

# Are banks lending enough?

*Are banks lending enough? No*  
*Are banks lending enough? Yes*

**H**ow can both of these statements be true at the same time...? Interestingly, they both actually make sense!

## Two sides

Business owners and entrepreneurs are being declined by their banks every day for commercial finance, very often for what seem to be indiscriminate and illogical reasons. Banks are demanding much more financial information now including proofs of income and personal bank statements and it can seem that they are looking for any negative item to turn clients down. This can be destroying for those entrepreneurs with a strong business, solid know how and good security who have an opportunity to expand and build their business.

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**There is a mismatch between what the banks are offering and what the businesses want**  
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On the other side of the coin, we believe that it is extremely valuable to the economy that banks are no longer pushing the kind of irresponsible and reckless lending that went on in 2007. We are happy that the days of 125% finance are long gone – to have that kind of risk in the economy is not helpful or stable and can ruin businesses. Borrowers were offered non-sustainable deals with very low interest rates which was partly the cause of the credit crunch – people were borrowing beyond their means and banks were queuing up to lend! So to move towards a level of sensible lending is a positive thing.

## Over cautious

Bearing all this in mind, we can tell you from our experience, as commercial finance brokers, that common sense lending has not yet come back. Banks are still being over cautious because they are worried about how much credit they can afford to offer, and don't want to take on any potential risk. Gone are the days when your bank manager would sit down and discuss how they could help your business move forward. Their hands are tied, as much as they might want to help.

Business owners and entrepreneurs are put off borrowing because they have been burnt by the credit crunch effect. We are regularly speaking to business people who want to reduce their borrowings or are happy to operate their business without borrowing. They are choosing to miss out on business opportunities or indefinitely postponing expansion plans because they have lost faith in the banking system.

## Mismatch

So there is a mismatch between what the banks are offering and what the businesses want – it is a problem. We have to ask the question – will common sense ever return and prevail? The political stance is very much to support small businesses and help the private sector grow. To this end, the government made some allowances for SMEs in the budget and there is still funding available through the Enterprise Finance Guarantee scheme, which we have helped many businesses gain access to. However, we are now potentially facing another credit crunch and a possible double dip recession, with house prices not set to

go back to 2007 levels until after 2020. With such a huge deficit for the country to fight against, it could mean that access

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to finance via the banks is restricted for longer. It doesn't stop us doing our job and there is finance out there – but the landscape has changed and the path to gaining funding is more complex than ever.

Perhaps when the UK's deficit has been sufficiently reduced and there is confidence again in the general marketplace, the banks will be in a stronger position to be more welcoming. It is unlikely that the government will have much sway over how they behave because they haven't so far! All we can do is watch and wait...



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