

Briefing Note

2 June 2009

ACE meets Britain's bankers

The UK will be in recession until mid 2010, and the banking crisis is likely to last just as long. This was the recent message to industry from the British Bankers Association (BBA).

Meeting with ACE, the BBA indicated that banks had learned the lessons of the recent difficulties and will be more cautious about investment in the coming months. Finance for construction projects is likely to prove difficult to obtain, although some financial institutions are making efforts to partner with private equity sources.

The government's proposed major infrastructure developments will probably find favour with investors. Banks are likely to become involved with large scale PFI projects because of the degree of stability provided by government guarantees.

However, smaller projects – such as local authority developments - may fall through as a result of falling council tax receipts and other pressures on local authority spending.

Whilst the credit crunch has created difficulties for businesses – and small businesses in particular – there are steps that businesses can take. The BBA recommends that companies consider the following:

- Shop around for the best banking deals. Be willing to move your business from one bank to another to obtain the best rates.
- Build and maintain a strong relationship with your local bank branch. This means that the bank will be more willing to assist when problems emerge.
- As soon as problems are suspected – such as a difficult trading year, or if project delays pose a risk to cash flow – raise these with your bank branch. Do not wait for potential issues to become real problems.
- Continue to review and revise business models to adapt to changing circumstances.
- Consider whether venture capital can provide funding for specific projects.

The good news for regionally focused businesses is that banks are likely to make more decisions at a local or regional level. They are therefore likely to be more understanding of local markets and economies.

If your company has experienced poor service from your bank recently, or if you require any further information please contact Michael Hall, ACE's Policy and Sector Manager on 020 7202 0256 or mhall@acenet.co.uk