

mortgagestrategy

Political meddling will not help small firms access finance

The government is producing one initiative after the other to help arrange finance for small businesses and its brilliant idea of credit easing is another one to add to the pile.

Under chancellor George Osborne's credit easing plan, the Treasury will buy company bonds in an attempt to cut the cost of credit for struggling firms and boost the supply of credit.

But if it is as complicated as the Enterprise Finance Guarantee scheme, which took over from the Small Firms Loan Guarantee Scheme, we are likely to have another failed initiative to add to the list.

It's apparent most of the schemes are so riddled with red tape it discourages businesses from applying. Take for example a quote from a government publication.

"Community investment tax relief accredited community development finance institutions are able to raise lending capital through the Community Investment Tax Relief Scheme" - if you understand this please contact me.

I wonder if the government should leave lending to banks and borrowers and concentrate on creating conditions that make people want to do business as then borrowing and lending will follow automatically.

The fact is that the small and medium enterprise sector has currently net cash on deposit because it has learnt that over-gearing is not sensible.

The other fact is that weakening world economies, deepening doubts over the competence of business leaders and confusing messages from politicians do not increase confidence.

Confidence is the key motivator for small businesses to invest. They will do so when they see a benefit for the business operation, not just because a politician has a great idea.

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Brokers do a great job already and don't need more brochures

I was interested to read the story about MEP Sharon Bowles' suggestion that first-time buyers should be provided with brochures to assist them.

I understand why some brokers are against Bowles' suggestion. Official legislation is not necessary and the additional paperwork is unlikely to be welcomed by advisers. Some lenders are already capable of giving first-time buyers good information without being forced into doing it.