

# **LE CHÉILE CREDIT UNION**

## **STANDARD INFORMATION BOOKLET**

### **FOR SMALL AND MEDIUM ENTERPRISES IN FINANCIAL DIFFICULTIES**

## Introduction

Here at Le Chéile Credit Union, we understand that business and particularly cashflow can be fundamentally uncertain and that even the best laid plans do not always come to fruition exactly as envisaged. When assessing loan applications, our loan advisors make every effort to anticipate potential difficulties which could arise, however, we understand that inevitably, some of our SME borrowers will from time to time, have difficulties in making their loan repayments. We also understand that the longer the term of a loan the greater the chance that something unexpected will happen that affects the business and the ability of the business to meet loan repayments.

Small businesses are key contributors to the Irish economy and are vital for its growth. At Le Chéile Credit Union Limited we are committed to supporting small and medium-sized enterprises (“SMEs”) as they establish, launch and mature and we endeavour at all times to be both clear and transparent in all our member engagements and to comply in full with our legal and regulatory obligations under the *Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Lending to Small and Medium-sized Enterprises) Regulations 2015* (the “SME Regulations”).

The SME Regulations set out the standards you should expect from the Credit Union and address key aspects of the relationship between the Credit Union and SMEs from credit applications and communications, to dealing with financial difficulties should any problems arise.

A copy of the SME Regulations is available to download from the Central Bank website at [www.centralbank.ie](http://www.centralbank.ie)

## What are the SME Regulations?

In December 2015, the Central Bank of Ireland published Regulations for Business Lending to Small and Medium Enterprises called the SME Regulations. The SME Regulations set out new requirements for lenders when dealing with SMEs who are facing or in financial difficulty and apply to Credit Unions since 1st January 2017.

The purposes/objectives of the SME Regulations can be summarised as follows:

- A clear definition of the circumstances which define when an SME is regarded as “in financial difficulties”.
- Facilitate access to credit for sustainable and productive business propositions.
- To promote fairness and transparency in the treatment of small to medium enterprises.
- To ensure that there is a structured approach in place and that the member understands at the outset the way that the Credit Union will assist the member and their business to meet their obligations where possible.
- To outline the communication and information requirements when the SME is in financial difficulty

Ultimately, we want to assist members to resolve their financial difficulties and find a way to get them back on a repayment plan that is sustainable and will allow the members business to prosper and grow.

## Who and what do the SME Regulations apply to within Le Chéile Credit Union?

The SME Regulations apply to “*micro, small and medium-sized enterprises*”.

Le Chéile Credit Union currently lends to micro and small enterprises employing less than 50 persons and with annual turnover and balance sheet total of up to €10 million.

In this context, an enterprise includes a farmer or a sole trader such as a carpenter who is borrowing for the purposes of their farm, trade or profession. It also applies to other members who borrow for a related business purpose and who may be an employee on PAYE. If a farmer or carpenter is borrowing a personal loan for (say) home improvements or a holiday this brochure does not apply. It only applies to loans for the purpose of the business/farm.

***The provisions of the SME Regulations and this information booklet are without prejudice to Le Chéile 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 facility agreement.***

## Financial Difficulties

The information set out in this document outlines our procedures when dealing with our SME members who are in “financial difficulty”, and gives information on the support which will be provided by Le Chéile Credit Union to SMEs in this situation.

Le Chéile Credit Union recognises that individual SMEs may differ by size and indeed sector and therefore each SME in financial difficulties will be dealt with on a case-by-case basis.

### When am I classed as being in financial difficulties and/or arrears?

The SME Regulations defines “financial difficulties” as:

- When your credit facility agreement/alternative arrangement has been in arrears for 3 consecutive months;
- In the case of an overdraft where the approved limit on the overdraft is exceeded by the borrower and remains exceeded for 90 consecutive days;
- Where the Credit Union has determined that the borrower's circumstances are such that the ‘financial difficulties’ provisions of the SME Regulations should be applied to the borrower.

