



LENDING

TO SMALL AND MEDIUM ENTERPRISES



This information booklet can be viewed and downloaded from the credit union's website or upon request to the credit union's Credit Control Officer, the SME borrower can receive a printed copy of this booklet (free of charge).

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Introduction:

Information for Business (SME) Lending

Small businesses are key contributors to the Irish economy and are vital for its growth. Savvi Credit Union Ltd ('SCU') is committed to supporting SMEs as they establish, launch and mature.

This booklet is intended to provide our members with an understanding of the key SME Regulations, set out the framework within which we provide credit facilities to members, and assist businesses who are either already in, or facing into financial difficulty.

We always endeavour to remain clear and transparent in all our member engagements and ensure compliance with our obligations under 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 (SMEs) in the State.

Micro and small enterprises mean an enterprise which employs less than 50 persons, and which has either of both of the following:

- an annual turnover not exceeding €10 million
- an annual balance sheet total which does not exceed €10 million

Micro, small, and medium-sized enterprises mean an enterprise which employs fewer than 250 persons and which has either or both of the following:

- an annual turnover not exceeding €50 million.
- an annual balance sheet total not exceeding €43 million.

In more specific and practical terms, in Savvi Credit Union, such a borrower is normally either a sole trader/self-employed businessperson (including farmers and taxi-drivers etc.), a business partnership or a partner in a business partnership, a company director or a company, where the purpose for which the loan was borrowed was for business purposes. Where the purpose of the loan is personal or private for a sole trader/ self-employed businessperson, then the SME Lending Regulations do not apply.

The definition of business purposes is set out in the Savvi Credit Union's lending policy and reflects guidance issued by the Central Bank (i.e., the purpose of the loan is for the member's trade, business, or profession). Such a borrower where the purpose of the loan was business is referred to in this booklet as the "SME borrower".

Background to SME regulations

The Central Bank of Ireland introduced new regulations for firms lending to SMEs on 1st July 2016. Regulated lenders (other than credit unions) were obliged to comply with these regulations as of 1st July 2016, with credit unions from 1st January 2017.

The provisions of the SME Lending Regulations and this information booklet are without prejudice to the credit union's legal and regulatory obligations and legal rights to enforce any agreement including, but not limited to, any security taken in connection with a credit agreement.

The SME Regulations apply to SME lending by regulated entities to borrowers within the State. The objective of the regulations is to strengthen protections for SMEs, while also facilitating access to credit, by introducing specific requirements that regulated lenders must comply with.

These objectives / requirements include:

- Enabling access to credit for viable and productive business propositions.
- Giving SME borrowers greater transparency around the application process.
- Providing SME borrowers with reasons for declining credit, in writing, that are specific to their application.
- Providing greater protections for guarantors.
- Contacting SME borrowers who have been in arrears for 15 working days.
- Warning SME borrowers if they are in danger of being classified as not co-operating.
- Expanding the grounds for appeal and operating an internal appeals panel.
- Ensuring that when dealing with 'financial difficulties' cases, the objective of a regulated entity (i.e., the credit union) will be to assist SME borrowers to meet their obligations, or otherwise deal with the situation in both an orderly and appropriate manner.

How do I apply for a Business Loan?

At Savvi Credit Union, we would be happy to facilitate an in-person / on-line meeting or phone call to discuss your business lending requirements.

You can get in touch via the below contact details:

E-mail: businessloans@savvi.ie

Phone: 01 6325100, option 2

What information do I need?

To assess SME loan applications fully, we require certain information. The level of information sought will vary depending on the size and purpose of the loan. This may include, but not be limited to:

- A business plan, which should include an executive summary, company description / background of the business / your experience, outline of borrowing sought, market analysis, staffing and operations, profit and loss, balance sheet and cash flow projections.
- up-to-date financials and management accounts for your business.
- confirmation that all personal and business tax affairs are up to date.
- your latest Revenue Notice of Assessment document.
- up-to-date business and personal bank account statements for at least the last 12 months.

We will conduct a credit check with the Central Credit Register. Currently, a refusal of credit by the Credit Union does not adversely affect your credit rating.

On receipt of all the information requested, Savvi Credit Union will acknowledge all loan applications submitted within 5 working days, advising that we are now moving your application to the credit assessment stage. In line with the regulatory requirement, we will undertake to revert with our credit decision on or before 15 working days.

If we are unable to come to a decision on your application within 15 working days, we will inform you in writing of the reason(s) why the application will take longer to assess, and the expected timeframe within which a decision will be made.

If further information is required to aid us in decisioning your application, we will outline what is required and the timeframe within which the information sought should be provided.

