

SMALL & MEDIUM ENTERPRISES IN FINANCIAL DIFFICULTY



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Many businesses face challenging periods from time to time. Market forces, cashflow issues and a host of other financial pressures can put stress on a business. At AIB, we recognise that it isn't always easy, and we want to help.

Dealing with financial problems in business can be daunting, but tackling problems and seeking advice at an early stage can make a big difference. At AIB, we are fully committed to working with you to provide support and advice and to find appropriate solutions to help you guide your business through tough times.

To assist you in dealing with your financial difficulties, you may also wish to consider consulting a professional adviser. Your accountant or solicitor may be able to offer financial and debt management advice and, if you do not already work with one, it may be worth considering finding an independent adviser who has specialist knowledge of your particular business sector. If you ask us to, we will work with your advisers.

Lenders in Ireland are regulated by the Central Bank of Ireland and are required under the Lending to Small and Medium Enterprises Regulations 2015 (the "SME Regulations") to provide information to assist SME borrowers who are experiencing financial difficulty.

The purpose of this booklet is to assist borrowers who are experiencing financial difficulty, or feel they may have difficulty making their loan repayments in the future. These guidelines apply to Micro, Small and Medium Enterprises as defined in the SME Regulations.

A full copy of the Regulations can be downloaded from the www.business.aib.ie/my-business-is/facing-challenges

The SME Regulations are designed to:

- Promote fairness and transparency in the treatment of SME's by lenders
- Provide information on the application process for credit and associated timelines
- Provide reasons in writing for declining credit that are specific to the application that was declined
- Provide increased information to SME borrowers about the lenders policies for dealing with financial difficulties, including the implications for SME borrowers who are deemed not cooperating
- Expand the grounds for appeal by SME borrowers of various credit decisions made by a lender.



AIB HAS CLEAR PROCEDURES TO HELP CUSTOMERS EXPERIENCING FINANCIAL DIFFICULTY

Our process involves the following steps:



STEP 1

Communication - Talk to us

It is very important to address the early signs of financial stress in your business. The sooner you contact your Relationship Manager or local AIB branch, the easier it will be for us to help.

It is in your interests to engage with us in relation to your arrears or financial difficulties. It is only with your engagement and cooperation with us, that a solution may be reached.

If you are in financial difficulties, we will arrange for one of our teams to work with you to explore potential ways of resolving the situation and will write to you informing you of their contact details.

We will consider any financial difficulties sympathetically and work with you constructively to explore appropriate solutions. In most cases, by continuing to work together, we will find an acceptable alternative way forward.

STEP 2

Financial Information - Understanding your finances

Once you have contacted us, your Relationship Manager will let you know what information is required in order to get a clearer picture of your business's financial circumstances. The type of financial information required by us to make an assessment for an arrangement will vary depending on the nature and size of a business, but will typically include the following:

Documentation required	Why AIB needs this information
1. Financial Information/ Projections <ul style="list-style-type: none">• Latest Audited/Certified Accounts as appropriate• Income & Expenditure Statement/Trading Profit & Loss Account and Balance Sheet• Up-to-date management accounts and cashflow statements to reflect the current trading period• Up-to-date aged list of debtors/creditors• Financial and cashflow projections and underlying assumptions (including any evidence of agreed orders/ contracts).	This information enables us to gain a real insight into how your company: <ul style="list-style-type: none">• has performed in the past,• is performing currently,• is likely to perform in the future. Short-term cashflow projections are of particular importance in the current environment.
2. Details of current tax position (Tax Clearance Certificate where appropriate)	This will allow us to understand your current tax situation and any arrangements that may be in place with the Revenue Commissioners.
3. Up-to-date Asset/Liability profile of the business and owners/promoters	This allows us to assess the overall financial position of the company and its business owners /promoters.
4. If required, details of your security position	You may have provided security across a number of facilities which is relevant to the assessment of your situation.
5. Other information may be required as relevant to an individual case	Your Relationship Manager will advise you of further information or clarifications we may require to ensure we fully understand your particular financial circumstances.

We will need to see information that tells us how your particular business is performing, and therefore the nature of the information required will vary from case to case.

Good preparation is key and it helps if your business plan is comprehensive, cashflows are robust and you demonstrate an in-depth knowledge of your business and the competitive environment in which the business operates.

You may wish to seek to engage an independent adviser, for example your financial adviser or accountant and bring them along to discussions with the Bank whether the discussions are face to face or not.

