

Small and Medium Enterprises:

**Information Booklet for Borrowers
in Financial Difficulties**

Bank of Scotland plc Customer Guide

 **BANK OF SCOTLAND**

Introduction

We at Bank of Scotland plc (the “**Bank**”) understand that in the current economic climate some of our customers may be experiencing difficulties meeting their financial commitments.

Our approach:

We have prepared this booklet to help those customers who fall within the definition of either a ‘micro and small enterprise’ or a ‘medium-sized enterprise’ under the SME Regulations¹ and are in financial difficulties or concerned about going into financial difficulties.

The SME Regulations set out principles and rules for dealing with customers who are either a micro and small enterprise or a medium-sized enterprise and are in financial difficulties.

The main objectives of the SME Regulations are:

1. to promote fairness and transparency in the treatment of micro and small enterprises and medium-sized enterprises by regulated entities;
2. to ensure that when dealing with financial difficulties cases, the aim is to assist borrowers to meet their obligations, or otherwise deal with the situation in an orderly and appropriate manner; and
3. to give greater protection to guarantors.

The SME Regulations contain protections for borrowers who may be in arrears or at risk of going into arrears or who may be in financial difficulties.

Our website contains a dedicated section which provides information to SME customers in financial difficulties. This can be found at www.bankofscotland.co.uk/ireland

Important definitions for you:

The SME Regulations apply to two types of SMEs: (1) micro and small enterprises; and (2) medium-sized enterprises.

The SME Regulations define these two types of SMEs as follows:

“medium-sized enterprise”: an enterprise which employs more than 50 persons but fewer than 250 persons and which has either or both of the following: (a) an annual turnover of more than EUR 10 million but less than EUR 50 million; (b) an annual balance sheet total of more than EUR 10 million but less than EUR 43 million”.

“micro and small enterprise”: an enterprise which employs fewer than 50 persons and which has either or both of the following: (a) an annual turnover which does not exceed EUR 10 million; (b) an annual balance sheet total which does not exceed EUR 10 million” **In this booklet references to an “SME” or an “SME customer” cover both micro and small enterprises and medium-sized enterprises.**

Important information that you need to be aware of:

We recognise that each SME that is anticipating or experiencing financial difficulties needs to be considered on a case-by-case basis.

If you are an SME experiencing financial difficulties or you are in arrears or at risk of going into arrears it is in your interests to contact and work with your Relationship Manager to try and address the situation as soon as possible.

This booklet sets out the approach that will be taken by us when dealing with your financial difficulties.

¹ 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.

1. Our approach for dealing with borrowers in arrears and financial difficulties

The Bank has dedicated, experienced Relationship Managers who work on an individual basis with our customers in the Republic of Ireland who are anticipating or experiencing an arrears situation or are in financial difficulties.

If you are in arrears or at risk of going into arrears or you are in financial difficulties, and you would like to write to us in respect of your current situation, please contact us at Ireland Asset Management, 4th Floor, 125 London Wall, London, EC2Y 5AS or contact your Relationship Manager. We will reply to any email or letter within 10 business days from the date we receive your written communication.

If you inform us that you are experiencing financial difficulties or you are at risk of getting into financial difficulties, we will appoint a designated point of contact to your case and provide you with their details should you wish to discuss any aspect of your financial situation. If your designated point of contact changes, we will let you know. You will be classed as being in **arrears** where you have not made a full repayment or only make a partial repayment on a credit facility or alternative arrangement, as per the terms of the credit facility or the alternative arrangement, by the scheduled date and, in the case of an overdraft facility, where the overdraft limit is exceeded for 30 consecutive days

You will be classed as being in **financial difficulties** if:

- a. your credit facility or alternative arrangement is in arrears for three consecutive months;
- b. if you have an overdraft credit facility, where the approved limit on the facility is exceeded by you and remains exceeded for 90 consecutive days;
- c. after we carry out an assessment of your financial situation, we feel that we should apply our financial difficulties policy to you.

If you are classed as being in arrears or in financial difficulties, the Bank will advise you in writing, outlining the application of the SME Regulations and the availability of this information booklet.

Where you notify your Relationship Manager that you may be at risk of going into arrears, or you are in arrears and concerned about going into financial difficulties, we will offer you the option of an immediate review meeting to discuss your circumstances and your loan and security arrangements with us, as well as any existing alternative repayment arrangement. We will write to you to inform you of the outcome of your review.

The Bank may offer you an alternative arrangement to assist you in resolving your financial difficulties if you meet the Bank's eligibility criteria.

Following this review, where relevant, your Relationship Manager will inform you of the type of information required from you in order for us to assess your case, and consider whether you may be eligible for an alternative repayment arrangement. The Bank will endeavour to ensure that the information sought from you is complete and relevant in order for us to assess your financial situation.