For the purposes of the SME Regulations, arrears arise where a borrower has not made a full repayment or only makes a partial repayment on a credit facility, as per the terms of the credit facility agreement or alternative arrangement, by the scheduled date or in the case of an overdraft facility, where the borrower has exceeded an overdraft limit for 30 consecutive days.

## Communication with the Credit Union

Le Chéile Credit Union recommends that SME members who are in **or** facing financial difficulties contact us as soon as possible so that a possible solution can be discussed and approved. The SME Regulations set out clear guidance for SMEs who are either in or facing financial difficulties and Le Chéile Credit Union recommends the following:

### **Borrowers facing 'financial difficulties':**

It is very important that SME members who have concerns about their future ability to repay or discharge their financial commitments to the Credit Union, contact us on 046 9432432 or email [info@lecheilecu.ie](mailto:info@lecheilecu.ie) as soon as possible to discuss the situation.

Upon making contact with Le Chéile Credit Union, you will be offered an immediate review meeting to discuss your situation.

### **Borrowers in 'financial difficulties':**

When financial difficulties first arise on your account, Le Chéile Credit Union will contact you<sup>6</sup> within 10 working days in writing to advise of the status of your account; the applicability of the SME Regulations; and the availability of this Information Booklet.

We will offer you the option of an immediate review meeting to discuss your situation and any options available to you. We will appoint a designated contact who will liaise with you throughout the process and we will endeavor to ensure that our communications are easy to understand, and are not aggressive or daunting.

We will keep communications to the minimum amount required and will ensure that they are proportionate to the specifics of each case. In each communication, you will be given a clear instruction as to how to proceed and a timeframe within which, you should have completed the required action. We will allow sufficient time for you to complete that action before any follow up call is made.

SME members who are in arrears, or in fact in danger of falling into arrears should call 046 9432432 or email [info@lecheilecu.ie](mailto:info@lecheilecu.ie) to arrange an appointment as soon as possible.

In order to properly assess each case on its own merits, it is vital that you furnish all information requested by us immediately so that we can assist you in meeting your obligations within a realistic time frame.

**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.

---

<sup>6</sup> Le Chéile Credit Union will inform any guarantor, in a durable medium, of the status of the borrower's account within 10 working days of the borrower entering financial difficulties. Without prejudice to any other timeframes prescribed by the SME Regulations, the credit union will respond to all written communications from a borrower regarding financial difficulties or arrears within 10 working days of the date of receipt of those communications.

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

### **Le Chéile Credit Unions approach to dealing with SMEs in or facing financial difficulties;**

If your business gets into financial difficulties Le Chéile Credit Union will assist in developing an appropriate solution. A summary of the key steps that an **SME may consider taking**, when in or facing financial difficulties is outlined in the table below:

<b>Step 1</b>	Contact the Credit Union as soon as possible regarding 'financial difficulties' which your business is facing, particularly where such difficulties may impact on your ability to meet your financial commitments to the Credit Union.
<b>Step 2</b>	Inform the Credit Union about any concerns you have in relation to the effect of 'financial difficulties' on your business relationship with the Credit Union.
<b>Step 3</b>	Engage promptly and fully co-operate with the Credit Union to agree an approach to resolve the 'financial difficulties' situation.
<b>Step 4</b>	Provide relevant and reliable information as requested by the Credit Union and within the timeframes specified in order to support the assessment of your situation.
<b>Step 5</b>	Complete any necessary documentation requested as part of the above assessment.
<b>Step 6</b>	Regularly review your progress with the Credit Union and advise the Credit Union should your situation change.

## Non-Co-operation

It is very important that if you are in, or are facing financial difficulties that you fully engage and cooperate with Le Chéile Credit Union. This cooperation includes satisfying information requests within any stipulated timeframes so that a complete and timely assessment of your financial situation can be conducted.

Under the SME Regulations a borrower may be classified as '*not co-operating*' whereby

- the borrower has failed to make a full and truthful disclosure to the regulated entity of the information required by the regulated entity to assess the borrower's financial situation, within the timeframe specified by the regulated entity;
- the warning letter, required in accordance with Regulation 20(8), has been issued to the borrower; and
- the borrower has not carried out the action or actions within the timeframes specified in the warning letter issued.

