

57% REFUSAL OF CREDIT AS BANKS REVERT TO NEGATIVE WAYS

- *Demand for SME lending down to 36% from 41% in previous quarter.*
- *66% of firms state banks making it more difficult to access finance.*
- *Only 5% of SMEs satisfied with Government intervention in SME lending.*
- *Delays in bank lending decisions used as a cynical smokescreen.*
- *Average 5 weeks for initial decision amounts to “constructive refusal” disguising true refusal rates.*
- *Cost of banking increasing, as banks revert to ‘old habits’.*

ISME, Monday 9th September 2013.

ISME, the Irish Small & Medium Enterprises Association, has expressed disappointment at the latest results of the **ISME Quarterly Bank Watch Survey**, issued today, (Monday 9th September), which shows a decline in lending to SMEs. The 57% refusal rate is a massive 13 points worse than the figure in June and the worst since September 2011. The demand for bank credit has reduced from 41% to 36%. Once again **the cynical delaying of decisions by the banks, despite the Code of Conduct for SME lending, is tantamount to a ‘constructive refusal’.**

The Association demanded that the Government, through the Central Bank investigate the inordinate delays in getting a decision, averaging 5 full weeks instead of 15 days as set out in the Code.

1026 owner managers of SMEs responded to the survey, conducted in the week ending 6th September, a response rate of 14.7%, provides a strong indication of the real SME lending environment. The headline statistics are as follows:

- **57% of companies who applied for funding in the last three months were refused credit by their banks, a deterioration from the 44% refusal rate seen in the previous quarter.**
- **35% of respondents had requested additional or new bank facilities in the last 3 months, a decrease from 41% in the previous quarter.**
- **14% of initial bank decisions were made within one week; a slight improvement from the 13% in the previous quarter.**
- **On average, the decision time has increased from 4 to 5 weeks to get a decision.**
- **12% of respondents who required bank finance did not apply for various reasons.**
- **Of those 39% were actually discouraged by bank from making application and another 39% were afraid of a reduction in existing facilities.**
- **89% of respondents are customers of their bank for over 5 years, while 46% are over 20 years.**
- **Of the 42% approved for funding, 74% have drawn down the finance either fully or in part.**
- **40% of requests were for term loans, with 34% for overdrafts, or alterations to existing facilities, while invoice discounting/factoring accounted for 7% of requests, with 16% requesting leasing.**
- **30% of respondents had increases in bank charges imposed, while 11% have suffered increased interest.**
- **Reductions in overdrafts were demanded of 31% of SMEs, up from 28% in the previous quarter.**
- **A steady 95% state that the Government is having either a negative or no impact on SME lending.**
- **While 55% of respondents are aware of the Credit Guarantee Scheme, only 28% know about the Micro Finance scheme, down from 37% in previous quarter.**
- **74% of owner/managers are in favour of an alternative Strategic Investment Bank.**

Commenting on the survey results, Mark Fielding, ISME, CEO said; “Recent figures demonstrate that both rescued banks are going well beyond the PLAR (Prudential Liquidity Assessment Review) element of their programme, aimed at reducing the quantity of loans on their balance sheets. However, they are doing this by curtailing SME lending. Minister for Finance, Noonan must demand to see the books on this element alone as it will give the answers to questions being asked by ISME since the start of the bank bail-out.”

“Banks are not lending to the level appropriate to an economy ‘on the mend’. The statistics from our own Central Bank, the ECB and numerous economists, demonstrate the dearth of appropriate credit. We must put an end to the fiction that bailed out Irish banks are functioning properly. Despite assertions from the banking PR machine, access to credit is abysmal, the application process is getting more torturous, while ‘zealous’ bankers terrorise owners of small and medium businesses with legal letters of foreclosure, rather than negotiate an economic settlement.”

“As was clearly demonstrated by their display in front of the Oireachtas Committee last week, the rescued banks are treating their SME customer with disdain and continue to hoodwink the Government with continuing half-truths and distorted statistics as their assertion of 8 out of 10 loans granted has become a sad national joke. The Government and Central Bank have stood back for too long and must take action to bring bankers to heel, before they succeed in totally ruining our economy,” continued Fielding.

