

press statement



24 March 2010

BANK LOAN TARGETS ARE JUST A RED HERRING

Alistair Darling's Budget won't address the needs of struggling businesses that are still desperately short of liquidity, says TMA (UK).

Businesses in desperate need of cash may initially be cheered by the news that RBS and Lloyds have been set a target of £94bn in new business loans, nearly half to smaller firms, over the next year. But TMA (UK) Director Tyrone Courtman says it's a red herring unlikely in practice to make it any easier for businesses in trouble to get the cash they need.

The banks failed to meet their lending targets last year, citing lack of demand from creditworthy borrowers. The Chancellor's response has been to ditch net lending targets and replace them with gross lending targets, which will be easier for the banks to meet without necessarily increasing the amount of credit they provide.

"For many businesses these new lending targets will make no difference to their ability to secure a badly-needed loan," said Mr Courtman. "The banks will only continue to lend to businesses they judge to be creditworthy, and their perception of creditworthiness will continue to make it difficult to gain their support. As a consequence many more businesses will go to the wall.

"The difficulty for the banks, particularly those in public ownership, is that they'll be damned if they lend recklessly to businesses with poor propositions because it's largely taxpayer's money that is at stake... and they'll be damned by the Government if they don't, because no government wants to face up to the social consequences of a tide of business failures and subsequent unemployment and repossessions."

Mr Darling also announced the introduction of a new credit adjudicator, giving small businesses the opportunity to appeal against the rejection of loan applications. But Mr Courtman said: "This sounds good on the surface, but if a business isn't strong enough to satisfy the bank's assessment then I can't see that adjudication will make much difference."

He said the only good news was the cut in business rates for over 500,000 small businesses for a year from October.

"Perhaps finally there is a realisation that the burdens on business have gone far enough," he said.

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continuation sheet

Notes to Editors:

TMA (UK) is a multidisciplinary trade association of professionals involved in turnaround, recovery, reconstruction, refinance and change management. Uniquely, TMA (UK) membership embraces professionals from a variety of backgrounds including accountancy, law, banking, insolvency practice, and change management. TMA (UK) has 13 regions, and members network extensively at both national and regional level, building up essential contacts among different disciplines.