

PRESS RELEASE

Wednesday 20th June 2018

SIGNIFICANT INCREASE IN LOAN REFUSAL RATES FOR SME'S

- Loan refusal rates increase from 24% to 36%.
- SME demand for credit remains the same at 31%.
- 54% stated that banks are making it more difficult to access finance.
- Businesses wait on average 8 weeks from decision to drawdown.
- 54% stated banks are making it more difficult to access finance.
- Drop in awareness of alternative sources of finance.
- 4% of businesses have had their debt sold by their lender.
- 53% have been with their bank for 20+ years.

ISME, the Irish SME Association today (20th June) released its quarterly Bank Watch survey for Q2'18. The results show a significant increase in refusal rates, increasing from 24% to 36%. Demand for credit remains on par with Q1'18 at 31%. Waiting time from decision to drawdown increased from 6 to 8 weeks. The Association voices its concern at the high refusal rates, the length of time it's taking for SMEs to access finance, and calls for banks to promote the SBCI funds.

ISME CEO Neil McDonnell said *"Today's results are unsatisfactory; to see an increase of 12% in refusal rates is disappointing after consecutive decreases. Without sufficient access to finance many SMEs will struggle. One member has reported to us that their bank (a pillar bank) has sold their overdraft to a vulture fund. This is a first. We understand that our banks are still repairing their balance sheets, but they must consider the viability of their customers as they do so."*

"It is unacceptable to have businesses waiting on average 8 weeks from decision to drawdown. This type of delay is starving already cash-strapped SMEs. On top of the delays and refusal rates, Irish SMEs are paying more interest on their loans. It costs on average 5% for an Irish SME to borrow €250,000 from a bank, compared with only 3.3% across most of Europe."

He added,

"We are encouraging SMEs to tap into alternative sources of finance. Our reliance on the main pillars banks is unhealthy and this needs to change."

The main findings from the 504 respondents in the second week of June are as follows:

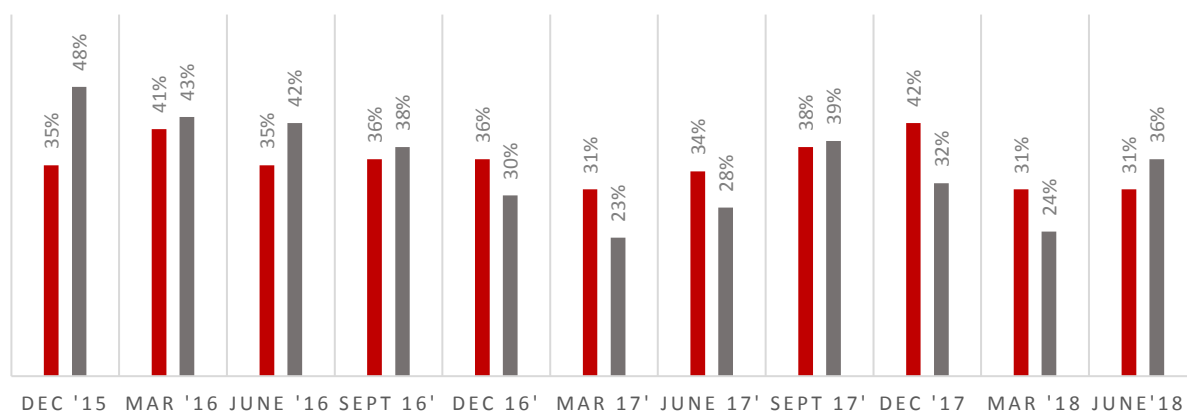
- **31% of respondents required additional or new bank facilities in the last 3 months, unchanged on Q1'18.**
- **36% of companies who applied for funding in the last three months were refused credit by their banks, an increase on the 24% in Q1'18.**
- **Awareness of the Credit Review Office dropped from 74% in Q1'18 to 68% in Q2'18. Credit Guarantee Scheme increased slightly from 66% to 67%, while awareness about the microfinance scheme dropped from 60% to 52% in Q2'18.**
- **23% of applications are awaiting on a decision mid-June, a decrease from the previous quarter of 36%.**
- **On average, businesses are waiting 4 weeks for an initial decision on loan applications. The wait time for drawdown increased from 2 weeks to 4 weeks in Q2'18.**
- **28% of initial bank decisions were made within the first week; an increase from 23% on previous quarter. 23% are waiting 4 to 6 weeks, while 13% are waiting more than 10 weeks**
- **50% of those who required funding made a formal application, an increase from 47% in the previous three months, while informal applications decreased from 77% to 70%**
- **Of the 64% approved for funding, (5% of whom were partially successful), 64% have drawn down finances either fully or in part.**
- **53% of respondents had cause to be concerned about bank fees and charges.**
- **67% state that the Government is having either a negative or no impact on SME lending, an increase from 55% on the previous quarter.**
- **4% of businesses report that their debt has been sold by their lender to another institution**