Credit Assessment

We will use the information you have provided to carry out a detailed assessment of your request. Savvi Credit Union has policies and procedures in place to ensure the fairest outcome to your application. We will undertake to assess the application on its own merits, ensuring the information requested is relevant and not excessive. The assessment will typically include the following, among other relevant factors pertinent to your case:

- Banking track record including loan repayments and credit history etc.
- The amount requested and the purpose of the loan.
- Ability to meet the proposed loan repayments versus your total overall business commitments.
- The related business environment
- The level of security that may be offered/ available (please note that where a personal guarantee is required a clear explanation of the implications of the guarantee will be provided to the guarantor).

You should be aware that security may be requested to support your borrowing requirements. Savvi Credit Union will base the decision to request security on the level of credit being sought, the term of the facility and the overall risk profile, to ensure that we adopt a prudent and responsible approach to lending.

When we have completed our assessment, we will provide confirmation of the outcome to you in writing.

Where we approve your business loan, this confirmation will include details of the terms and conditions applicable to the credit facility, with the relevant interest rate and fees or charges applying.

The intention is to meet your loan proposal with a positive response where possible. However, if your application is declined, we will confirm the decision to you in writing, providing you with the reason(s) why we could not accommodate the application and, at the same time, informing you about our appeals process.

Currently a refusal of credit by the Credit Union does not adversely affect your credit rating. In the normal course of our relationship, we are available to meet with you at your request. We are also happy to offer you the option of a comprehensive annual review of all your credit facilities and related security and any alternative arrangements.

After Loan Approval

Once the loan is approved, we shall notify you in writing. If loan conditions or a guarantee or other security are required, we will work with you to put this in place.

Once any loan preconditions have been met, the loan will be available for drawdown.

After drawdown you are expected to meet the repayments set out in the loan agreement. We shall send you an annual statement showing all repayments, and all interest charged and your balance.

If we decide to change the interest rate on a variable rate loan, we shall tell you the new interest rate and new amount of repayments in good time before any rate change.

Given that you can always repay your variable rate loan at any time and without any penalty, you will have the opportunity to clear the loan should you wish to.

In respect of Savvi Credit Union's variable loan interest rates, please note the following:

Warning: The cost of your repayments may increase.

Your variable rate loan can be cleared at any stage during the loan term without any notice period or early cancellation penalties.

Savvi Credit Union Limited does not charge fees to assess or administer your lending. In certain circumstances however, third party expenses may be incurred (e.g. legal or valuation fees). These will be payable by the borrower. Any such fees or expenses will be notified to you in advance.

Annual review

All SME borrowers are welcome to have an annual discussion with a member of our lending team. We shall endeavour to contact you annually for this purpose. You should feel free to contact us directly at any time in this regard. Such an annual review would cover:

- the performance of the loans currently in place between us,
- any security we may hold
- alternative borrowing arrangements that might suit you better than the existing loan.

To conduct the review, we will usually require:

- a copy of your most recent financial statements
- up-to-date bank statements for the most recent three months
- proof that your taxes are all paid up-to-date.

We shall review all such documentation within seven business days of receiving it and we will contact you shortly afterwards to schedule an appointment at a mutually convenient time.

If we are not able to approve your loan application

If your application is not successful, we shall set out in writing:

- the reasons why we were not able to approve it
- details of our internal complaints and/or appeals procedures and information on how to lodge a complaint or appeal
- information about the role of the Credit Review Office and its contact details
- a link to the Government's website Supporting SMEs online guide or any other equivalent website available.

Appeals

Our Business Credit Appeals process enables you to appeal a decision in the circumstances outlined below.

- You have submitted a formal business credit application which was declined
- Your business credit application was approved but for a lower amount or a shorter term than requested, or with special terms or conditions that you feel are unacceptable
- You have submitted a formal request for an Alternative Arrangement which was declined
- Your appeal relates to an Alternative Arrangement which was approved with special terms or conditions that you feel are unacceptable
- Your appeal relates to the withdrawal or reduction of a credit facility
- Your appeal relates to financial difficulties and you have been classified as 'not co-operating' by the Bank.

To appeal a Savvi Credit Union business credit decision, please send an email to businessloans@savvi.ie, providing details of your application and outlining the basis of your appeal.

Appeals must be submitted in writing within 21 working days from the date of notification of the decision. Savvi Credit Union 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. The Credit Union will issue you with a written decision on the outcome of the appeal within a maximum of 15 working days of receipt of the appeal (unless otherwise advised).

If you have exhausted the internal appeals process in the Credit Union, you may be eligible to avail of the appeals process provided by the Credit Review Office. The Credit Review Office has been established to provide an independent, impartial credit appeals process for small and medium sized businesses, including sole traders and farmers who have had credit facilities refused, reduced, or withdrawn. Further information about the role of the Credit Review Office and the eligibility criteria for review can be found on their website at www.creditreview.ie

Complaints

We understand that sometimes we may fall short of the standard you expect from us, or you may be unhappy with a decision we have made. We will strive to resolve your complaint quickly and fairly and we encourage you to contact us as early as possible either in writing or in person.

