Micro, Small & Medium Enterprises (SMEs) in Financial Difficulty

Support Booklet

SME Finance & Leasing Solutions DAC trading as Finór Finance is regulated by the Central Bank of Ireland
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1. Introduction

SME's play a critical role in the growth of the Irish economy and at SME Finance & Leasing Solutions DAC "FINÓR FINANCE", we are committed to supporting SMEs at all stages of their life cycle.

We understand that a business may face financial challenges from time to time due to cashflow pressure or other challenges which may have financial implications for the business.

In our business, we will promote fairness and transparency in the treatment of our customers and when dealing with financial difficulties we will assist borrowers to meet their obligations. We also ensure that we comply with the Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Lending to Small and Medium-Sized Enterprises) Regulations 2015 "SME Regulations".

The SME Regulations apply to "micro, small and medium sized enterprises" and the regulations define these enterprises as follows:

"**micro and small enterprise**" means an enterprise which employs fewer than 50 persons and which has either or both of the following:

a. an annual turnover which does not exceed €10 million;

b. an annual balance sheet total which does not exceed €10 million;

"**micro, small and medium-sized enterprise**" means an enterprise which employs fewer than 250 persons and which has either or both of the following:

a. an annual turnover not exceeding €50 million;

b. an annual balance sheet total not exceeding €43 million

2. Financial Difficulties

When a customer enters in to 'financial difficulties' we have detailed below the steps to be followed and the support that we will provide to assist borrowers during this challenging period. As circumstances will vary from borrower to borrower, we will review each borrower on a case-by-case basis thus allowing us to adopt a flexible approach.

Under the SME Regulations a borrower must be classified as in financial difficulties when one or more of the following events occur:

• the borrower is in arrears under a credit agreement or alternative payment arrangement for three consecutive months; or

• Finór Finance has determined that the borrower circumstances are such that the 'financial difficulties' provisions of the SME Regulations apply.

The SME Regulations define arrears as a payment or part of a payment due in accordance with a credit facility agreement or alternative arrangement which has not been paid by the scheduled due date for payment.

Steps to be followed by SMEs in or facing financial difficulties

For a business in or entering ‘financial difficulties’ it is very important to engage with Finór Finance as early as possible as we will work with you to put appropriate solutions in place.

1.	Contact us as early as possible where you are at risk of not being able to meet your scheduled repayments to us.
2.	Advise us as soon as there are any changes in your financial circumstances that could impact on your ability to pay.
3.	Prompt engagement and full co-operation with FINÓR FINANCE to address and rectify your ‘financial difficulties’.
4.	Provide relevant and reliable business information within the timeframe specified by FINÓR FINANCE so that we can assess your situation as soon as possible.
5.	Complete any documentation within the timeframes requested.
6.	Keeping us informed of progress and advising immediately should circumstances change.

Full and open engagement with Finór Finance is key to resolving ‘financial difficulties’ and this includes providing information as requested and remaining in contact.

You may engage the services of a third-party advisor to help you review any proposals and they can accompany you during any discussions with us in relation to Alternative Arrangements.

3. Communications

For borrowers facing ‘financial difficulties’ we recommend engagement with us as soon as possible.

When you enter ‘financial difficulty’, we will write to you advising of the status of your account, the applicability of SME Regulations and the availability of this booklet to help guide you through the steps to be taken. We will offer you a review meeting to discuss your specific situation and a designated contact point – this option is also available to a customer entering ‘financial difficulties’.

Information required

The following information which may vary from customer to customer, will be required to carry out an assessment of the financial position of the business:

- Up to date financials including annual accounts
- Cash flow projections
- 3 months current account statements
- Business plans
- Aged Debtors and Creditors
- Confirmation of tax affairs
- Any other information relevant to the review

In addition, we may also carry out a monitoring check in respect of your credit history with the Central Credit Register.

4. Alternative Arrangements

On receipt of the necessary information, Finór Finance will assess your situation to establish if an Alternative Arrangement would assist in resolving your 'financial difficulties'.

