

One of the major problems facing the small business customer is the way different Bank interpret the rules governing eligible security. A usual situation is that the husband has a Limited Company and the wife works for a totally different business under PAYE. The husband approaches his Bank for a Small Firms Loan on the basis that his wife is not a Director/shareholder and she is not prepared to mortgage the matrimonial home to secure her husbands Bank facilities.

This would, therefore, appear to make it ineligible security and would make the Small Firms Loan Guarantee an appropriate vehicle. The Banks often decline to lend under the Scheme Loan.

I would appreciate guidance on this aspect. In the brochure under FAQ it mentions that this is a decision for the Lender. Some Banks view the case I have outlined as eligible & some as ineligible.

I would suggest that in the case that I have outlined the security is ineligible and the loan scheme SHOULD be available. If the wife was unemployed/mother etc then clearly she is dependant upon her husbands business then clearly the security would be eligible.

I think that far clearer guidelines should be set out by the Government to stop some of the Banks declining to assist businesses on the basis they do not want a 25% unsecured exposure.

I would appreciate a response in due course.

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