We will acknowledge your complaint in writing within 5 working days and advise you of the name of the person dealing with your complaint. It is our intention, where possible to investigate and resolve the complaint within 40 working days and you will receive regular updates on progress every 20 working days.

If we cannot resolve the complaint within 40 days, we will write and explain the reason for the delay and indicate when we might expect to have a resolution. If you are not happy with our response, you may take your case to the Financial Services Ombudsman who will act as an independent arbitrator and provides the service free of charge (www.financialombudsman.ie)

Difficulties in repaying a loan

Inevitably, some SME borrowers will have difficulties in meeting certain repayment commitments. If you anticipate such difficulties, please let us know as soon as possible.

When you contact and engage us in such circumstances, act in good faith, and bring an honest realism to your commercial decision-making, we will endeavour to reach a mutually agreeable resolution.

If financial difficulties materialise and we need to amend the loan in some way or take some other action, we shall provide you with / refer to you the section of this information booklet titled *Small and Medium Enterprises who are in Financial Difficulties*, which will ensure that you are fully informed of your rights when working with us to resolve the matter.

Impact of Arrears on your credit rating and ability to access credit in the future:

Information with respect to arrears on your credit facility may be shared with a credit reference agency or central credit register (as required by law).

Your credit rating may be adversely affected.

This may impact your ability to avail of additional credit facilities in the future.

SME Lending Regulations

The information above has been prepared to comply with the Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Lending to Small and Medium Sized Enterprises) Regulations 2015.

These regulations were designed to make it easier for SME borrowers to engage with their lenders and ensure that the whole process worked in a fair and transparent manner, particularly if financial difficulties arise.

We will provide you with a full copy of these regulations if you ask us.

You can contact us on 01 6325100 or by email at businessloans@savvi.ie

Other useful sources of information

- www.bpfi.ie
- www.smallbusinessfinance.ie
- www.enterprise.gov.ie
- www.enterprise-ireland.com
- www.localenterprise.ie
- www.sfa.ie
- www.isme.ie
- www.centralbank.ie
- www.creditreview.ie



FOR SMALL AND MEDIUM
ENTERPRISES WHO ARE IN

FINANCIAL DIFFICULTIES

Introduction

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

Dealing with financial problems in business can be daunting but tackling problems and seeking advice at an early stage can make a significant difference. We are fully committed to working with you in attempting to find appropriate solutions as regards the loan you hold with us which may assist your business to get through any period of financial difficulties.

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 business sector. If you ask us to, we will work with your advisers.

This booklet outlines the approach and procedures of SCU when dealing with SME borrowers who are in financial difficulties and gives information on the various options available and also details of the criteria which will be applied. **At all times, it is in your interest to engage with the credit union about your arrears or financial difficulties so that a suitable arrangement can be found.** We will endeavour at all times to be both clear and transparent in all our member engagements and to comply in full with relevant legal and regulatory obligations.

This booklet applies to all borrowers who come under the definition of "borrower" as set out in the Central Bank (Supervision and Enforcement) Act, 2013 (Section 48) (Lending to Small and Medium Sized Enterprises) Regulations 2015 as amended by the Central

Bank (Supervision and Enforcement) Act 2013 (Section 48) (Lending to Small and Medium-Sized Enterprises) (Amendment) Regulations 2016 — referred to in this booklet as the "the SME Lending Regulations".

The SME Lending Regulations set out the standards you should expect from us and addresses key aspects of the relationship between SCU and SMEs from loan applications and communications to dealing with financial difficulties should any problem arise.

The SME Lending Regulations aim to promote fairness in the treatment of SME borrowers by lenders and to provide greater transparency for borrowers around the lending application process including the requirement to provide information in relation to the lending application process, timelines and government support schemes.

The SME Lending Regulations also provide greater protections for guarantors. Under the regulations, the credit union is required to contact SME borrowers who are in loan arrears, seek to identify the reason why they are in loan arrears and assess whether their circumstances are such that the requirements placed on the credit union for dealing with SME borrowers in financial difficulties (as outlined in the regulations) should apply to that SME borrower.

The regulations introduce a concept of 'not co-operating' which will act as a warning system for SME borrowers in financial difficulties who are not co-operating with the lender and who may, for instance, be at an increased risk of having security realised. There are also expanded grounds for appeal and appeal process requirements for the credit union.

Further information on SME Lending and a copy of the SME Lending Regulations are available on <http://www.irishstatutebook.ie/eli/2015/si/585/made/en/print>

When is the SME borrower classified as being in “loan arrears” or in “financial difficulties”?

