

Ms Bernie Mooney
Deputy Head of Consumer Protection Code
Central Bank of Ireland
Dame Street
Dublin 2
26/08/11



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IN BUSINESS FOR BUSINESS

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Re: Consultation Number 55

Dear Ms Mooney,

Further to recent correspondence with your office, please find below the thoughts of Chambers Ireland on Consultation Paper 55 regarding Handling SME Arrears by lenders.

We note the context of the Fourth Report of the Credit Review Office by John Trethowan where he states that 'It is essential that any business that is fighting for survival prepares a recovery plan – supported by cash flow forecasts to establish future viability. There is a role for banks, small business organisations, trade bodies and accountants to facilitate and support SMEs in producing such plans in an affordable and timely way. There may be a role for Government to lead and co-ordinate a programme to facilitate recovery plans being prepared for SMEs, in a way that ensures it does not become a fee fest on hard pressed SMEs. Many of the challenged SMEs are facing not only liquidity problems but are also technically insolvent. Not only should the recovery plans identify if there is a future for the business, but when future viability can be established, the 'bankability' of the ongoing facilities required in the cash flow forecast will need to be addressed.'

In this context, we fear that the revised code of practice does not address this issue in supporting viable SMEs and also their banks in working with them in the context of the need for appropriate levels of prudence etc. This is especially the case given that Mr. Trethowan notes 'it is unlikely that many of these required facilities will meet the new prudent lending criteria required by the banks and the Central Bank.'

We note that the Consultation paper attempts to specify how a range of arrears/financial difficulties scenarios would be treated by the lending institutions. These include ensuring the written communication of:

1. The charges that may be levied on the amount of the arrears,
2. The period of time that the lending institution may give to the business to rectify its arrears position,
3. The options available for how long to restructure the facilities and the arrears,
4. The additional security that may be sought for the additional indebtedness created by the arrears.

In our view the core issue must be to ensure that the arrears management framework and agreed principles of engagement and communication have been broadly agreed to by the regulated entities. These should be reasonable and not too onerous in terms of cost of compliance issues for both parties. Such an agreement would be most helpful for all stakeholders working in this area.

In our view, an important outcome of this consultation would be ensuring that an empathetic approach is taken by the lending institutions. This would help greatly in building confidence and trust between both parties.

Finally as noted in a previous submission to the Central Bank, given that the experience of individual companies is so varied, Chambers Ireland would be pleased to facilitate a series of meetings with groups of member companies working with individual chambers of commerce in the Chamber Network. We would be delighted to arrange a meeting with SMEs in Dublin and other parts of the country working with our affiliated chambers around the country.

Yours sincerely,



Seán Murphy
Deputy Chief Executive