect for credit unions from 1<sup>st</sup> January 2017, applying expected standards & protections for SMEs, while also facilitating access to credit. These Regulations apply to micro, small & medium sized enterprises, that is, employers with:

- less than 50 employees
- has an annual turnover not exceeding €50 million.
- has an annual balance sheet total not exceeding €43 million.

The Regulations aim to strengthen protections for SMEs when borrowing from regulated lenders while also facilitating access to credit, including:

- Giving SME borrowers greater transparency around the credit application process.
- Providing SME borrowers with reasons for declining credit, in writing, that are specific to their application.
- Providing greater protections for guarantors.
- Contacting SME borrowers who have been in arrears for 15 working days.
- Warning SME borrowers if they are in danger of being classified as not co-operating; and
- Expanding the grounds for appeal and setting up an internal appeals panel.

For more information a copy of the SME Regulations is available to download from the Central Bank website at [www.centralbank.ie](http://www.centralbank.ie).

## TO APPLY FOR FINANCE

Come in and talk to us about a new business loan or to discuss an existing loan. We have dedicated business officers waiting to meet, face to face and to advise you. We have a range of channels that you can contact us through, pop in to your local credit union, online or by telephone.

We are here to talk business, in person and interested in listening to your vision for your business. Our application process is short and straightforward and we will ensure your understanding of our requirements to progress the application. Once you have the information, call back in to meet with us, in this way we can work together to review the information, and we are here to guide you. We will acknowledge all loan applications submitted within 5 working days. Our aim is to have a prompt decision for you to achieve your goal, we will let you know how long a decision will take and keep you informed along the journey. Our priority is helping you meet your business ambitions.

**TYPICAL INFORMATION REQUIREMENTS** may include:

- Financial Accounts and/or Notice of Assessment for your business.
- Confirmation of your tax position
- Bank Statements
- Business Plan
- Management Accounts
- Listing of Stock, Debtors & Creditors.
- Details of any Security to be pledged, which may be required.

Our approach is to only ask for pertinent information, which we will use to:

- i. assess your request
- ii. ensure that the credit is suitable
- iii. confirm your ability to meet the repayments
- iv. ensure the fairest outcome to your application

## **APPROVAL**

Once the application is approved, we will issue you with pre-contract information, a letter of approval outlining all of the terms and conditions, including the applicable rate of interest, outlining if any charges and security are required.

## **INTEREST RATES**

Our loan interest rates while highly competitive, are variable, as such, they may change during the period of the Loan and we will notify you in advance of this event. **WARNING 'The cost of your repayments may increase'**

## **FEES**

Unlike banks, credit unions generally do not charge fees. There may however be a third-party expense, for example, in taking and valuing security, which will be pre-notified to you in the formal letter of approval, for your agreement and consent.

## **SECURITY**

In credit unions we ensure that security requests are reasonable and based on the level of credit sought. The requirements and consequences of providing security will be explained to the business borrower.

## **REFUSAL**

It is our intention to meet your loan proposal with a positive decision, however in the event that we are not able to approve your loan we will:

- explain the reason why, provide you with specific feedback and advice.
- give you information on our appeals procedure and outline the process to make a complaint
- provide you with a link to the website for the Irish Government's supporting SME's or equivalent website.

A refused application for credit will not result in a negative impact on your credit rating with the credit union.

## **ANNUAL REVIEW**

We are happy to offer all of our business borrowers an annual review of their facilities [including security] and to meet with a member of our lending team. We will advise you of any information that may be required to enable us to complete the review in a timely manner and we will inform you of the outcome of the review in writing.

## **OTHER USEFUL SOURCES OF INFORMATION.**

[www.localenterprise.ie](http://www.localenterprise.ie)

[www.enterprise-ireland.com/en/](http://www.enterprise-ireland.com/en/)

[www.sfa.ie](http://www.sfa.ie)

[www.isme.ie](http://www.isme.ie)

[www.centralbank.ie](http://www.centralbank.ie)

[www.microfinanceireland.ie](http://www.microfinanceireland.ie)

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## Our aim is to assist borrowers to resolve their financial difficulties

In credit unions we are committed to assisting our business borrowers in the event that they are facing into, or they are experiencing financial difficulties.

We have trained staff available to meet, in person and provide information on the support available for SMEs should they find they are in a position where they are finding it difficult to manage their repayments.

We will ensure full compliance with our legal and regulatory obligations under Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Lending to Small and Medium Sized Enterprises) Regulations 2015 and 2016 and 2018 (“the SME Regulations”).

A copy of the SME Regulations is available to download from the Central Bank website at [www.centralbank.ie](http://www.centralbank.ie).

### Financial Difficulty

The SME Regulations define a borrower is to be classified as in financial difficulty where:

- there have been arrears for 3 consecutive months with regard to a loan or alternative arrangement.
- in the case of an overdraft, where the approved limit on the facility is exceeded by the borrower and remains exceeded for 90 consecutive days.
- the credit union has determined that the borrower’s circumstances are such that the financial difficulties provision of the SME Regulations should apply.

For the purpose of the SME Regulations “arrears” means a payment or part of a payment due in accordance with a credit facility agreement or alternative arrangement which has not been paid by the borrower by the scheduled due date for payment. In the case of an overdraft facility, where the borrower’s overdraft limit is exceeded for 30 consecutive days, and “in arrears” means a situation in which arrears have arisen.