Under the SME Lending Regulations “**arrears**” means a payment or part of a payment which is due in accordance with a credit facility agreement or an alternative arrangement, has not been paid by the borrower by the scheduled repayment date.

The SME Lending Regulations defines “**financial difficulties**” as a situation in which one or more of the following apply to a credit facility agreement or alternative arrangement:

- a) the borrower is in arrears under the credit facility agreement or alternative arrangement for 3 consecutive months;
- b) the credit union has, following an assessment carried out in accordance with Regulation 17(2)(b), 17(4)(b) or 35(2)(b), determined that the borrower’s circumstances are such that Regulations 18 to 23 or Regulations 36 to 41 (of the SME Lending Regulations) should be applied to the borrower’s case, and “financial difficulties cases” shall be construed accordingly.

Communication

It is important that you contact us as soon as possible when you become aware that you are in or may be about to fall into financial difficulties. The sooner you contact us, the easier it will be for us to help.

In SCU, you should contact our Credit Control Team on 01 632 5100 or at creditcontrol@savvi.ie. The **Credit Control Officer will be your designated contact point within SCU** in relation to our efforts to assist you. You will be informed in writing, if your designated contact point changes in the future.

We have set out below the main steps that the SME borrower may consider taking, when in or facing ‘financial difficulties’, which we believe may assist in the process of dealing with the financial difficulties.

Step 1

Contact us as early as possible regarding the ‘financial difficulties’ which your business is encountering, particularly where such difficulties may impact on your ability to meet your loan repayment commitments to SCU.

Step 2

Tell us about any concerns you have in relation to the impact of any ‘financial difficulties’ on your business relationship with SCU.

Step 3

Promptly engage and fully co-operate with the Credit Control Officer in attempting to find a possible solution.

Step 4

Provide relevant and reliable business information and documentation as requested by the Credit Control Officer and within the timeframes specified in order to support our assessment of your situation in a timely manner.

Step 5

Complete any necessary documentation within the timeframes requested, as part of the assessment, again so that a timely assessment of your financial situation can be conducted.

Step 6

Review your progress with us regularly and advise us if your circumstances change.

It is very important that the information provided by you to the credit union is a full and honest disclosure of your circumstances.

It is always a good idea to consult with your financial adviser, accountant and/or legal adviser to seek assistance and/or review any proposal in advance of meeting and/or corresponding with us.

You may of course bring your financial adviser and/or legal adviser to any such meeting if you wish.

When contacting you, we shall ensure that:

- the level of contact and communications made by the credit union, and any third party acting on our behalf, with you is proportionate and not excessive, taking into account your particular circumstances.
- communications with you are not aggressive, intimidating or harassing.
- you are given sufficient time to complete an action to which you have committed, before follow-up communication is attempted.
- steps are taken to agree when the next communication will take place and the method of such communication.

Note: In deciding what constitutes sufficient time for the purposes of completing an action as agreed, we shall give consideration to the action the SME borrower has committed to carry out, including whether it may require assistance or co-operation from a third party in carrying out the action.

You should always be aware that:

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

How SCU will deal with SME borrowers who are in “loan arrears” or “financial difficulties”

This booklet outlines our procedures for dealing with SME borrowers who are in ‘financial difficulties’ and gives information on the support which will be provided in such a situation. We recognise that individual SMEs may differ by size, business activity and sector and therefore, each SME in financial difficulties will be dealt with on a case-by-case basis. This will enable us to adopt a flexible approach when dealing with each borrower’s situation.

If your business gets into financial difficulties, we will consider your situation with empathy and we will try to work with you constructively to explore possible appropriate solutions as regards the repayment of your business loan.

Our objective is to assist SME borrowers to resolve their finance difficulties. By continuing to work together, we may find an acceptable alternative way forward.

Process for dealing with the SME borrowers who are in arrears and/or financial difficulties

The below outline is intended as a guide only and may be subject to flexibility depending on the individual case.

Note: Without prejudice to any other timeframes prescribed by the SME Lending Regulations, the credit union will respond to all written communications from the SME borrower regarding financial difficulties or arrears within 10 working days of the date of receipt of those communications.

The process will normally commence where one of the following occurs:

The SME borrower notifies us that they may be at risk of going into loan arrears or are already in loan arrears or are concerned about going into financial difficulties.

1 SCU will offer the SME borrower the option of an immediate review of their situation including a review of the SME borrower’s loan agreements, alternative arrangements and security, as appropriate.