Your Relationship Manager will:

- work with you to discuss your proposal to address your financial difficulties;
- inform you of the types of alternative repayment arrangement that may be offered to you if you meet our eligibility criteria following an assessment of your situation; and
- provide a full report on your proposal so that the Bank can consider the best approach to deal with your financial difficulties.

In assessing your case on its own merits, our aim is to assist you to meet your obligations within a reasonable time frame, or otherwise deal with the situation in an orderly and appropriate manner.

We will give you a reasonable opportunity, from the time that you are classed as being in financial difficulties and having regard to the circumstances of your case, to resolve your financial difficulties, and we will endeavour to agree an approach with you that will assist you to address your financial difficulties.

In considering whether you may be eligible for an alternative arrangement, we will apply the following criteria in assessing your eligibility:

1. The viability of your business;
2. Any links with personal debt of the owners of the borrower who are concerned in its management that impacts on the business of the borrower
3. Any business debt related to property and other investments
4. Your current and future repayment capacity
5. Your previous repayment history
6. Whether you have any other business debt other than the credit facility in financial difficulties and your overall business indebtedness
7. Any information which you provide to us

We endeavour to complete our assessment of whether you are eligible for an alternative repayment arrangement within 15 business days of receipt of the requested information from you. Where we cannot meet this timeframe, we will let you know the anticipated timeframe to reach a decision.

2. The importance of you engaging and cooperating to address your financial difficulties

You should contact your Relationship Manager as soon as you know that you are in financial difficulties or there is a danger of you not being able to meet your repayments, so that we can immediately start working with you to consider a solution for you and your business.

It is essential that you engage and cooperate with and disclose to your Relationship Manager any information that you see as being relevant to your financial difficulties. You are requested to provide your Relationship Manager with the information requested within a reasonable timeframe so that they can begin working with you to find a solution to your potential or actual financial difficulties as soon as possible.

We want to support you in identifying options to help ease your financial difficulties. It is important that we have an accurate, honest and full view of your financial circumstances. This will allow us to identify an approach to deal with your financial difficulties, your overall debt, and your ability to make repayments. We will consider the possibility of reaching an alternative repayment arrangement with you, taking into account both your interests and our responsibility as the lender.

If you do not co-operate and engage with your Relationship Manager, we may classify you as not co-operating. If you are in danger of being classified as not co-operating, we will write to you and inform you of this fact and provide you with an opportunity to engage with us in resolving your arrears situation. The implications of being classified as not co-operating include:

- You may become ineligible for an alternative repayment arrangement in accordance with the eligibility criteria set out in this Information Booklet.
- The Bank may be left with no alternative but to act on and enforce its contractual and statutory rights against you including making demands, enforcing security and/or seeking judgment.

Please note that in the event of any shortfall in the proceeds from the sale of the secured asset, you will remain liable for the outstanding debt including any accrued interest, fees and charges, legal, selling and other related costs.

Please note that the Bank has legal and contractual reporting obligations in respect of arrears cases. Details of the arrears on your account may be reported to the Irish Credit Bureau and any other credit reference agencies or databases which may impact on your credit rating.

3. Fees and charges

For information on the most up to date fees and charges that may be applicable to your loan please refer to our website: www.bankofscotland.co.uk/ireland

You should ensure that you have sufficient funds in your account to meet your repayment obligations. It is important that you maintain your repayments in order to mitigate against any fees or charges that may apply as a result of financial difficulties.

Please note that additional fees and charges and default interest may be applied to your account if you go into arrears or are in financial difficulties where permitted by the terms and conditions of your loan agreements.

If you are in financial difficulties, please contact your Relationship Manager immediately.

4. The potential impact of your financial difficulties on other facilities that you have with us

If you fall into arrears on a business account, this may cause other facilities that you have been granted by us to also go in to default or fall into arrears. Default can potentially lead to loan repayment being demanded in full and any security that you have provided to us being enforced, including the enforcement of any guarantee, the appointment of receivers and the disposal of any secured asset. We can also pursue you for any residual debt that remains outstanding once we have realised the security.

Where a secured property is sold following enforcement, we will inform you of your liability for the balance of any residual debt, the interest rate on the residual debt, and any costs relating to the enforcement of any security which has been added to the debt.

All of the facilities that you hold with us will be considered together when being assessed by us for any alternative repayment arrangement. In addition, any borrowings that you have from or any guarantees that you have provided to any other financial institutions will be taken into account.

WARNING: PLEASE NOTE THAT IF YOU DO NOT MEET THE REPAYMENTS ON YOUR LOAN, YOUR ACCOUNT WILL GO INTO ARREARS. THIS MAY AFFECT YOUR CREDIT RATING AND MAY PREVENT YOU FROM OBTAINING CREDIT IN THE FUTURE.