The Association, called on the Government to:

- Demand honest and reliable reporting from the rescued banks, through the Central Bank.
- Develop the alternative bank/fund – a Strategic Investment Bank/Fund to introduce competition.
- Investigate other sources of finance that can be made available to viable cash starved SMEs.
- Increase in SME finance availability, by insisting on adherence to bank bail-out conditions.
- Increase promotion of the government Partial Guarantee scheme and the Microfinance scheme.
- Install better management in bailed-out banks to oversee lending policy and its activity.

“One of the keys to economic revival and sustained recovery is a properly functioning banking system. The cornerstone of the economy is the SME sector, which will never reach its potential starved of finance. The Government must stop merely acknowledging that we have a banking problem and begin to act decisively,” concluded Fielding.

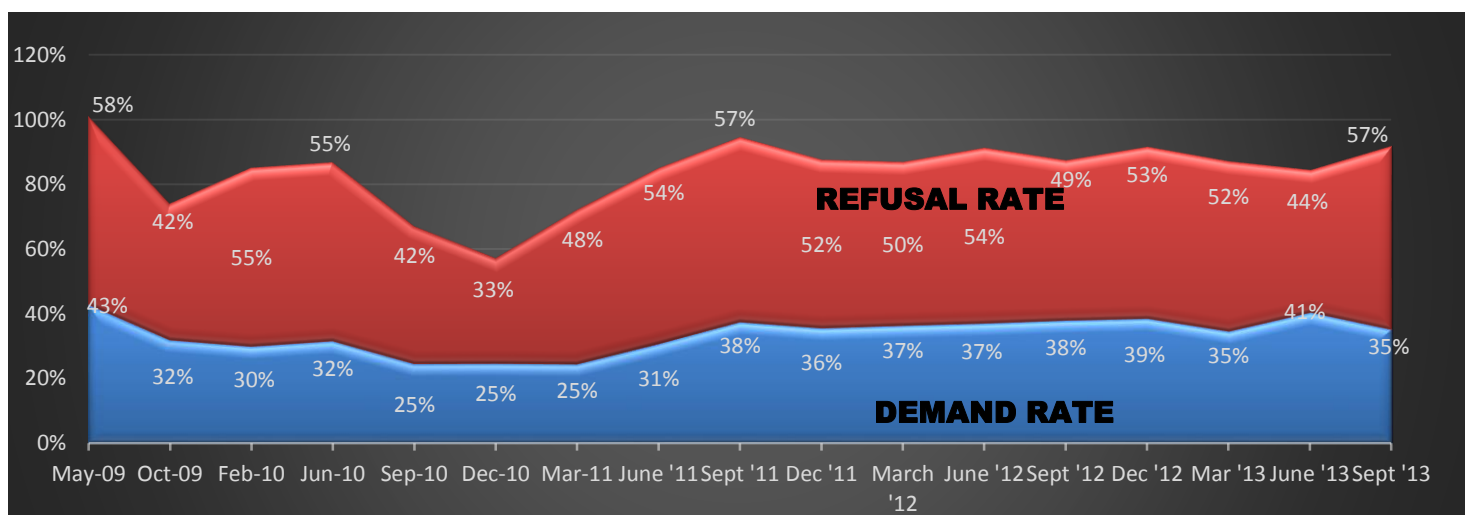
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Notes for Editors.

	Sept '12	Dec '12	Mar '13	June '13	Sept '13
Required a change in banking facilities in the last three months.	38%	39%	35%	41%	36%
Unsuccessful	49%	53%	52%	44%	57%
Approached Bank	85%	91%	88%	89%	88%
Made Informal Approach.	79%	82%	68%	79%	77%
Made Formal (written) Approach.	63%	58%	66%	61%	63%
Banks making more difficult access finance	72%	65%	65%	67%	66%
Aware of Banks' appeals procedure	57%	63%	56%	60%	64%
Aware of the Credit Review Office.	66%	71%	64%	64%	71%



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