It is important the information provided is a full and honest disclosure of your circumstances.

You may have more than one facility with AIB, and if this is the case, we recommend that you review your contract with the Bank to establish if your financial difficulty will impact other facilities. For example, you may have provided common security for a number of credit facilities, in which case, this cross-securitisation may impact on other credit facilities within the overall financial arrangement.

STEP 3

Assessment - Assessing your financial situation

We will use the information provided by you to assess your situation and explore the various options to try to resolve the situation. This assessment will take your full circumstances into account, including overall level of borrowings, repayment capacity and previous repayment history, along with your security position.

The assessment process for an alternative arrangement is not expected to take longer than 15 business days from the date of receipt of all of the information/documentation requested. If our decision takes longer than 15 business days, we will write to you to advise you how long it will take and the reasons why.

We may offer you an alternative arrangement to assist you to resolve financial difficulties subject to you meeting our criteria. The decision process will take into account your full circumstances such as, where applicable:

- The overall level of borrowings with both us and any other financial institution

- The current and future overall repayment capacity
- Previous repayment history
- The existing security position with regard to your borrowings
- The viability of the business,
- Your co-operation and the information you provide to us.

Throughout the assessment process, we will continue to work constructively with you to develop a sustainable solution for the business where possible. To help us do this, it is important that you:

- Act in good faith
- Keep us informed about developments
- Keep to your agreements with us
- Carefully consider what your own and any independent advisers say
- Are prepared to make any necessary changes in a timely manner.

STEP 4

Resolution

Once a decision has been reached to offer you an alternative arrangement option, we will write to you outlining all revised terms and applicable fees and charges.

It is important to note that alternative arrangements may be affordable for your business in the short term but could be more expensive in the longer term.

It is very important that you keep up to the terms of any agreed arrangement, or advise us immediately if there has been any change in your financial circumstances. Not telling us about problems could impact negatively on other facilities you hold with us, such as current accounts, credit cards, direct debits, etc.

Where we decide it is not possible to offer you an alternative arrangement, we will advise you directly, giving you clear reasons for our decision and the next steps we may take.



Important Information

Excess balances attract an annual surcharge rate of interest, which is levied on the entire excess balance in addition to the annual interest rate applicable to the account. You may also incur Referral Item or Unpaid Item charges. Further details on these charges are available in your credit agreement or if applicable, in the 'Business Fees and Charges' brochure, which is available in all branches and online at www.aib.ie. You can avoid incurring further surcharge interest by clearing the excess balance, ensuring that all future repayments are made when due and that your current account operates in credit or within your approved overdraft limit. You can avoid unnecessary charges for unpaid cheques, standing orders and direct debits by ensuring that there are sufficient funds in your account to pay these items when they are presented, and also by ensuring all cheques which you draw on the account, or which you lodge to the account, are drawn correctly.

If you do not adhere to the terms of your credit agreement while in financial difficulties it may affect your credit rating which may in turn limit your ability to access credit in the future.

Data relating to your arrears may be shared with the Irish Credit Bureau where permitted by contract and will be shared with a credit register if required by law.

If you own a micro-enterprise (turnover less than €2m and fewer staff than ten), you may be eligible for a Microfinance Loan. Find out more at

www.microfinanceireland.com

Not Cooperating

It is vital that you cooperate with us in relation to your current financial situation.

Where you fail to cooperate, you will be classified as not cooperating which may have the following implications:

- We will not be able to assess you for an alternative arrangement and
- We may take legal action immediately
- Where legal proceedings are initiated, you will incur legal costs.

Should it be necessary to take legal action to enforce security it is important to be aware that where security is realised, you will remain liable for any outstanding debt, including any accrued interest, charges and other costs related to the realisation of security including, where applicable, legal and selling costs.

Under the SME Regulations 2015, you can only be classified as not co-operating when:

- a) you fail to make a full and truthful disclosure to the bank of the information required by the bank to assess your financial situation, within the timeframes specified by the bank, and
- b) a warning letter that you will be classified as not co-operating has issued to you and you have not carried out the action(s) specified in the letter within the advised timeframe.

STEP 5

Appealing a decision

AIB has an internal appeals process for SMEs in financial difficulties. The process is available for all loans, overdraft, asset finance and invoice discounting products irrespective of facility amount.

