

Business



Lending to small & medium enterprises

Information booklet



**Bank of
Ireland**

Content

Introduction	3
Background to SME regulations	3
What are the objectives of the SME regulations and what do they cover?	3
How do I apply for finance?	4
What information do I need?	4
Assessment	4
Appeals	5
Complaints	5
Other useful sources of information	5
Financial difficulties	7
Our approach to dealing with SMEs in or facing financial difficulties	7
Communication with the Bank	8
Business information required	8
Assessment	8
Non co-operation	8
Alternative arrangement appeals	9
Complaints	9
Further information for SMEs in or facing financial difficulties	9
Useful contact details	10

Introduction

Small businesses are key contributors to the Irish economy and are crucial for its growth and employment. At Bank of Ireland we are committed to supporting small and medium sized enterprises as they set up, establish and mature. Throughout the many stages in the life of your business there will be opportunities and challenges which may have financial implications for your business. Our ambition is to work with businesses in partnership, providing advice, being accessible, making it easy to do business with us, and responding promptly to your requests.

We endeavour at all times to be clear and transparent in all our customer engagements and to comply with our obligations under Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Lending to Small and Medium-sized Enterprises) Regulations 2015 as amended ("SME Regulations").

The SME Regulations apply to "micro, small and medium sized enterprises" and the Regulations define these enterprises as follows:

- ▶ "micro and small enterprise" means an enterprise which employs fewer than 50 persons and which has either or both of the following:
 - a. an annual turnover which does not exceed €10 million;
 - b. an annual balance sheet total which does not exceed €10 million;
- ▶ "micro, small and medium-sized enterprise" means an enterprise which employs fewer than 250 persons and which has either or both of the following:
 - a. an annual turnover not exceeding €50 million;
 - b. an annual balance sheet total not exceeding €43 million;

Background to SME regulations

New SME Regulations came into effect on 1st July 2016 and have been amended since introduction. The SME Regulations set out the standards you should expect from the Bank, covering key aspects of the relationship between Banks and SMEs from credit applications and communications, to dealing with financial difficulties when problems occur.

The SME Regulations apply to SME lending by regulated entities to borrowers within the State. If you would like a copy of the SME Regulations, the document is available to download from the Central Bank website at www.centralbank.ie

This booklet aims to provide you with an understanding of the key SME Regulations and sets out the framework within which we provide credit facilities to customers and also assist businesses which are either in, or facing financial difficulty.

What are the objectives of the SME regulations and what do they cover?

The broad objectives of the SME Regulations are:

- ▶ To facilitate access to credit for sustainable and productive business propositions,
- ▶ To promote fairness and transparency in the treatment of SMEs by regulated entities, and
- ▶ To ensure that when dealing with financial difficulties cases, the aim of a regulated entity will be to assist borrowers to meet their obligations, or to otherwise deal with them in an orderly and appropriate manner.

The SME Regulations apply where the Bank is:

- a. Providing or offering to provide credit to a borrower or from which a borrower is seeking to avail of credit,
- b. Entering into, offering to enter into or with which a borrower has sought to enter into a credit facility agreement, to which a borrower is a party or will be a party
- c. Proposing or undertaking preparatory work for entering into a credit facility agreement with a borrower and any related activities,
- d. Providing or offering to provide an alternative arrangement, or
- e. Engaging in credit servicing activities.

The SME Regulations do not apply:

- a. Where the borrower is a regulated financial service provider authorized to provide credit,
- b. To multi-lender credit (i.e. syndicated transactions),
- c. To credit offered or granted to special purpose vehicles,
- d. To credit provided through a business credit card except under particular sections identified in the SME Regulations.

Please note that the provisions of the SME Regulations are without prejudice to the Bank's

- a. Legal and regulatory obligations, and
- b. Legal rights to enforce any agreement including, but not limited to, any security taken in connection with a credit facility agreement.

How do I apply for finance?

Bank of Ireland is always keen to meet with business customers, whether they are at start-up stage, small businesses starting to grow, or established businesses wishing to expand. We have a range of channels through which you can engage with us: your local branch, online, phone, or through your relationship manager.

We will be happy to discuss or arrange a meeting in respect of any proposed application for credit and guide you through the process or they will refer you to the relevant experts within the Bank.

Before applying for finance, it may be helpful to review the range of resources that we have available for businesses on our website. You can access a range of tools, templates, guides and checklists for use in your business, including a guide to obtaining credit, a Business Plan Template, Cashflow Forecast Tool and information on Government support schemes available through the Bank in the Business Banking section of our website at www.bankofireland.com.

