

BANKS SLIPPING BACK INTO 'OLD WAYS'

- *Delays in bank decision time not acceptable.*
- *26% of SME applicants still waiting for decision.*
- *Refusal rate still too high at 36%.*
- *Access to credit continues to be a pivotal issue for SMEs.*
- *SME demand for bank credit drops from 42% to 38%.*

Friday 16th September, 2016.

ISME, the Small and Medium Enterprises Association, released its latest **Quarterly Bank Watch Survey** today (16th September). While the survey results show a marginal increase in the refusal rate and a drop in demand, the most worrying aspect is the delay in decision time has increased. The Association warned that the delays and refusal rate are placing constraints on business and restricting growth.

Commenting on the results of this quarter's survey, ISME CEO, Mark Fielding said, **"We are disappointed to see the bailed-out banks slip back into their old ways of the 'long no'. The substantial increase in the length of time it is taking to get approval on a loan demonstrates a complacent and lazy attitude from bankers. The delay in decision time has increased from 7 to 8.5 weeks and is a cause of concern and totally unsatisfactory, as it has major implications for businesses."**

"As a result of this deterioration in bank service an unacceptable 26% of SMEs were awaiting decision at the survey date. This figure has risen from 21% in the previous quarter and access to credit is patchy and the refusal rate increasing slightly to 36% confirming that Irish banks are not functioning properly."

The delays and refusals are even less acceptable when it is seen that there has been an increase in formal applications to the banks, from 54% up to 63%, thus, supposedly making it easier for bank decision.

The headline statistics are as follows:

- **38% of respondents had required additional or new bank facilities in the last 3 months, compared with 42% in the previous quarter.**
- **36% of companies who applied for funding in the last three months were refused credit by their banks, a marginal increase on the 35% rate, seen in the previous quarter.**
- **26% of applications are awaiting decisions at end of August, a deterioration from the 21% at end of May.**
- **On average businesses are waiting over 4.5 weeks for an initial decision to be made on loan applications. From then the wait time for drawdowns has increased to 4 weeks.**
- **23% of initial bank decisions were made within one week; a decrease from the 26% in the previous quarter.**
- **63% of those who required funding made a formal application, an increase from 54% in the previous three months, while informal applications are now at 77%.**
- **51% of those surveyed are customers of their bank for over 20 years, while 86% are over 5 years.**
- **Of the 64% approved for funding, (8% of whom were partially successful), 84% have drawn down the finance either fully or in part.**
- **There was an increase in requests for term loans at 52% (last quarter 50%), and in overdrafts at 38% (up from 32% in Q2).**
- **Invoice discounting/factoring remained static at 4%, with 9% requesting leasing down from 15%.**
- **54% (55% in Q2) claimed bank fees and charges are a cause of concern, with 52% stating that their bank charges are not fully explained (58% in Q2).**
- **67% state that the Government is having either a negative or no impact on SME lending, a decrease from 74% on the previous quarter.**

- Awareness of government assistance has reduced. 74% (77% in Q2) are aware of the Credit Review Office, while 59% (63% in Q2) are aware of the Credit Guarantee Scheme and 55% (60% in Q2) know about the Micro Finance scheme.

“One of the keys to economic revival and sustained recovery is a properly functioning banking system, with proper resources and well informed and trained staff. The lack of awareness among banking staff of government financial assistance schemes, which can act as a lifeline for a business, is unacceptable. It is incumbent on banks and their staff to inform businesses of the available assistance schemes, failure to do so will have negative impact on SME business.