The Association, called on the Government to:

- **SBCI funds to be promoted by banks and used appropriately for SMEs.**
- **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.**
- **A reduction in the uncompetitive interest rates charged to SMEs.**

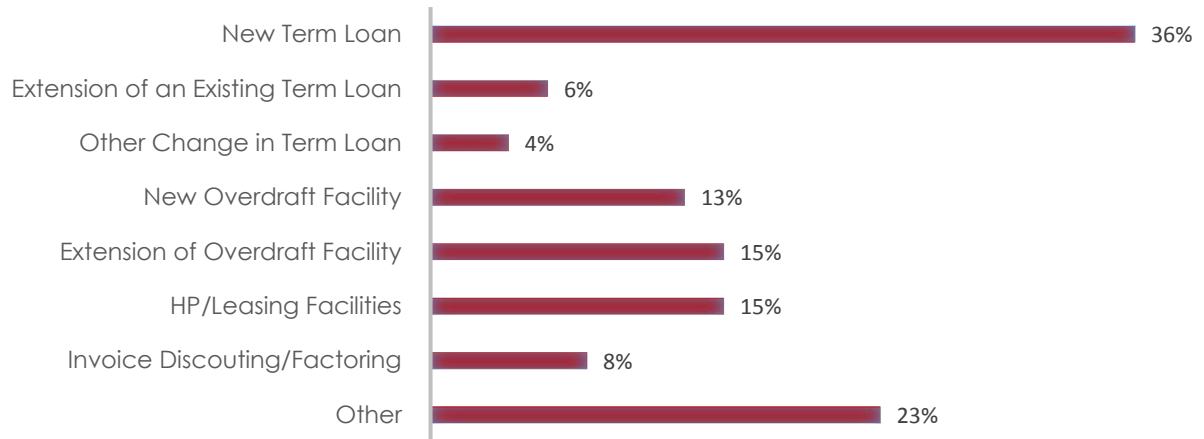
DEMAND/REFUSAL

■ Demand ■ Refusal



	June'17	Sept'17	Dec' 17	Mar'18	June'18
Required change in bank facilities in last 3 months	34%	38%	42%	31%	31%
Unsuccessful	28%	39%	32%	24%	36%
Approach the Bank	90%	81%	86%	72%	84%
Made Informal Approach	88%	76%	73%	77%	70%
Made Formal (Written) Approach	60%	67%	63%	47%	50%
Banks making it more difficult for SMEs	52%	51%	50%	49%	54%
Aware of banks appeals procedure	62%	66%	54%	55%	58%
Aware of Credit Review Office	77%	76%	76%	74%	68%
Aware of Credit Guarantee Scheme	73%	76%	70%	66%	67%
Aware of Micro Finance Scheme	58%	68%	65%	60%	52%

CHANGES IN BANK FACILITY



36% of respondents requested a 'New Term Loan', 6% requested an 'Extension of an Existing Term Loan', 4% requested 'other changes' to their term loan', and 13% requested a 'new overdraft facility'. 15% applied for an 'Extension of Overdraft Facility, a further 15% requested HP/Leasing facilities, while 8% applied for Invoice Discounting/Factoring.

ENDS