In addition, the 'ThinkBusiness' website is a rich source of relevant material, including case studies, guides to State support available, articles on taxation, IT, HR, and Business and Financial Planning. This site can be accessed directly from our website or at www.thinkbusiness.ie.

It is always a good idea to consult with your financial advisor/accountant to seek assistance and/or review any proposal in advance of meeting with us. You may of course bring your financial advisor to the meeting if you wish.

What information do I need?

As with all requests for credit, we are required to gather certain information from you to assess your request.

The type and level of the information required will vary depending on the nature of the business and the specific credit application, but will typically include the following types of information:

- ▶ **Up-to-date financials and management accounts** seeing how your company has performed in the past will help us to support you in the future and assist us in determining your capacity to repay the loan sought. You must be able to show that the business has the means to repay the loan.
- ▶ **Detailed business plan** – having a detailed business plan will help us to gain an understanding of your business, your product or service and your market. A Business Plan Template is available in the 'Think Business' section of our website together with a guide to completing a comprehensive Business Plan at www.thinkbusiness.ie/articles/how-to-write-a-business-plan/
- ▶ **Your experience** – Detail your own track record in business, your management ability and your experience.
- ▶ **Market understanding** – your understanding of the market is crucial and you should identify anything that might have either a positive or negative impact on your business.

- ▶ **Relationship** – building a relationship with your bank is vital, as we will first look to you as the business owner and your track record in dealing with previous bank borrowings.
- ▶ **Lending needs** – you should be clear on how much you wish to borrow, and the purpose of the new funds.
- ▶ **Security** – you should be aware that security may be requested to support your borrowing requirements.

We are always happy to meet with you to discuss your request for facilities and we will confirm to you the specific information we require to enable us to comprehensively assess the proposal.

On receipt of all the information requested we will acknowledge receipt of your credit application within 5 working days, advising you that we are now in a position to progress your application to the credit assessment stage. We are committed to reverting to you with a decision on your application within 15 working days (unless otherwise advised) of receipt of all the information required to assess the proposal.

Assessment

We will use the information you have provided to carry out a detailed assessment of your request.

Bank of Ireland has policies and procedures in place to ensure the fairest outcome to your application and undertakes to assess the application on its own merits, ensuring the information requested is relevant and not excessive.

The assessment will typically include the following factors, among other relevant factors pertinent to the particular case:

- ▶ Banking track record including loan repayments and credit history etc.
- ▶ The amount requested and the purpose of the loan.
- ▶ Ability to meet the proposed loan repayments versus your total overall business commitments.
- ▶ The related business and sectoral environment.
- ▶ The level of security that may be offered/available (please note that where a personal guarantee is required a clear explanation of the implications of the guarantee will be provided to the guarantor).

The Bank's approach in relation to security requirements is to apply a reasonable but commercial approach, based on the level of the credit being sought, the term of the facility and the overall risk profile, to ensure prudent and responsible lending by the Bank.

When we have completed our assessment we will provide confirmation of the outcome to you in writing.

Where the credit facility is approved, this confirmation will include details of the terms and conditions applicable to the credit facility with the relevant interest rate and fees or charges applying.

The intention is to meet your loan proposal with a positive response where possible. However, in the event that your application is declined or partially declined, we will confirm

the decision to you in writing, clearly providing you with the reason(s) why we could not accommodate the application and, at the same time, informing you about our Business Credit Appeals process. Currently a refusal of credit by the Bank does not adversely affect your credit rating.

In the normal course of our banking relationship we are available to meet with you at your request.

We are also happy to offer you the option of a comprehensive annual review of all your credit facilities and related security and any alternative arrangements. To take up this offer please call 0818 200 372 and we will arrange to set up the review meeting.

Appeals

Our Business Credit Appeals process enables you to appeal a Bank decision in the circumstances outlined below.

- ▶ You have submitted a formal business credit application which was declined,
- ▶ Your business credit application was approved but for a lower amount or a shorter term than requested, or with special terms or conditions that you feel are unacceptable,
- ▶ You have submitted a formal request for an Alternative Arrangement which was declined,
- ▶ Your appeal relates to an Alternative Arrangement which was approved with special terms or conditions that you feel are unacceptable,
- ▶ Your appeal relates to the withdrawal or reduction of a credit facility,
- ▶ Your appeal relates to financial difficulties and you have been classified as 'not co-operating' by the Bank.

