



Health Services Staffs
Credit Union

Information Booklet for SME borrowers in Financial Difficulty



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Information Booklet for SME borrowers in Financial Difficulty

At HSSCU we are committed to supporting our SME borrowers by being clear and transparent in all our member engagements and complying with the SME Regulations. The SME Regulations set out the standards you can expect from us and address key aspects of the relationship between us.

The provisions of the SME 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 facility agreement.

Who and what do the SME Regulations apply to?

The SME Regulations apply to “micro, small and medium-sized enterprises” and the SME Regulations define these enterprises as follows:

- A micro and small enterprise is an enterprise which employs fewer than 50 persons and which has an annual turnover and an annual balance sheet total which does not exceed €10 million.
- A medium-sized enterprise is an enterprise which employs fewer than 250 persons and which has an annual turnover not exceeding €50 million and an annual balance sheet total not exceeding €43 million, and which is not a micro and small enterprise.

We do not offer business accounts, but an enterprise can include a wide spectrum of self-employed people e.g., a plumber, electrician etc – in short anyone who is borrowing for the purposes of their trade or profession may then be in scope.

Financial Difficulties

This Information Booklet outlines our procedures when dealing with SME borrowers in ‘financial difficulties’ and gives information on the support which we will provide in response. As individual borrowers may differ by size and indeed sector, 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 we have 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 us

If you are in **or** facing financial difficulties, please contact us as soon as possible so that a possible solution can be discussed and approved. Without prejudice to any other timeframes prescribed by the SME Regulations, we 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.

The SME Regulations set out clear guidance on this and so we recommend the following:

Borrowers facing 'financial difficulties':

If you have concerns about your future ability to repay or meet your repayments, please contact our Credit Control section as soon as possible to discuss the situation. Upon contacting us, you will be offered an immediate review to discuss your situation.

Borrowers in 'financial difficulties':

When financial difficulties first arise on your account, we will contact you 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 also offer you the option of

- an immediate review to discuss your situation and any options available to you and
- will provide you with details of a designated contact point within the Credit Union.

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

Warning: 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.

Please note that where the loan is subject to a guarantee, we will inform any guarantor of the status of the borrower's account within 10 working days of the borrower entering financial difficulties.

Consequences of not co-operating:

The SME Regulations describes as '*not co-operating*' when certain criteria are met. These include situations where:

- the borrower has failed to make a full and truthful disclosure on the information we require to assess their financial situation, within the timeframe specified by us
- the warning letter has been issued to the borrower that they may be classed as not co-operating should certain conditions not be met. If there is a guarantor, we will write to the guarantor also.
- the borrower has not carried out the action or actions within the timeframes specified in the warning letter provided.

It is very important therefore, that if you are in or are facing financial difficulties, you fully engage and cooperate with us. The implications for borrowers of '*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 the funds due. This can include enforcing any security held. Where security is realised, and a shortfall remains, you will remain liable for any outstanding debt.

Supporting Information

Certain information is likely to be requested from you so that we can complete an assessment of the financial situation of your business. Each case will be assessed on its own merits. The type of information requested will differ but is *likely* to include some **or** all the following:

- Up-to-date financials to include annual audited (or draft) and quarterly management accounts.
- Cash flow projections for the next 12 months.
- Up-to-date business plan to include details of your trading performance in the last 12 months plus outlook for the next 12 months.
- Up-to-date aged list of debtors and creditors.
- Estimate or independent report on property valuation (if applicable).

- 6 months current account bank statements for the business.
- Up-to-date Statement of Affairs for all named borrowers, material shareholders or guarantors as required.
- Confirmation that the tax affairs of the business and named borrowers and/or material shareholders are up-to-date and in order; and
- Any other information we feel is pertinent to review as part of your assessment.

Please note this list is **not exhaustive** and we may require independent verification of any information you provide. Based on this information, we will assess whether an alternative repayment arrangement is a feasible option and endeavour to work with you to develop a solution for your business.

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 us whether these discussions are face-to-face or not.

Case Assessment

Following receipt of the requested information, we will assess your situation for the purposes of considering whether an alternative arrangement would assist in resolving your financial difficulties. To determine the suitability of any alternative arrangement, we will typically consider the following factors, along with other relevant factors pertinent to the case:

- The full circumstances of the borrower in 'financial difficulties' including loan repayments, credit history etc.
- Ability to meet the proposed loan repayments in the context of a borrower's total overall business commitments.
- The related business environment.
- The level of security that may be offered/available; and
- The level of co-operation by borrowers to enable us to carry out a complete assessment on the feasibility of an alternative arrangement.

Once we reach a decision on any proposed alternative arrangement, we will respond to you within 15 working days from receipt of all information requested and outline the terms of the arrangement. You will then have 20 working days to decide whether to accept or decline an alternative arrangement offered by us. We may decide that an alternative arrangement is not possible. If this is the case, we will inform you in writing within 15 working days along with the reasons for the decision.

Please note, as with all borrowers, most options for dealing with borrowers experiencing financial difficulties impacting on their ability to meet their repayments, will have a bearing on future loan applications they may make.

Please ensure payments continue to be made on foot of your loan account until we have agreed a weekly/monthly payment that is suitable for you and the Credit Union as this may affect an agreement being reached.

You should be aware that reduced payment arrangements or arrears usually affect your credit report with the Central Credit Register. This may impact your ability to obtain credit with us and other financial institutions in the future.

Alternative Arrangement Appeals Process

To appeal an alternative arrangement decision, you will need to complete a written appeal stating your account number, specific details about the reason for your appeal and any information you feel we have not taken account of.

With your appeal you should send any documents you feel would be useful in supporting your case. The appeal must be submitted to us in writing within 30 working days from the date of notification of the decision. We will acknowledge receipt of your appeal within 5 working days and provide you with a designated point of contact in relation to the appeal. The appeal will be reviewed by two independent reviewers who will consider the appeal in full. We 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).

Fees and Charges

We 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.

Impact of arrears on other credit products and overall credit rating

It is important to note that if arrears do arise on your credit union 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.

Summary of Recommended Actions:

1. Contact us 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 us.
2. Inform us about any concerns you have in relation to the effect of 'financial difficulties' on your business relationship with us.



3. Engage promptly and fully co-operate with us to agree an approach to resolve the 'financial difficulties' situation.
4. Provide relevant and reliable information as requested and within the timeframes specified to support the assessment of your situation.
5. Complete any necessary documentation requested as part of the above assessment.
6. Regularly review your progress and advise us should your situation change.

Complaints

We are committed to always providing the best service to our members. However, in the event we fall short of your expected standards, or you are unhappy with a decision we have made, we will endeavour to resolve your complaint quickly and fairly. To this end we encourage you to contact us as early as possible.

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 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, we will set out our position in our '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: +353 1 567 7000

Email: info@fspo.ie

Web: www.fspo.ie

Health Services Staffs Credit Union Ltd. is regulated by Central Bank of Ireland.
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