5. The type of information that we may seek from you for the purpose of assessing your case

When you contact the Bank to advise that you are in financial difficulties or are concerned that you may fall into financial difficulties, or when the Bank contacts you in relation to arrears which have arisen on your account, you will be asked to complete a **Standard Statement of Affairs**. This will provide us with a detailed picture of your financial situation, so it is important that you complete this accurately and in full.

You may also be asked to provide additional documentation to support the information you have provided in the Standard Statement of Affairs, for example, bank statements, to include statements from other financial services providers with whom you are a customer.

You may wish to seek independent financial and/or legal advice to assist you when completing the Standard Statement of Affairs. You may decide to engage a financial and/or legal adviser to assist in resolving your financial difficulties and they can accompany you to any meetings with us or join any calls which you may have with us in respect of your arrears situation.

IMPORTANT INFORMATION

It is important to fill out the Standard Statement of Affairs accurately, honestly and fully and to provide any supporting documentation requested.

Your Relationship Manager will review your Standard Statement of Affairs as well as any additional information that you provide, so that we can then assess your particular situation on its individual merits. We will identify an approach to deal with your financial difficulties, giving careful consideration to the following, where applicable:

1. Your financial circumstances, including your overall personal and business debt;
2. Your current ability to make repayments;
3. Your previous repayment history;
4. Financial accounts to include profit and loss accounts and balance sheet;
5. Management accounts;
6. Bank statements;
7. Your income from rent;

8. Copy leases;
9. Agreements/facilities with other banks;
10. Valuations of assets; and
11. Any additional information relevant to your current financial circumstances.

This list is not exhaustive and we may require independent verification of information provided. Based on all of the information provided by you, we will assess whether it is in your interests for us to offer you an alternative repayment arrangement. We will explain the terms of any proposed alternative repayment arrangement to you.

We may decide that it is not possible to reach an alternative repayment arrangement with you. If this happens, we will write to you with the reasons for our decision.

6. The steps that you can consider that may assist in dealing with your financial difficulties

1. If you are struggling with your financial commitments, you should pay all your 'priority' bills first, such as wages, supply creditors, utility bills (electricity, gas, water), insurances, tax, and essential goods or services. You should ensure that you pay these essential bills before making any payments towards credit cards or loans. You should service your secured debt obligations before servicing your unsecured debt obligations.
2. Seek independent debt management/servicing advice from an accredited debt advisor if you would like help with managing your finances.
3. Make sure you keep all joint loan holders and anyone acting as a guarantor for any of your business loans up to date with what is happening.
4. Get back to the Bank quickly if they try to contact you to discuss your loan.
5. Seek independent financial and/or legal advice when completing your Standard Statement of Affairs and when considering any new repayment arrangement that we may offer you.

You may require further professional advice if you are a joint borrower.

7. Your right to appeal a decision on an alternative repayment arrangement

If you are not satisfied with the decision that we reach in respect of an alternative repayment arrangement you can appeal in writing within a period of 20 business days from the date that we advise you of our decision on the alternative repayment arrangement. All written appeals must be addressed to the "SME Business Lending Code Appeals Processing Unit" at the following address: Bank of Scotland plc, Ireland Asset Management, 4th Floor, 125 London Wall, England, EC2V 7HN.

The Bank's Appeals Panel will acknowledge receipt of your appeal within 5 business days and will provide you with the details of your designated point of contact. We will endeavour to consider and adjudicate on an appeal and provide you with a written response on the appeal within 15 business days from the day we receive your notice of appeal. If we cannot complete the appeals process within 15 business days, we will write to you and inform you of how long it will take to consider the appeal and the reasons for the delay. Within 5 business days of completion of an appeal, we will notify you of the outcome.

8. Your right to make a complaint to us

If you are unhappy with any dealings we have with you or any product or service, you have the right to make a complaint to us. If you make a complaint to us, we will endeavour to resolve your complaint within 40 business days from the day we receive notice of your complaint. We will provide you with an update on the status of your complaint within 20 business days from the day we receive notice of your complaint.

If we cannot resolve your complaint within 40 business days, we will write to you and inform you how long it will take to resolve your complaint and provide you with the contact details for the Financial Services Ombudsman. Within 5 business days of resolving, or attempting to resolve, your complaint we will notify you of the outcome.

You can contact us on telephone numbers ROI: 1800 20 03 09 and NI/UK: 0800 092 0757

or

visit our website at www.bankofscotland.co.uk/ireland for more details on how to make your complaint.

If you are making your complaint in writing, please address your complaint to: Bank of Scotland plc, Ireland Asset Management, 4th Floor, 125 London Wall, England, EC2V 7HN

9. Useful websites

You can access the SME Regulations [here](#). The SME Regulations were amended in 2016. You can access the amending regulations [here](#).