Where the SME borrower agrees to this review, the Credit Control Officer will;

- (a) perform the review and identify what options are available to the SME borrower to address the borrower’s anticipated loan arrears or financial difficulties, having regard to the particular circumstances of the SME borrower and
- (b) assess if the SME borrower is in financial difficulties and whether the “financial difficulties” sections of the SME Lending Regulations should be applied. The SME borrower will be informed in writing of the outcome of this review within 10 working days of the SME borrower’s notification and any recommended course of action that the SME borrower should take pursuant to the review.

If this outcome assesses that the “financial difficulties” sections of the SME Lending Regulations should be applied, then the process will move onto “Step b” below.

2 Where it comes to the attention of the credit union that the SME borrower's loan remains in arrears for 15 working days after the arrears first arose and that the arrears are continuing, then the Credit Control Officer will write to the SME borrower confirming the existence of the loan arrears and ask them to contact the credit union. This letter will normally be followed within 3 working days by a phone call.

The Credit Control Officer will attempt to identify the reason for the loan arrears and based on the information available, the Credit Control Officer will assess if the SME borrower is in financial difficulties and therefore that the "financial difficulties" sections of the SME Lending Regulations should be applied. The SME borrower will be informed in writing of the outcome of this assessment within 10 working days of the assessment being completed.

If this outcome assesses that the "financial difficulties" sections of the SME Lending Regulations should be applied, then the process will move onto "Step b" below.

If the SME borrower is in or will soon be in financial difficulty, the Credit Control officer will, within 10 working days of the SME borrower's call/notification write to the SME borrower informing them of the following:

- (1) the status of their loan account;
- (2) the applicability of the SME Lending Regulations;
- (3) the availability of this Information Booklet;
- (4) the option of an immediate review of the SME borrower's situation including the credit facilities, alternative arrangements and security (as appropriate);
- (5) the information/documentation required to be supplied by the SME borrower to facilitate the review;
- (6) any impact of the financial difficulties on other loans held by the SME borrower with the credit union
- (7) that it is in the SME borrower's interest to engage with the credit union about their loan arrears or financial difficulties.

Information Required

- Prior to conducting a review of the financial situation of the SME borrower who is deemed to be in financial difficulties, certain information/documentation is likely to be requested from them. As stated previously, each case will be assessed on its own merits. The type of information/documentation requested will differ from case to case, but is likely to include some or all of the following:
 - Up to date financials including the 2 most recent years' financial statements or the most recent set of financial statements with prior year figures (including at least a Profit & Loss Account, Capital Account and Balance Sheet).
 - At least 3 months recent personal AND business current account bank statements.

- Two most recent filed Income Tax Return Forms/Form 11's and/or similar tax returns for a company (if relevant) — Note: full form including the final IT/CT computation information and with a ROS submission acknowledgement wording on the top of the form.
- An up to date Revenue Tax Clearance Certificate or confirmation from a firm of accountants/tax advisers as regards the tax affairs of the SME borrower.
- Up to date details of any loans, mortgages, H.P., lease or other borrowings (i.e., principal balance and repayment details).
- Details of any forbearance measures with other financial institutions availed of during the previous 3 years or currently being offered by other financial institutions.
- Details of any personal insolvency arrangements availed of previously or currently in progress.
- Up to date list of creditors and debtors.
- Recent management accounts.
- Cash flow projections
 - Up to date business plan and financial projections.
 - Up to date property valuations (if applicable)
 - Where relevant, details and back-up as regards any additional employment, social welfare and rental income etc.
 - Any other information/documentation the Credit Control Officer feels is pertinent to review as part of the review process.

Note: this list is not exhaustive and we may require independent verification of any information you provide.

In each individual case, the Credit Control Officer will advise the SME borrower of the exact information/documentation which will be required. This information will be used to complete a review of the SME's borrower's financial situation. We will only request information/documents which are relevant and needed to allow it to obtain a full picture of the SME borrower's financial situation.

In SCU, the SME borrower is normally required to provide the Credit Control Officer with the required information/documentation within 15 working days of the date of the letter in which the information was requested. If the SME borrower is experiencing any difficulties in obtaining the required information/documentation, they should contact the Credit Control Officer, who may give an extension to allow the borrower to obtain the

required information. Normally if the required information/documentation is not supplied or not supplied in full within 15 working days or within a timeline as agreed with the Credit Control Officer, the Credit Control Officer will assess if the SME borrower is "not co-operating" (See Section 9 below).

Note: Data relating to your case may be shared with a relevant credit reference agency or credit register, where permitted by contract or required by law.

Note: You may employ third party advisers who may accompany you during discussions with the credit union whether these discussions are face-to-face or not.

Review

Following receipt of all the requested information/documentation, the Credit Control Officer will conduct a review of the SME borrower's financial situation **for the purposes of considering whether an alternative arrangement would assist in resolving their financial difficulties.**

The offering of an alternative arrangement will be subject to the SME borrower meeting the credit union's alternative arrangement assessment criteria and to an individual assessment of the specific situation and details involved in each individual case.