To appeal a Bank of Ireland business credit decision, complete the Business Credit Appeal Form which is available in the Business Banking section of our website at www.bankofireland.com.

Appeals must be submitted in writing within 21 working days from the date of notification of the decision. The Bank will acknowledge receipt of your appeal within 5 working days.

The appeal will be reviewed by two independent reviewers who will consider the appeal in full.

The Bank will issue you with a written decision on the outcome of the appeal within a maximum of 15 working days of receipt of the appeal (unless otherwise advised).

If you have exhausted the internal appeals process in the Bank, you may be eligible to avail of the appeals process provided by Credit Review. Credit Review has been established to provide an independent, impartial credit appeals process for small and medium sized businesses, including sole traders and farmers who have had credit facilities refused, reduced or withdrawn by a bank. Further information about the role of Credit Review and the eligibility criteria for review can be found on their website at www.creditreview.ie.

Complaints

We are committed to providing you with excellent service at all times and hope we do not give you grounds to complain. However, if you wish to make a complaint you may do so in a number of ways. You can call or write to us, avail of our online complaints form, and advise our branch teams. Our website www.bankofireland.com/help-centre/customer-complaints-process/ provides further details about these channels and our complaints process.

If we cannot resolve your complaint within five working days, we will respond to your complaint in writing or if we hold an email address or mobile contact details for you, you agree we may respond by email or another durable medium.

If you are not satisfied with our response you can refer the matter to the Financial Services and Pensions Ombudsman, Lincoln House, Lincoln Place, Dublin 2, D02 VH29. You can find information on how to access their resolution process by visiting their website at www.fspo.ie.

Other useful sources of information

www.bpfi.ie

www.thinkbusiness.ie

businessbanking.bankofireland.com/business-supports/supports/government-online-supports-for-smes/

www.localenterprise.ie

www.enterprise.gov.ie

www.enterprise-ireland.com/en/

www.sfa.ie

www.isme.ie

www.centralbank.ie

www.creditreview.ie

SMEs in financial difficulty



Financial difficulties

This information booklet outlines our procedures when dealing with SMEs in 'financial difficulties' and gives information on the support which will be provided by us to customers in this situation.

We recognise that individual SMEs will vary by size, sector and type of credit product(s) held with us and therefore each SME in 'financial difficulties' will be dealt with on a case by case basis. This will enable us to adopt a flexible approach to dealing with each customer's situation, noting that our key objective is to assist borrowers to resolve their financial difficulties.

Under the SME Regulations a borrower must be classified as in 'financial difficulties' where:

- a. the borrower is in arrears under the credit facility agreement or alternative arrangement for three consecutive months;
- b. in the case of an overdraft credit facility, where the approved limit on the facility is exceeded by the borrower and remains exceeded for 90 consecutive days;
- c. the Bank has determined that the borrower's circumstances are such that the 'financial difficulties' provisions of the SME Regulations should be applied to the borrower'.

For the purposes of the SME Regulations, arrears arise where a borrower has not made a full repayment or only makes a partial repayment on a credit facility, as per the terms of the credit facility, by the scheduled date or in the case of an overdraft facility, where the borrower has exceeded an overdraft limit for 30 consecutive days.

The SME Regulations apply to SME lending by regulated entities to borrowers within the State and if you would like a copy of the SME Regulations, the document is available to download from the Central Bank website at www.centralbank.ie.

Our approach to dealing with SMEs in or facing financial difficulties

If your business gets into 'financial difficulties' we will work with you to develop a more appropriate solution for your business. A summary of the main steps that an SME may consider taking, when in or facing 'financial difficulties', that may assist in the process of dealing with the financial difficulties, is outlined in the table below:

Step 1	Contact us as early as possible regarding 'financial difficulties' which your business is encountering or facing, particularly where such difficulties may impact on your ability to meet your financial commitments to the Bank.
Step 2	Tell us about any concerns you have in relation to the impact of 'financial difficulties' on your business relationship with the Bank.
Step 3	Promptly engage and fully co-operate with the Bank to agree an approach to rectify the 'financial difficulties' situation.
Step 4	Provide relevant and reliable business information as requested by the Bank and within the timeframes specified in order to support our assessment of your situation.
Step 5	Complete any necessary documentation within the timeframes requested, as part of the assessment.
Step 6	Review your progress with us regularly and advise us if your circumstances change.

It is very important that if you are in, or are facing 'financial difficulties' that you fully engage and co-operate with the Bank. This includes reverting to the Bank and satisfying information requests within stipulated timeframes so that a comprehensive and timely assessment of your financial situation can be conducted.

