

Quarterly Bank Watch Report Q1'19

Wednesday 22nd May 2019

Demand for Credit High and Bank Charges High

- **SME demand for credit is at 29%.**
- **Loan refusal rates increase from 12% to 33%.**
- **8% waiting longer than 10 weeks from permission to drawdown.**
- **69% stated that banks are making it more difficult to access finance.**
- **8% of SMEs pay between €5000-10000 in Bank Charges (excluding interest).**

ISME, the Irish SME Association, today (22nd May) released its quarterly Bank Watch survey for Q4'18. The results show an increase in loan refusal rates, increasing from 12% to 33%. Demand for credit remains high at 29%. The Association highlights the need for more credit to be made available to SMEs and the length of time it's taking for SMEs to access finance. It calls for banks to promote the SBCI funds in a unified manner.

ISME CEO Neil McDonnell said:

It appears that refusal rates have returned to the level they were at in Q3 2018, and that the 12% refusal rate in Q4 was a function of a lower level of borrowing activity at the end of last year.

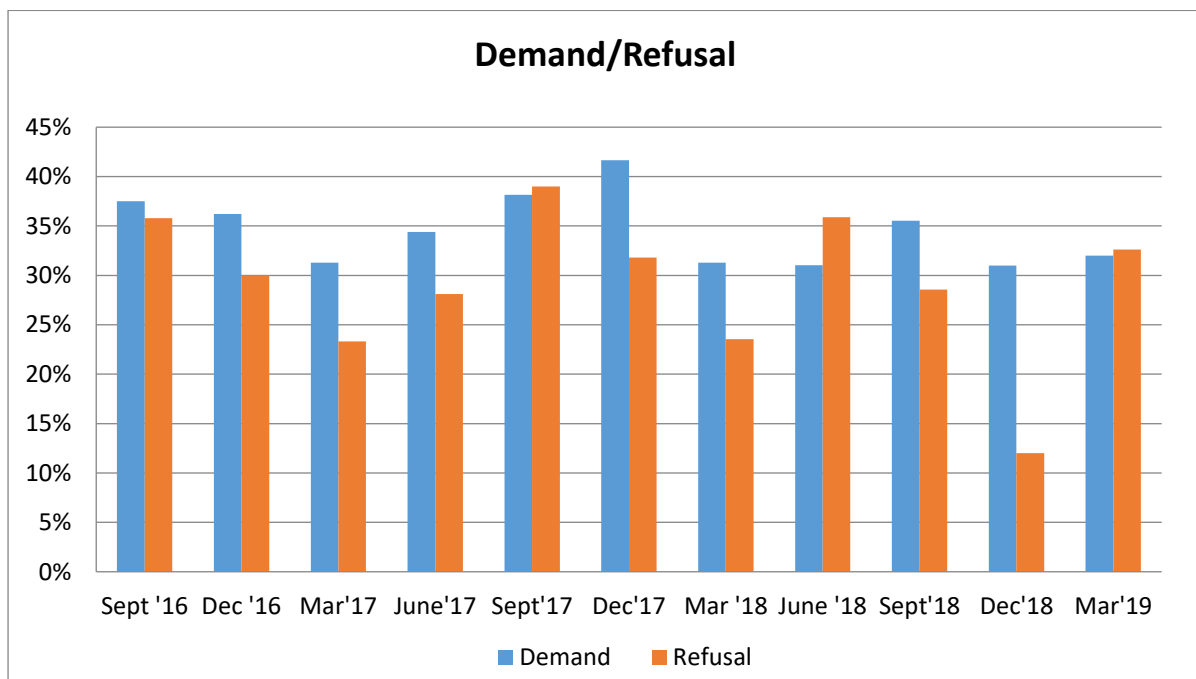
Mr. McDonnell added:

The results underline the need for a more competitive commercial banking environment in Ireland. As long as we are shackled to such a small base of pillar banks, there will be no impetus to tackle high interest charges and poor customer service.