Where Le Chéile Credit Union considers a borrower to be '*not cooperating*', we will write to the borrower and any Guarantor, advising that the borrower will be classified as '*not co-operating*' if the borrower does not perform specific actions within a designated timeframe as detailed in the correspondence.

The implications for borrowers '*not co-operating*' are that:

- we will be unable to put in place an alternative arrangement; and
- we will have no option other than to commence the process of seeking repayment of all sums outstanding which may lead to Le Chéile Credit Union eventually enforcing any security held.

Where security is realised, the borrower will remain liable for any outstanding debt.

## Business Information:

Prior to or as a result of your review meeting with us, certain information is likely to be requested from you so that we can complete an assessment of the financial situation of your business.

The type of information requested will differ as each case is assessed on its own merits, but is likely to include some **or** all of the following information;

- Up to date Annual Accounts, and up to date management accounts
- Cashflow projections for the next 12 months
- Latest Notice of Assessment from Revenue Commissioners
- Up to 6 months bank account statements (this may be extended to personal accounts if necessary)
- Any other information that is relevant to the review process to properly assess the state of the business
- Confirmation from your accountant regarding your tax position

This list is not exhaustive and we may require independent verification or third-party evidence for information provided.

In cases where businesses are of a specialist nature, we may require an independent review of the business by a third part professional to assess the viability of the business. In such cases we will write to the member in advance and;

- Explain the reason for the review.
- Explain the scope of the review and what will be covered.
- Advise the SME member of the name of the person carrying out the review.
- Give information on the cost of the review to be borne by the member.

### **Assessment:**

Once the requested information has been received, we will assess your circumstances and determine whether any of our alternative repayment arrangements are suitable to you and your business.

At this stage of the process, we will consider several factors which will include;

- The viability of the business.
- The circumstances that have given rise to the difficulty.
- Any links to personal debt of the named borrowers or guarantors that impacts the business of the member.
- Any business debt that related to property and other investments.
- Current and future repayment capacity.
- Previous repayment history.
- Whether there is any other business debt.
- Any other case specific relevant information.

We may require further information or clarification at this stage and will contact you if this is the case. The key objective of Le Chéile Credit Union in this process, is to assist you the member to resolve their financial difficulties. Each case will be assessed on its own merits.

### **Alternative Arrangement**

Once we have reached a decision on any proposed alternative arrangement, we will write to you within 15 working days from receipt of all information requested, outlining the most suitable alternative arrangement based on your specific circumstances.

If a decision is not possible within 15 working days of receiving all of the financial information, we will write to you to confirm that a review is ongoing and give you an indication of how long it will take and why it has taken longer than 15 working days.

While we can't guarantee that an alternative arrangement will be possible in every case, we are committed to explore other avenues to find a resolution to your financial difficulty, that is fair and sustainable and will assist you in your financial recovery.

If we are not able to recommend an alternative arrangement, we will write to inform you of the reasons why the proposal was not approved and provide you with details of your right to appeal this decision.

Where Le Chéile Credit Union offers an alternative arrangement, you will have 20 working days to decide whether to accept or decline the offer.

Should you choose to decline the offer of an alternative arrangement, we will write to you advising of the next steps that will be taken and your right to appeal the terms and conditions of the alternative arrangement.

#### **Possible Alternative Arrangements:**

<b>Loan Reschedule</b> The term of the loan will be extended thus reducing the repayment amount. (This option is a long-term option and will only be offered where there is evidence of ability to service the lower repayment over the longer term)	Payments will be reduced to an affordable level	The term of the loan will be extended; therefore, the loan will take longer to repay resulting in the member paying more interest over the course of the loan.
<b>Reduced Payments</b> This is a short-term arrangement during which the member will make reduced repayments which will cover the interest and a portion of capital. This is suitable for members whose financial difficulties are considered to be short term/temporary and after a period of time their circumstances are expected to return to normal	Payment will be reduced for an agreed (usually short) period of time e.g., 1-3 months	Loan balance will not reduce in line with original contract therefore the member will pay more interest over the course of the loan. When full payments resume, they will be increased to ensure the loan is cleared over the remaining term.
<b>Interest Only Payments</b> An agreement for a specific period to pay interest only on the loan. This may be considered suitable for members whose change in circumstances are short term in nature and will be in a position to resume normal payments after that time period	Payments will be at a reduced level that the SME member can afford for an agreed length of time	Loan balance will not reduce during the agreed time period for interest only payments, therefore the member will pay a higher level of interest over the term of the loan. When the agreed time period comes to an end, the contracted repayment amount will be increased to an amount that will ensure the loan is cleared over the remaining term of the loan.