It is always a good idea to consult with your financial advisor/ accountant and/or legal advisor to seek assistance and/or review any proposal in advance of meeting with us. You may of course bring your financial advisor and/or legal advisor to the meeting if you wish.

Communication with the Bank

We recommend that customers who are in or facing 'financial difficulties' contact the Bank as soon as possible so that a potential solution can be discussed and agreed. The SME Regulations set out clear guidance for customers who are either in or facing 'financial difficulties' and our recommended approach is as follows:

Borrowers facing 'financial difficulties':	We recommend that SME customers who have concerns about their future ability to repay credit products or meet their financial commitments to the Bank, contact their Branch or Relationship Manager as soon as possible to discuss the situation. When you contact the Bank with your concerns, you will be offered a review meeting to discuss your situation.
Borrowers in 'financial difficulties':	When 'financial difficulties' first arise on your account, we will contact you in writing to advise of the status of your account; the applicability of the SME Regulations; and, the availability of this information booklet. We will also offer you the option of a review meeting to discuss your situation and will provide you with details of a designated contact point.

Business information required

Prior to or as a result of your review meeting, certain information is likely to be requested from you in order for the Bank to complete an assessment of the financial situation of your business (the 'required information').

The type of required information will vary by individual SME but is likely to include the following:

- ▶ Up to date financials including annual audited (or draft) and quarterly management accounts;
- ▶ Cash flow projections for the next 12 months;
- ▶ Up to date business plan including details of your trading performance in the last 12 months plus outlook for the next 12 months;
- ▶ Proposal for dealing with all Bank and third party outstanding debt obligations, including any arrears;
- ▶ Up to date aged list of debtors and creditors;
- ▶ Estimate or independent report on property valuation (if applicable);
- ▶ 6 months current account bank statements for the business (if current account is held outside Bank of Ireland);
- ▶ Up to date Statement of Affairs for all named borrowers, material shareholders or guarantors as required;
- ▶ Confirmation that the tax affairs of the business and named borrowers and/or material shareholders are up to date and in order; and

- ▶ Any other information the Bank feels is relevant to review as part of your assessment.

The required information will be confirmed to you and will be used to complete an assessment of your situation.

Assessment

Following receipt of the required information, the Bank will complete an assessment of your situation for the purposes of considering whether an Alternative Arrangement would assist in resolving your financial difficulties.

Some of the more common Alternative Arrangements may include one or more of the elements below:-

- ▶ **Interest Only** – you will pay interest on the loan for the agreed period and not capital.
- ▶ **Fixed Repayment** – an agreed reduced set repayment for a period which will incorporate some capital element.
- ▶ **Term Extension** – increases the length of the loan thereby reducing your repayments.

In order to determine the suitability of any Alternative Arrangement, this assessment will typically include the following factors, among other relevant factors pertinent to the particular case:

- ▶ The full circumstances of the borrower in 'financial difficulties' banking track record including loan repayments and credit history etc.
- ▶ Ability to meet the proposed loan repayments in the context of a borrower's total overall business commitments.
- ▶ The related business and sectoral environment.
- ▶ The level of security that may be offered/available.
- ▶ The level of co-operation by borrowers to enable the Bank to carry out a comprehensive assessment for an Alternative Repayment Arrangement and work towards a resolution of the 'financial difficulties'.

Non co-operation

As mentioned previously, it is very important that borrowers in, or facing 'financial difficulties' fully engage and co-operate with the Bank and provide the necessary information requested by the Bank to enable a comprehensive and timely assessment of their financial situation.

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

- a. the borrower has failed to make a full and truthful disclosure to the regulated entity of the information required by the regulated entity to assess the borrower's financial situation, within the timeframe specified by the regulated entity;
- b. the warning letter, required in accordance with Regulation 20(8), has been issued to the borrower; and

- c. the borrower has not carried out the action or actions within the timeframes specified in the letter referred to in subparagraph (b) above.

Where the Bank considers a borrower to be 'not cooperating', the Bank 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 letter or email. The implications for borrowers of 'not co-operating' are that the Bank will be unable to put in place an alternative arrangement and will have no option other than to commence the process of seeking repayment of all sums outstanding which may lead to the Bank ultimately having to enforce any security held by the Bank. Where security is realised, the borrower will remain liable for any outstanding debt.