It should be noted that arising from the review conducted, the credit union may decide that it is not suitable or possible to offer the SME borrower an alternative arrangement.

In order to determine the suitability of any alternative arrangement, the credit union's assessment will typically consider **the following factors/criteria**, along with other relevant factors pertinent in each individual case:

- The full circumstances of the SME borrower including their loans repayments, credit/loan repayment history and the viability of the business.
- The SME borrower's ability to meet the proposed loan repayments in the context of their total overall business commitments — i.e. current and future overall repayment capacity.
- Whether the SME borrower has any business debt other than the credit union loan and if so the overall indebtedness of the borrower.
- Any related personal debts of the business owners that could impact on the business.
- Any business debt related to property and other investments.

- The related business environment.
- The level of security that may be offered/ available.
- The level of co-operation by the SME borrower to enable the credit union to carry out a complete assessment on the feasibility of an alternative arrangement.
- The information (including proposed changes and/or future plans) provided by the SME borrower.

Where deemed necessary, we will facilitate separate consideration of debt related to the business, debt related to property and other investments or the SME's borrower's personal debt or persons who are concerned in the management of the business which will have an impact on the business.

We will consider all reasonable options available before suggesting that the SME borrower dispose of assets essential to the running of their business, trade or profession.

The assessment or review process in SCU for an alternative arrangement will not normally take longer than 15 working days following the receipt of all the information/documentation requested.

If the credit union cannot make a decision on whether it will facilitate an alternative arrangement within the 15 working days — then the credit union will promptly write to the SME borrower informing them of the following;

- how long it will take to complete the consideration of whether to facilitate an alternative arrangement, and
- the reasons why it will take longer than 15 working days.

Possible types of alternative arrangements

Some of the more common alternative arrangements that a financial institution may offer could include one or more of the following elements;

- Share/savings transfer — the financial institution may allow the SME borrower to off-set pledged shares/savings against the loan balance and/or outstanding loan interest.
- Temporary amendments to loan repayments — the financial institution may temporarily reduce or suspend loan repayments.
- Loan reschedule — the financial institution may offer the SME borrower a new loan agreement with reduced repayments over a longer term.
- Freezing interest — the financial institution may freeze the loan interest on the loan for a specified period.
- Interest only — the financial institution may allow the SME borrower to only pay interest on the loan for an agreed period and not pay loan principal during that period.

It should be noted that SCU does not normally offer all the above alternative arrangements to its members.

As regards those alternative arrangements that we offer, the suitability of any particular type of alternative arrangement to be offered to the SME borrower will depend solely on the results of our review of their financial situation.

It is important to note that alternative arrangements; (1) may be affordable for your business in the short term but could be more expensive in the longer term AND (2) may affect your credit rating, which may limit your ability to access credit in the future – thus before accepting any suggested alternative arrangement, the SME borrower should seek independent advice as regards both of these matters.

Informing the SME borrower of the review/assessment decision:

Once the credit union reaches a decision on any proposed alternative arrangement, it will respond by letter to the SME borrower within 15 working days from receipt of all information/documentation requested and outline its decision and if relevant the terms of the alternative arrangements.

If the decision of the credit union is to offer an alternative arrangement — the SME borrower has 15 working days (from the date the review decision letter was issued by the credit union) to decide whether to accept or decline the alternative arrangement offered and inform the credit union of their decision.

If the SME borrower does not inform the credit union of their decision to accept or decline the alternative arrangement offered within 15 working days, then the Credit Control Officer will issue a letter to the SME borrower advising them that they have failed to respond to the credit union within the stated timeframe and therefore, the credit union will be commencing or re-commencing the credit control process.

If the SME borrower declines to accept the alternative arrangement that was offered by the credit union:

The credit union will write to the SME borrower within 10 working days of the date the SME borrower informed the credit union of their decision to:

- (1) advise the SME borrower of the next steps the credit union may take;
- (2) advise the SME borrower of their right to appeal the terms and conditions applying to the alternative arrangement proposed and
- (3) refer the SME borrower to Section 13 in this information booklet, which outlines the alternative arrangement appeals process.

SCU may decide that an alternative arrangement is not possible.

If this is the case, it will write to the SME borrower within 15 working days, (following the receipt of all the information/documentation requested from the SME borrower needed for the review to:

- (1) inform the SME borrower of the reasons, with reference to the specific criteria applied, for not offering an alternative arrangement;
- (2) advise the SME borrower of the next steps the credit union may take;
- (3) advise the SME borrower of their right to appeal the credit union's decision and
- (4) refer the SME borrower the alternative arrangement appeals process.