### Core objective

If your business is facing or experiencing financial difficulty, our core objective in the credit union is to assist the borrower to resolve their difficulties, to allow them to meet their obligations. We recognise that individual SMEs may differ in size and sector, therefore each SME in financial difficulty will be reviewed on an individual basis.

We recommend the following **4 steps**:



- i. It is important to act quickly and to contact us as soon as possible, to let us know that you may be at risk of getting into financial difficulty, so we can work together to find a solution.
- ii. We will offer an immediate review of your credit facility with the aim of finding appropriate solutions, which may include an alternative arrangement\*
- iii. If additional information is required, we will ask for this to be provided this to facilitate a full assessment of your circumstances.
- iv. We shall inform you, the borrower in writing, of the outcome of the review and any recommended course of action.

\*Alternative arrangements may include:

- Interest Only for a period.
- Fixed Repayment, a reduced repayment, incorporating some capital element.
- Term Extension, reducing the capital & interest repayments.

## Communication

We would ask that you engage and fully co-operate with the credit union who have designated contacts to work with the borrower to assist with a possible solution, as soon as possible. Upon making contact we will offer an immediate review meeting to discuss the situation. The name of these designated contacts is available at your local credit union.

If the borrower does not communicate with the credit union and remains in arrears for 15 working days after the arrears first arose, the credit union shall promptly call the borrower to identify the reason why the borrower is in arrears. Based on the information available to the credit union, they will assess whether the borrower is in financial difficulty.

It is vital the borrower co-operates with the credit union, which includes satisfying information requires within allocated timeframes, so that a complete and timely assessment of the financial situation can be conducted. If the borrower chooses not to communicate with us, or provides us with information that is dishonest or incomplete, the borrower is at risk of being classified as 'not co-operating'. There are very serious consequences to this.

Under the SME Regulations a borrower may be classified as 'not co-operating' where

- the borrower has failed to make a full and truthful disclosure of the information credit union to assess the borrower's financial situation, within the timeframe specified.
- the warning letter, required in accordance with Regulations, has been issued to the borrower; and
- the borrower has not carried out the action or actions within the timeframes specified in the letter referred to above.

Where the Credit Union considers a borrower to be 'not cooperating', the Credit Union will write to the borrower and any Guarantor, advising that the borrower will be classified as 'not co-operating' if the borrower does not perform specific actions within a designated timeframe as detailed in the correspondence.

The implications for borrowers of 'not co-operating' are that:

- the credit union will be unable to put in place an alternative arrangement; and
- the credit union will have no option other than to commence the process of seeking repayment of all sums outstanding which may lead to enforcing any security held. Where security is realised, the borrower will remain liable for any outstanding debt.

## Information requirements

Appropriate information will be sought from a borrower that is deemed to be in financial difficulty, which is relevant to assessing the financial position of the borrower, to ensure such factors are considered with regard to:

- the viability of the business.
- the full circumstances of the borrower including total loan repayments & credit history.
- the borrower's current and future repayment capacity
- the borrower's previous repayment history
- business environment
- security available or offered

An example of typical information required may include some or all of the following, as this may differ from case to case

- A copy of your most recent Financial Accounts
- Your most recent Notice of Assessment and Form 11 summary
- Confirmation that your business & personal tax position is up to date. If you are in an installment arrangement with the Revenue, please have your Accountant confirm this is paid to date and there are no arrears.
- Business Plan, including Projections
- A copy of your Management Accounts
- Bank statements
- A copy of your aged Debtors, Creditors and Stock listings.
- Asset & Liability Profile
- Independent valuation report

Other information may also be required and the borrower will be notified of this in due course.

### **Appeals / Complaints**

The credit union has an internal process for appeals & complaints to enable the borrower to appeal and or complain against a credit decision.

Please submit your appeal in writing within 21 days of the credit decision to the credit union and we will independently review & consider the appeal in full and issue a written response.

In credit unions our commitment is to provide the best service, however, if you have a complaint to make with regard to our service or a decision that we have made, please let us know by either writing to or calling your credit union. We will acknowledge the complaint within 5 days in writing and advise you of the person you are dealing with. Our aim is to investigate and resolve the complaint as soon as possible and you will receive regular updates. If you are not happy with the outcome you may take your case to the Financial Services and Pensions Ombudsman. [www.fspo.ie](http://www.fspo.ie).

### **Fees and Charges**

The credit union may be entitled to impose additional fees or charges on borrowers in financial difficulties in accordance with the terms and conditions of the credit agreement.

### **Arrears**

It is important to note that if arrears do arise on your credit union account, your credit rating may be adversely affected. This may also have an impact on your ability to avail of additional credit products in the future.

### **Useful Contact Details**

If you are an SME in, or are facing financial difficulties please contact your credit union for the designated contact person assisting SMEs in financial difficulties as soon as possible. Further details are available on the website at your credit union. A copy of the SME Regulations for Business Lending to Small and Medium Enterprises is available from the Central Bank of Ireland at [www.centralbank.ie](http://www.centralbank.ie).

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## Hints & Tips for minimising financial difficulties:

Act quickly

Talk to your accountant/financial/legal advisor

Review all costs, including rent, salaries, utilities

Reduce stock levels held

Collect debtors quickly, offering discounts for prompt payment, issue invoices punctually

Inform creditors as soon as possible, seek to renegotiate terms

Additional investment

Stay in touch

We have dedicated contacts if you are a Micro, Small or Medium Sized enterprise that is facing financial difficulty. Telephone, email your local Credit Union or in branch: ask to arrange a meeting with their Business Lending Officers.

**BizFin.ie**  
Smart business finance,  
made simple...