## Alternative Arrangement Appeals process

If the SME member is unhappy with the outcome of the process, they may appeal the decision to the appeals committee of Le Chéile Credit Union within 30 days. The appeal should be in writing and addressed to the Manager for the attention of the Appeals Committee.

The Appeals Committee will consider the appeal and will respond with the outcome of the appeal within 15 working days.

The appeal should clearly explain any concerns that the SME member had with the process, and if applicable, any specific information they feel was overlooked in arriving at the decision.

If the appeal is unsuccessful the SME Member may, subject to eligibility, refer the decision to the Credit Review office. The Credit review office provides independent appeals process for SME's. For more information visit [www.creditreview.ie](http://www.creditreview.ie) or call 0818 211 789.

## Complaints

Le Chéile Credit Union is committed to providing the best service to its members at all times. However, in the event that we fall short of your expected standards or you are unhappy with a decision made, we will endeavor to resolve your complaint quickly and fairly. To this end Le Chéile Credit Union encourages you to contact us as early as possible either in writing or by calling into the Credit Union office and completing a member complaint form.

Le Chéile Credit Union 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 it might expect to have a resolution. This procedure does not apply where the complaint is resolved to the borrower's satisfaction within 5 working days.

If an agreement cannot be reached, Le Chéile Credit Union will set out its position in its 'final response letter'. If, at this point you remain unsatisfied, you may have the right to appeal in writing to:

*The Financial Services and Pensions Ombudsman,  
3rd Floor, Lincoln House, Lincoln Place, Dublin 2*

**Telephone:** 01 567 7000

**Email:** [info@fspo.ie](mailto:info@fspo.ie)

**Web:** [www.fspo.ie](http://www.fspo.ie)

## Impact of arrears on other credit products and overall credit rating

It is important to note that if arrears do arise on your account, your credit rating may be adversely affected. This may also have an impact on your ability to avail of additional credit products in the future.

## Fees and Charges

Le Chéile 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.

## Other Information Sources:

The following is a list of other information sources which may be of assistance to you:

SME Credit Advice / Review	<a href="http://www.creditreview.ie">www.creditreview.ie</a>
Free Legal Advice	<a href="http://www.flac.ie">www.flac.ie</a>
Enterprise Ireland support	<a href="http://www.enterprise-ireland.com">www.enterprise-ireland.com</a>
Personal Money Advice and Budgeting	<a href="http://www.mabs.ie">www.mabs.ie</a>
Insolvency Service of Ireland	<a href="http://www.isi.gov.ie">www.isi.gov.ie</a>
The Central Bank of Ireland	<a href="http://www.centralbank.ie">www.centralbank.ie</a>
Small Firms Association	<a href="http://www.sfa.ie">www.sfa.ie</a>
Citizens Information	<a href="http://www.citizensinformation.ie">www.citizensinformation.ie</a>
Irish SME Association	<a href="http://www.isme.ie">www.isme.ie</a>

Some steps SMEs can take to manage financial difficulties:

- 1. Don't ignore the problem.*
- 2. Act quickly to address any potential issues.*
- 3. Keep all joint parties and guarantors informed.*
- 4. Talk to your accountant/financial/legal advisor.*
- 5. Contact the Credit Union if you are facing financial difficulties.*
- 6. Engage fully with the Credit Union.*
- 7. Seek independent financial and/or legal advice when considering any alternative arrangement that the Credit Union may offer you.*