You may appeal decisions of the Bank where we:

- Have not offered you an alternative arrangement in situations where you believe you are entitled to the offer of an alternative arrangement or;
- Have offered an alternative arrangement that you are not prepared to accept or
- Have classified you as not cooperating,
- Require a special term or condition in order to provide you with an alternative arrangement, including with respect to security and guarantees required by us.

This is a two stage process:

- You must first appeal through the AIB Internal SME Credit Appeals Process.
- If your appeal to AIB is unsuccessful, you can refer your case to the Credit Review Office, when a facility is between €1,000 and €3,000,000.

You can contact the Credit Review Office by post, phone, fax or email



Credit Review Office, The Plaza,
East Point Business Park, Dublin 3



1850 211 789



info@creditreview.ie



Office Hours: 9am-1pm; 2pm-5pm

See appeals process overleaf.

AIB Internal SME Credit Appeals Process

1. This appeal must be sent directly in writing to the Credit Appeals Officer, PO Box 11826, AIB Bankcentre, Ballsbridge, Dublin 4, within 20 days, stating the basis of your appeal.

Appeals will be referred to an independent internal Appeals Panel and an update will be issued to you within 15 business days.

Appeals Upheld

Yes

2. Where the appeal is upheld, the written response stating the decision will be posted to you by the Credit Appeals Office. A copy of the letter will be sent to your Business Relationship Manager.

Credit Review Office

3. The Credit Review Office is an independent government office and accepts requests for review of a bank's credit decisions from SMEs for facilities between €1,000 and €3,000,000. The Credit Review Office will not accept any appeal unless AIB's internal SME Credits Appeals Process has been unsuccessful.

Further details of the Credit Review Office process are set out at www.creditreview.ie

No

4. Where the outcome of the review by the Credit Review Office is that the credit decision should be amended, the bank is required to comply with recommendation or explain why the decision of the Credit Review Office will not be complied with.

We have in place a procedure for the handling of complaints. This procedure provides that complaints will be appropriately recorded, investigated and resolved. The outcome of any investigation will be communicated to you. For complaints that cannot be resolved immediately, we will provide you with regular updates.

What to do if you have a complaint

In the event that you wish to make a complaint, it's easy to contact us. You can:



CONTACT YOUR LOCAL BRANCH



GO ONLINE TO

[https://business.aib.ie/i-want-to/make a complaint](https://business.aib.ie/i-want-to/make-a-complaint)



CALL US ON 01 641 4444

EMAIL US AT

complaints.management@aib.ie



WRITE TO OUR

Customer Care Team at
Bankcentre, Ballsbridge, Dublin 4.

If your complaint is still not resolved to your satisfaction, you may then refer the complaint to the Financial Services Ombudsman's Bureau, 3rd Floor, Lincoln House, Lincoln Place, Dublin 2.

Lo Call 1890 88 20 90 or email enquiries@financialombudsman.ie

THE FOLLOWING STEPS MAY ASSIST YOU IN REDUCING OR MINIMISING YOUR FINANCIAL DIFFICULTIES:



Review all costs, including rent, salaries and wages, utilities, office supplies, advertising, vehicle and equipment maintenance, fuel, etc.



Improve cashflow by turning stock into cash more quickly



Accelerate collection of amounts due from debtors by offering discounts to customers who pay more quickly, issuing invoices promptly and following up immediately if payments are not made on time



Inform your creditors as soon as possible if you are finding it difficult to pay. You may be able to renegotiate your payments



Convert liquid assets into cash, e.g. investments.

USEFUL CONTACTS

AIB has dedicated Relationship Managers for Business Customers as well as specialist Business Advisers available in every branch and commercial centre if you would like to discuss any aspects of your situation.

OUR WEBSITE	www.aib.ie/business contains a dedicated section called 'Concerned about your Business Finances?'
CENTRAL BANK	www.centralbank.ie
CHAMBERS IRELAND	www.chambers.ie
CREDIT REVIEW OFFICE	www.creditreview.ie
IRISH CREDIT BUREAU	www.icb.ie
IRISH BUSINESS AND EMPLOYERS CONFEDERATION (IBEC)	www.ibec.ie
IRISH SMALL AND MEDIUM ENTERPRISES ASSOCIATION (ISME)	www.isme.ie
IRISH BANKING FEDERATION (IBF)	www.ibf.ie
REVENUE COMMISSIONERS	www.revenue.ie
SMALL FIRMS ASSOCIATION	www.sfa.ie
SOCIAL FINANCE FOUNDATION	www.sff.ie

Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland.

1890 47 88 33 www.aib.ie/business



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