

Information Booklet for Small & Medium Enterprises in or facing Financial Difficulty

This document contains important information for Borrowers who think they might be or find themselves in financial difficulties.

Introduction

On 1st July 2016 the Central Bank of Ireland implemented new regulations for firms lending to SMEs. The regulations introduce specific requirements for regulated lenders lending to SMEs. They aim to provide greater transparency around the application process, greater protections to Guarantors, to inform you about your rights when in financial difficulty and to promote fairness and transparency in the treatment of SMEs by regulated entities. They also aim to ensure that when dealing Borrowers who are faced with financial difficulties, our aim will be to assist Borrowers to meet their obligations, or otherwise deal with the situation in an orderly and appropriate manner.

This booklet outlines our procedures when dealing with SMEs in or facing financial difficulties and gives details of the support which will be provided to Borrowers in this situation.

We treat each case individually and our decision is based on the information you provide and any relevant security that we hold. Security will include assets, undertakings, indemnities, guarantees or charges over assets offered to a regulated entity to secure a credit facility agreement.

We recommend that you read all the information contained in this booklet and contact us as soon as possible if you are, or feel you may shortly be, facing financial difficulties. It is in your interest to engage with us about arrears or financial difficulties.

What are Financial Difficulties?

According to the SME Regulations you are considered to be in financial difficulties when one or more of the following events occur:

- n You are in arrears under your credit agreement or alternative payment arrangement for three consecutive months;
- or
- n We have determined that you are in financial difficulties following a detailed assessment.

What are Arrears?

The SME Regulations define arrears as a payment or part of a payment due in accordance with a credit facility agreement or alternative arrangement which has not been paid by you by the scheduled due date for payment

What should I do if I am in financial difficulties?

We understand that from time to time you may face financial difficulties which could affect your ability to re-pay your credit agreement with us. If you find yourself in this situation our staff are on hand to help you and can work with you to try and arrive at a solution.

Below are some steps that enable us to help you as soon as possible:

- n Contact us as soon as you are not able to make your payments;
- n Tell us as soon as there are any changes to your financial circumstances that could change your ability to repay your agreement;
- n Once you have made contact discuss your circumstances with us and cooperate fully with any information requests within agreed time frames. Any information that you provide must be accurate and correct;
- n Keep us informed of any further developments as the situation develops.

We strongly advise that you contact us and fully cooperate at all stages of our discussions. If you do not cooperate with us you may be classified as not co-operating.

What does not cooperating mean?

The SME Regulations describes not cooperating as a situation in which:

- n You have failed to make a full and truthful disclosure to us on the information we have required to assess your financial situation, within the timeframe we have specified;
- n We have issued to you a warning letter warning that you may be classified as not co-operating should certain conditions not be met;
- n You have not carried the action or actions within the timeframes specified as set out in the warning letter.

If you do not cooperate with us then we will not be able to work with you to reach an amicable solution. We will be left with no option but to terminate your credit agreement or rescind your alternative arrangement, if applicable recover the asset and pursue any security that we may hold. Please note that when the security is realised, and there is a shortfall you will remain liable for all outstanding debts.

I have informed you of my situation or have been assessed as being in financial difficulties what happens now?

Once you have informed us of your situation or you have been assessed as being in financial difficulties the following steps will be taken:

- 1) We will ask you for some financial information, this may include up to date certified audited accounts; up to date management accounts and cash flow; up to date business plan and/or a proposal of how you intend to meet the repayment obligations; a profile of your business assets, liabilities, income and expenditure and confirmation of your current tax status. Depending on your business there may be further documents required, we will let you know about this if we need more information.

- 2) We will appoint a dedicated contact point and inform you of the relevant contact details of the designated contact point within the respective business unit.

- 3) We will complete an assessment of your position for an Alternative Arrangement. This assessment will be based on relevant facts, including your particular individual circumstances; your overall indebtedness; business plan and proposal; your repayment capacity and repayment history. We aim to provide you with a decision regarding an Alternative Arrangement as quickly as possible from receipt of all the relevant documents and information we request. This will normally take less than 15 working days. Complex reviews or exceptional circumstances may take longer.

What other information should I be aware of?

If you miss any payment we may be entitled to charge you default fees and interest in accordance with the terms of your credit agreement. Please refer to your credit agreement for more information.

Your data in relation to the arrears may be shared with a credit reference agency in accordance with the credit agreement. This may have an impact on your credit rating and make obtaining credit more difficult in the future.

Can I appoint a third party to help me?

Yes you may employ third party advisors to help you and they can accompany you during any discussions that we have whether they be face to face or not.

Do I have a right to complain?

Yes, if you have a complaint you can contact us by any of the methods shown in the 'How do I contact you' section below. Your complaint may be either in writing or expressed orally. We take all complaints seriously and will endeavor to resolve the matter straight away. Some complaints do take a little more time to resolve and if we have been unable to resolve your complaint within 5 days we will write to you explaining who is dealing with your complaint and will then write to you regularly with updates until your complaint is resolved. If after 40 days we have been unable to resolve your complaint you may have the right to refer it to the Financial Services Ombudsman, we will provide you with the details of how to do that at the time.

Once we have investigated your complaint we will write to you confirming the outcome, explaining what we are going to do to resolve it for you.

Contact Us

Practical Finance

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If you would like any further information about the regulations a copy can be obtained here:

<http://www.centralbank.ie/regulation/processes/consumer-protection-code-documements>