Some of the more commonly used Alternative Arrangements include:

- Deferred payments
- Reduced repayments for a fixed period
- Term extension
- Incorporating arrears into unexpired term of the agreement

To determine the most appropriate Alternative Arrangement, Finór Finance will consider the following factors:

- Borrower's ability to service the debt based on overall financial commitments
- The borrowers banking track record including loan repayments and previous history
- Business environment and the sector the borrower is operating in
- Asset type and level of security therein
- Level of co-operation afforded to Finór Finance by the customer and overall level of openness and engagement.

If Finór Finance cannot make a decision on whether it will facilitate an alternative arrangement within 15 working days from receipt of the required information, you will be informed: (i) how long it will take to complete a decision of whether to facilitate an alternative arrangement, and (ii) the reasons why it will take longer than 15 working days

5. Not-co-operating

As previously stated, it is imperative that borrowers in or facing 'financial difficulties' fully engage and co-operate with Finór Finance and provide the relevant information for us to carry out a detailed assessment of their financial situation.

Under the SME Regulations, a borrower may be classified as 'not co-operating' where:

- The borrower has failed to make a full and truthful disclosure to the regulated entity to assess the borrower's financial situation within the timeframe set by the regulated entity.
- The warning letter, required in accordance with Regulation 20(8) has been issued to the borrower
- The borrower has not carried out the action or actions within the timeframes specified in the letter referred to above.

Where Finór Finance considers a borrower to be 'not cooperating', Finór Finance will write to the borrower and any guarantor, advising that the borrower will be classified as 'not co-operating' if the borrower does not perform specific actions within a designated timeframe as detailed in the letter or email.

The implications for borrowers of 'not co-operating' are that Finór Finance will be unable to put in place an alternative arrangement and will have no option other than to commence the process of seeking repayment of all sums outstanding which may lead to Finór Finance ultimately having to enforce any security held. Where security is realised, the borrower will remain liable for any outstanding debt. In addition, we may take legal action for the recovery of outstanding debt.

6. Appealing Alternative Arrangement

Our Credit Appeals process enables a customer to appeal a credit decision in the circumstances outlined below:

- Customer has submitted a formal request for an Alternative Arrangement / payment break which was declined.
- The customers appeal relates to an Alternative Arrangement / Payment Break which was approved with special terms or conditions that the customer does not agree with / feels is unjust.
- Your appeal relates to financial difficulties, and you have been classified as 'not co-operating' by the FINÓR FINANCE and / or your case has been referred / escalated to asset recovery / legal.

Appeals must be submitted by email to collections@finorfinance.ie within 21 working days from the date of notification of the decision and we will acknowledge receipt of your appeal within 5 working days.

The appeal will be reviewed by two independent reviewers who will consider the appeal in full.

A written response detailing the outcome of the appeal will issue within 15 working days (unless otherwise advised) of receipt of the appeal.

7. Complaints

Finór Finance will make all reasonable efforts to resolve a complaint in a timely manner.

If a customer wishes to make a complaint, they can do so to any member of staff either over the phone 056 770 6551 by email to info@finorfinance.ie or in writing to Customer Services Manager at below address. If we cannot resolve your complaint within five working days, we will respond to your complaint in writing followed by regular updates. If you are not satisfied with our response, you can refer the matter to the Financial Services and Pensions Ombudsman, Lincoln House, Lincoln Place, Dublin 2, D02 VH29. You can find information on how to access their resolution process by visiting their website at https://www.fspo.ie

8. Potential impact of arrears

If you miss any payment, we will be entitled to charge you default fees and interest in accordance with the terms of your credit agreement. Please refer to your credit agreement for more information.

Your data in relation to the arrears may be shared with the Central Credit Register or a relevant credit reference agency or credit register, in accordance with our credit agreement.

WARNING

If you do not meet the repayments on your credit facility agreement, your account will go into arrears. This may affect your credit rating, which may limit your ability to access credit in the future.

9. Additional Information

If you would like any further information about the regulations, please see the link below for Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Lending to Small and Medium-Sized Enterprises) Regulations 2015:

https://www.centralbank.ie/docs/default-source/Regulation/consumer-protection/other-codes-of-conduct/39-gns-4-2-7-central-bank.pdf

CONTACT US

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