The main findings from the respondents in the third week of March are as follows:

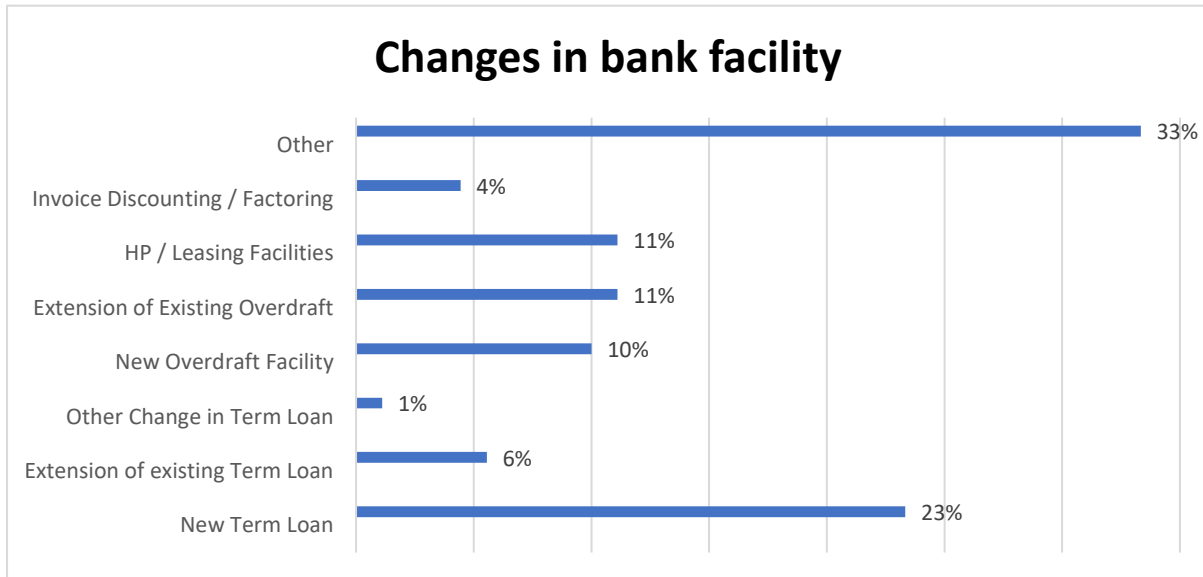
- **32% of respondents required additional or new bank facilities in the first 3 months of 2019, up 2% on Q4'18.**
- **33% of companies who applied for funding were refused credit by their banks, an increase on the 12% in Q4'18.**
- **Awareness of the Credit Review Office was at 69%. There was a nominal increase in awareness of the Credit Guarantee Scheme from 66% to 68%, while awareness about the microfinance scheme grew from 53% to 59% in Q1'19.**
- **19% of applications were awaiting a decision late-March.**
- **On average, businesses are waiting 2 weeks for an initial decision on loan applications. The wait time for drawdown was 1 week.**

- 32% of initial bank decisions were made within the first week; an increase from 22% on previous quarter. 13% are waiting 4 to 6 weeks, while 8% are waiting more than 10 weeks.
- 38% of those who required funding made a formal application, while informal applications made up 27%. 35% of applications made were done by other forms/ means.
- Of the 57% approved for funding, 62% have drawn down finances either fully or in part.
- 38% of respondents had cause to be concerned about bank fees and charges.
- 70% state that the Government is having either a negative or no impact on SME lending compared to 57% in the previous Quarter.
- 5% of businesses report that their debt has been sold by their lender to another institution.
- 54% have been with their bank for 20+ years.
- 15% of SMEs spend between €100-€250 on Bank Charges (excluding interest), 55% between €250 and €2500, 11% between €2500-€5000, 8% between €5000-10,000, 3% between €10,000-€20,000. The remainder pay in excess of €20,000.



	Mar'18	June'18	Sept'18	Dec'18	Mar'19
Required change in bank facilities in last 3 months	31%	31%	36%	31%	32%
Unsuccessful	24%	36%	29%	12%	33%
Approach the Bank	72%	84%	79%	84%	53%
Made Informal Approach	77%	70%	75%	79%	27%
Made Formal (Written) Approach	47%	50%	55%	58%	38%
Banks making it more difficult for SMEs	49%	54%	52%	45%	69%

Aware of banks appeals procedure	55%	58%	63%	58%	68%
Aware of Credit Review Office	74%	68%	68%	70%	69%
Aware of Credit Guarantee Scheme	66%	67%	66%	66%	68%
Aware of Micro Finance Scheme	60%	52%	57%	53%	59%



23% of respondents requested a 'New Term Loan', compared to 46% in Q4 of 2018. 6% requested an 'Extension of an Existing Term Loan', 1% requested 'other changes' to their term loan', and 10% requested a 'new overdraft facility'. 11% applied for an 'Extension of Overdraft Facility. A further 11% requested HP/Leasing facilities, while 4% applied for Invoice Discounting/Factoring.

ENDS.

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Note to Editors:

This survey was conducted in the third week of March, covering the first quarter of 2019. There were 678 SME owner manager respondents.