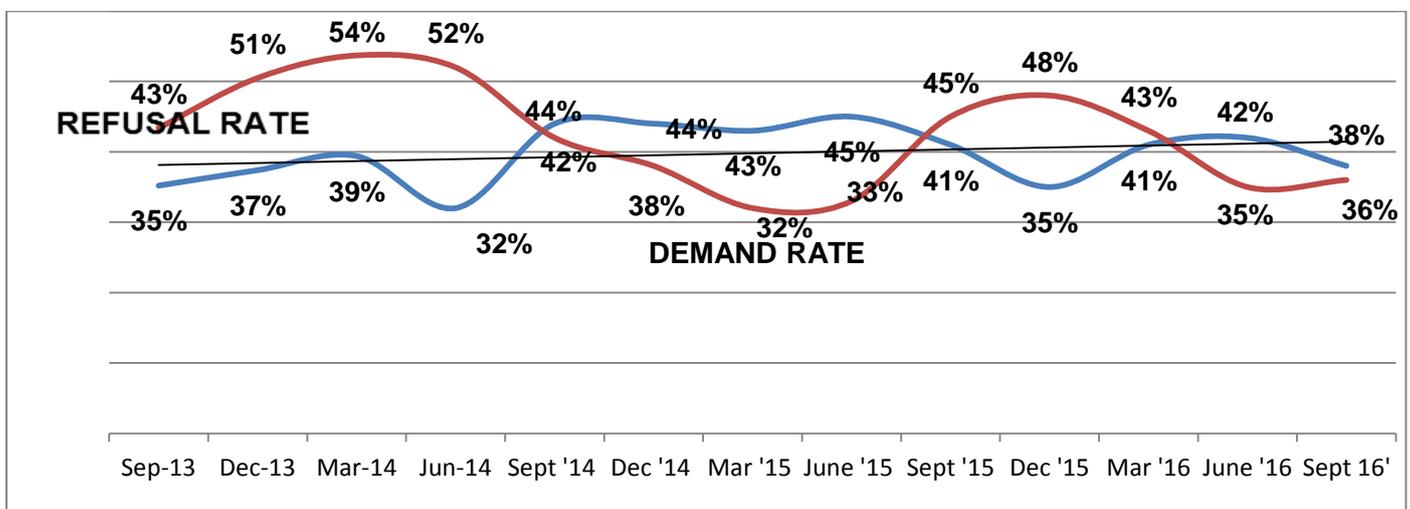
“Schemes such as Microfinancing, SBCI and the Government Guarantee Scheme offer an important alternative source of finance to SME’s, it is imperative these schemes are properly advised to SMEs by our banks”.

The Association, called on the Government to:

- Ensure that the SBCI funds are promoted by banks and used appropriately for SMEs.
- Finalise the restructuring of the re-vamped Government Credit Guarantee scheme and promote it and the Microfinance scheme.
- Investigate the increasing delays in decisions by the rescued banks.
- Demand outsourcing of better management for bailed-out banks to oversee their lending policies.
- Ensure honest and reliable reporting from the rescued banks, through the Department of Finance and Central Bank.
- Investigate other sources of finance that can be made available to viable cash starved SMEs.

“The most pressing issues highlighted in this survey is the deterioration in the expected service from our rescued banks who are reverting to the ‘slow no’ and the ‘delay till they go away’ methods. Eight weeks to make a decision is not acceptable in an economy striving to grow and meet the challenges of Brexit, increasing costs and political uncertainties”, Fielding concluded.

	Sept '15	Dec '15	Mar '16	June '16	Sept '16
Required change in bank facilities in last 3 months	41%	35%	41%	42%	38%
Unsuccessful	45%	48%	43%	35%	36%
Approached bank	90%	86%	92%	95%	88%
Made Informal Approach.	83%	77%	83%	78%	77%
Made Formal (written) Approach.	49%	61%	55%	54%	63%
Banks making more difficult access finance	49%	54%	55%	53%	49%
Aware of Banks' appeals procedure	63%	57%	64%	64%	58%
Aware of the Credit Review Office.	76%	74%	79%	77%	74%
Aware of Credit Guarantee Scheme	61%	64%	60%	63%	59%
Aware of Micro Finance Scheme	60%	60%	55%	60%	55%



The survey, conducted in the first week of September, covers the three months of June, July and August. There were 1152 SME owner manager respondents, a response rate of 13%. This provides a strong indication of the real SME lending environment.

ENDS.

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ISME is the only independent voice of Small & Medium business in Ireland, representing in excess of 10,200 members across all sectors. The Association is owned and run by owner managers and is independent of big business, government and unions; the TRUE voice of the Irish SME. www.isme.ie