



**Submission to the**

**Central Bank of Ireland**

**Consultation Paper CP91**

**on the**

**Review of the Code of Conduct for Business  
Lending to Small and Medium Enterprises**

**April 2015**

## **INTRODUCTION**

The Small Firms Association is the “voice of small business” in Ireland and internationally, with 8,500 members and 7 affiliated organisations in all sectors and parts of the country. We specialise in the provision of valuable business focused advice, developing connections for our members, and effective public representation of small business issues which allow us to influence government policy.

Ireland is a nation of small businesses. We have 200,000 businesses in Ireland, of which 97% have less than 50 employees (small) and 84% have less than 10 employees (micro). We provide 56% of private employment – that’s jobs for some 863,175 people. An additional 49,195 people are self-employed. Each year in the region of 13,000 new businesses start-up.

We welcome this opportunity to contribute to this important Review Process.

## **RESPONSE TO THE CONSULTATION QUESTIONS**

Question 1-3:

Part 2, Point 5. I think there is a typo here – should read “in advance of the credit being requested by the borrower” rather than “offered to”.

Part 2, Point 5 (3) This is very important and should be implemented in practice.

Part 4, Point 10 (2) & (3) These are important provisions. Members are reporting that banks are unilaterally increasing their interest rates at present, and it is very difficult to challenge this decision.

Part 5, Point 11 (1) This is important as one of the greatest frustrations for members is the drip-feed requests for additional information which serves to delay loan application timelines further, and is often costly for small businesses to provide.

Part 5, Point 12 (4) The issue of requests for personal guarantees and excessive security in one that is regularly raised by our members. We’d question why this point should ever arise – why should the value of the security exceed the value of the credit sought (other than a reasonable provision for inflation perhaps?)

Part 5, Point 12 (6) In practice, banks deter small businesses from removing their security by stating that they will charge large arrangement fees on any future credit applications. This practice should be examined and the costs reduced. The norm should be for all security to be returned in line with a reducing credit balance.

Part 6, Point 13 (2) The information list outlined under Point (1) here should also be applied to Point (2).

Part 8, Point 17 (3) The point of contact being replaced regularly is a significant problem for member companies. This notification is important, but stability in the relationship during this time is desirable.

Part 8, Point 18 (1) The costs of an independent report should be proportionate to the size of the business and the complexity of the case. We have reports of expensive large consulting firms being used for these purposes, when better value might be achieved by the banks having a broader panel of small firm consultancies. This should also be a one-off cost. Some companies have reported having to have a number of independent reports done due to time delays in the resolution of their cases and the need to always have current data. If the delay is due to the bank's handling of the case, then they should incur some of the costs.

Question 4:

Yes, we agree.

Question 5:

Yes, we agree.

Question 6:

We have no evidence from amongst our membership of business credit cards being used as a source of credit. As outlined, they in practice are used simply as a payment mechanism and their usage is normally limited to a Director and very carefully monitored.

Question 7:

Yes, our members are exclusively small firms (under 50 employees) and thus would not use these types of instruments.

Question 8:

Yes. The provisions as outlined are good.

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