If the decision of the credit union is to offer an alternative arrangement:

The credit union's letter to the SME borrower will include the following information;

- the timeframe for the SME borrower to avail of the offer of the alternative arrangement (in SCU, the timeframe is 15 working days from the date the review decision letter was issued by the credit union).
- the new repayment amounts on the loan under the proposed alternative arrangement, as applicable, and the number and frequency of those repayment amounts.
- the term of the alternative arrangement.
- the implications arising from an alternative arrangement including the impact on;
 - the term of the loan agreement,
 - the balance outstanding on the account, and
 - the monetary amount of any loan arrears on the account.
- the frequency with which the alternative arrangement will be reviewed and the criteria against which the borrower's financial difficulties will be assessed.
- if known, details of any residual debt remaining at the end of the alternative arrangement and owed by you and, if not known, details of how any residual debt will be determined.
- how interest and charges will be applied to the loan as a result of the alternative arrangement.
- how the alternative arrangement will be reported by us to a relevant credit reference agency or credit register and that it may impact on your credit rating.
- a statement highlighting your right to seek independent legal and financial advice, and a recommendation that you should do so.

When the alternative arrangement comes to an end, the credit union shall promptly review the SME borrower's situation in order to assess whether a further alternative arrangement is necessary.

NOT CO-OPERATING

It is very important that you engage with us and co-operate when you are in or facing “financial difficulties”. By engaging with us and providing us with the required information/documentation as requested by us, you will enable us to provide you with a timely review/assessment of your financial situation and enable us to offer you a suitable alternative arrangement if appropriate.

Under the SME Lending Regulations “not co-operating” is defined as a situation in which:

- (a) the SME borrower has failed to perform specific actions required by the credit union to enable us to assess the borrower’s financial situation, within the timeframe specified by the credit union. In SCU, this includes the SME borrower’s failure to make a full and truthful disclosure to us of the information requested by the credit union and/or their failure to provide (without reasonable explanation) the information/documentation requested by us within the timeframe specified.
- (b) the warning letter, required in accordance with Regulation 20(8), has been issued to the SME borrower, and
- (c) the SME borrower has not carried out the action or actions within the timeframes specified in the warning letter (note — the timeframe will be at least 20 working days).

Prior to classifying the SME Borrower as not co-operating, we are obliged to issue a warning letter informing you and any guarantor that you will be classified as not co-operating if you do not perform specific actions (which the credit union deem to be reasonable and proportionate) to enable us to complete a review/assessment of your financial circumstances and setting out the timeframe within which any specific actions are to be carried out.

The timeframe for performance of specific actions must be at least 20 working days from the date of issue of the warning letter. This warning letter will also outline the implications for the SME borrower of not co-operating, including;

- (i) The impact on the credit union’s consideration of an alternative arrangement,
- (ii) The impact of such a classification on the credit union’s consideration of it, exercising any existing legal or contractual rights to enforce security, and
- (iii) Where security is realised by the credit union, that the SME borrower will remain liable for any outstanding debt.

Normally, the implications on the SME Borrower of not co-operating are that we will not be in a position to carry out an assessment of your current situation and we will not be in a position to consider offering you an alternative arrangement. We may be left with no option but to commence or recommence our credit control process which may result in legal action being taken against you and also by not co-operating, we may have no other option but to exercise any legal rights or contractual rights to enforce security in accordance with the credit agreement and the Credit Union Acts, 1997 — 2012 and any regulations made thereunder. Please also note that where security is realised, you will remain liable for any outstanding debt.

Where we classify you as not co-operating following a period whereby you have been given the opportunity to co-operate in line with the paragraphs above, we shall:

(a) notify you and any guarantor by letter that you have been classified as not co-operating, and

(b) inform you and any guarantor, by letter of:

(i) The impact of such a classification on the credit union's consideration of an alternative arrangement,

(ii) The impact of such a classification on the credit union's consideration of it exercising any existing legal or contractual rights to enforce security, and

(iii) Where security is realised by the credit union, that you will remain liable for any outstanding debt.

Impact of loan arrears on the SME borrower's credit rating:

Please note that as SCU is registered with the ICB and are obliged under law to make returns to the Central Credit Register, data relating to your repayment history will be disclosed to the ICB and/or the Central Credit Register. We will advise you (via our Privacy Notice) that we will be making these disclosures at the time of your loan application, however we are required

by law to make returns to the Central Credit Register for loans in excess of €2,000. **Please note that if arrears do arise on your loan, your credit rating may be adversely affected. This may have an impact on your ability to avail of additional credit in the future both in SCU and in other financial institutions.**

Independent Reviews

Where the SME borrower is in financial difficulties and we require an independent review of your business by a third party in order to assess the future viability of the business, we shall, in writing, provide you with:

- (a) an explanation of the reasons for the review.
- (b) information on what will be covered by the review.
- (c) the name of the person carrying out the review.
- (d) information on any costs to be borne by you.