Alternative arrangement appeals

Our Business Credit Appeals process enables you to appeal against a credit decision in the following circumstances:

- ▶ You have submitted a formal request for an Alternative Arrangement which was declined within the previous 21 working days.
- ▶ Your appeal relates to an Alternative Arrangement which was approved with special terms or conditions that you feel are unacceptable.
- ▶ Your appeal relates to the withdrawal or reduction of a credit facility.
- ▶ Your appeal relates to financial difficulties and you have been classified as 'not co-operating' by the Bank.

To appeal a Bank of Ireland business credit decision, complete the Business Credit Appeal Form which is available in the Business Banking section of our website at www.bankofireland.com.

The appeal must be submitted to the Bank in writing within 21 working days from the date of notification of the decision.

The Bank will acknowledge receipt of your appeal within 5 working days.

The appeal will be reviewed by two independent reviewers who will consider the appeal in full.

The Bank will issue you with a written decision on the outcome of the appeal within a maximum of 15 working days of receipt of the appeal (unless otherwise advised).

If you have exhausted the internal appeals process in the Bank, you may be eligible to avail of the appeals process provided by Credit Review. Credit Review has been established to provide an independent, impartial credit appeals process for small and medium sized businesses, including sole traders and farmers who have had credit facilities refused, reduced or withdrawn by a bank. Further information about the role of Credit Review and the eligibility criteria for review can be found on their website at www.creditreview.ie.

Complaints

We are committed to providing you with excellent service at all times and hope we do not give you grounds to complain. However, if you wish to make a complaint you may do so in a number of ways. You can call or write to us, avail of our online complaints form, and advise our branch teams. www.bankofireland.com/help-centre/customer-complaints-process/ provides further details about these channels and our complaints process.

If we cannot resolve your complaint within five working days, we will respond to your complaint in writing or if we hold an email address or mobile contact details for you, you agree we may respond by email or another durable medium.

If you are not satisfied with our response you can refer the matter to the Financial Services and Pensions Ombudsman, Lincoln House, Lincoln Place, Dublin 2, D02 VH29. You can find information on how to access their resolution process by visiting their website at www.fspo.ie.

Further information for SMEs in or facing financial difficulties

What steps can be taken to mitigate emerging financial difficulties?

- ▶ Don't ignore the problem and act quickly to address potential issues.
- ▶ Talk to your accountant/financial advisor.
- ▶ Review/reduce costs – wages, fuel, light, rent, drawings, vehicle running costs etc.
- ▶ Prompt debtor collection, early invoicing and payment follow-up and possible discounts to good customers.
- ▶ Negotiate payment terms with suppliers if cashflow issues arise.
- ▶ Review the level and age of stock held.
- ▶ Sell assets.
- ▶ Additional investment in the business from your own resources.
- ▶ Stay in touch with us.

Fees and charges

Where a repayment or payment is not made to a loan account or credit product on the due date, an interest surcharge will apply to the amount in arrears. In relation to business overdrafts, where accounts exceed the agreed overdraft permission or go overdrawn where no permission exists, an interest surcharge will also apply to the unauthorised amount.

The interest surcharge outlined above is in addition to the annual interest rate applicable to the individual account. Please note that in some cases, referral item or unpaid charges may also apply if an account is in arrears or exceeds an agreed credit limit.

Further details on fees and charges for business customers are available in the 'Schedule of Fees and Charges for Business Customers' brochure which is available on our website at businessbanking.bankofireland.com.

This brochure includes a specific section on how to minimise fees and charges including automating transactions, use of Online Banking and planning ahead if you anticipate that your overdraft may exceed its limit.

Impact of arrears on other credit products and overall credit rating

If your business goes into financial difficulties we will work with you to develop an appropriate solution for your business. Data relating to arrears on your accounts may be shared with a relevant credit reference agency or credit register where permitted by contract or required by law. It is important to note that if arrears do arise on your account, your credit rating may be adversely affected. A default in respect of one credit product that you hold with the Bank could result in a default with other products that you hold with the Bank. Where applicable, the Central Credit Register records are updated when arrears arise on accounts. This may also have an impact on your ability to avail of additional credit products in the future.

Useful contact details

Bank of Ireland

If you are an SME in, or are facing financial difficulties please contact your Relationship Manager or Branch as soon as possible. Further details are available on our website at www.bankofireland.com.

Central Bank of Ireland

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.

Credit Review

Details on how to contact Credit Review are available at www.creditreview.ie.

0818 365 365

bankofireland.com 

Bank of Ireland is regulated by the Central Bank of Ireland.



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