Where the SME loan is guaranteed, we shall inform the guarantor, in writing, where we require an independent review. We shall promptly provide you, in writing, with a copy of any report provided to us following the completion of the review referred to above. Where you bear any cost of the review referred to above, the SME Lending Regulations require that the cost of the review must be proportionate to the outstanding loan balance and the size and complexity of your business.

Fees and Charges

The credit union may be entitled to impose additional fees or charges on borrowers in financial difficulties in accordance with the terms and conditions of the credit agreement. Such fees or charges may include, charges for late or missed payments, arising from the requirement to engage legal recovery services. It should be noted that late or missed

repayments can result in an increase in the overall cost of credit.

Please note that in the event you are in default under the terms of the credit agreement, the credit union reserves the right to pass the collection of the loan repayments to another organisation or a debt collection agency who will act on our behalf.

Appeals Process

SCU has in place an appeals process to allow the SME borrower to appeal at least the following decisions of the credit union; (1) the credit union refusing a loan application; (2) a special loan approval term or condition (including reference to guarantors or security) required by the credit union;

the withdrawal or reduction of a loan facility; (4) a special alternative arrangement term or condition required by the credit union; (5) the credit union's refusal to offer an alternative arrangement and/or (6) the credit union's classification of the SME borrower as not co-operating.

In SCU, the appeal will normally be made to an appellate body (i.e. the Board of Directors — but excluding any officers who were previously involved in the SME borrower's case) under Section 37 of the Credit Union Act 1997–2012. You have 20 working days from the date of notification of the decision (which you wish to appeal) within which to lodge an appeal. You should submit your appeal in writing to the CEO of the credit union and ensure that you obtain confirmation of its receipt from the CEO.

We will acknowledge receipt of your appeal within 5 working days from the date it was received by the CEO and provide you with a designated point of contact in relation to the appeal.

The appeal will be conducted as soon as is reasonably practicable and where the credit union cannot make a decision on the appeal within 15 working days following the submission of the appeal by the SME borrower, we will write to you before the expiry of the 15 working days and inform you of the following;

- (i) how long it will take to reach a decision, and
- (ii) the reasons why it will take longer than 15 working days.

Within 5 working days of the completion of an appeal, we will write to the SME borrower to:

- (a) notify the SME borrower of the decision of the appeal.
- (b) explain the reasons for the decision.
- (c) where the SME borrower's appeal is upheld, in whole or in part, set out the terms of any offer being made in a clear and comprehensible manner.

Note: It is our understanding, that the decisions of credit unions are not subject to review by the Credit Review Office. Also, it should be noted that as stated in the SME Lending Regulations, S.24 (entitled Appeals) of the SME Lending Regulations does not apply in respect of matters for which a borrower has a right of appeal under the Credit Union Act 1997-2012.

Complaints

SCU is always committed to providing the best service to its members. However, in the event that the credit union falls short of your expected standards or you are unhappy with a decision the credit union has made, the credit union will endeavour to resolve your complaint quickly and fairly. To this end the credit union encourages you to contact us as early as possible. You can access our complete complaints procedure on our website or by contacting a member of our team on 01-6325100. The credit union will also inform you of the right to refer the matter to the Financial Services Ombudsman or the Pensions Ombudsman, where relevant, and will provide you with the details of such Ombudsman.

Financial Services

Ombudsman's address:

3rd Floor,
Lincoln House,
Lincoln Place,
Dublin 2

Phone Number: Lo Call:
1890 88 20 90
01 6620899

Website:
www.financialombudsman.ie

Other helpful information

The following steps may assist you in managing financial difficulties in relation to your business;

- Don't ignore the problem and act quickly to address potential issues.
- Keep all joint parties and guarantors informed.
- Talk to your accountant/financial/legal adviser.
- Contact the credit union and any other relevant financial institutions.
- Engage fully with the credit union and any other relevant financial institutions.
- Seek independent financial and/or legal advice when considering any alternative arrangement that the credit union and other relevant financial institution may offer you.

Possible financial actions that you should consider:

- Review all costs, including rent, salaries and wages, utilities, office supplies, advertising, vehicle & equipment maintenance and fuel, etc.
- Improve cashflow by turning stock into cash more quickly and review the level & age of stock.
- 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.
- Consider investment into the business from your own resources.

Privacy Notice – please take time to read the lending privacy notice of the credit union which outlines how and why we process your personal data.

A copy is available in any of our branches for you to take away and you can access the privacy notice anytime on our webpage.