



PLÉSONA

BUSINESS ADVISORS

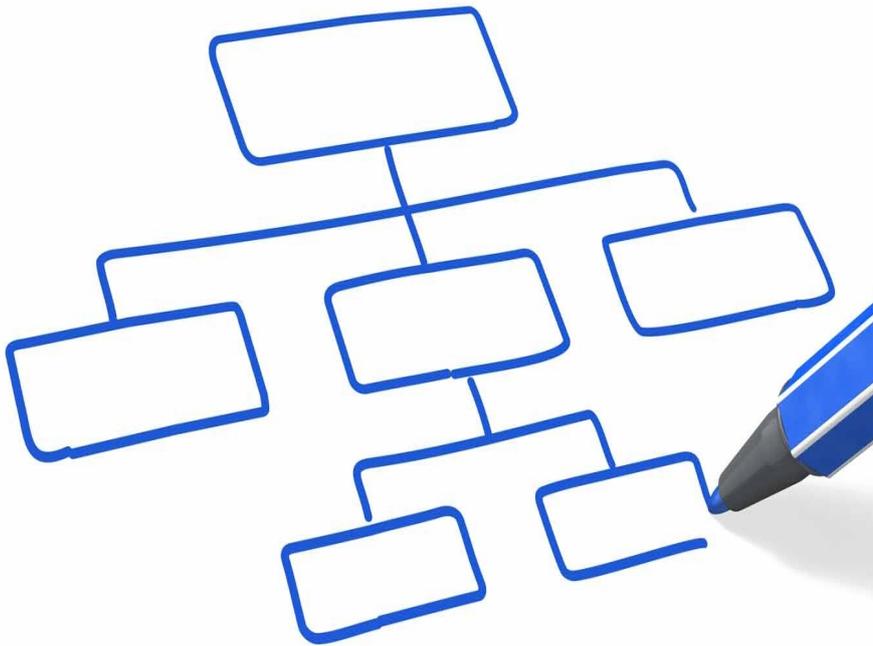
Issue 8

May 2021

Getting a bank loan in 2021

The days when an up and coming business person could get a loan based on a pitch they made to their local bank manager are long gone. All loan decisions are based on strict risk criteria that are decided in head office and there is little opportunity to appeal. The local branch people do little apart from the initial processing of the loan forms and making sure that you have submitted a viable business plan. In 2021, many banks are worried about their loan exposure and it is evidencing itself with some odd behaviours. If you are a large investment-grade corporation it is relatively easy to borrow money from a bank. This is because these companies are judged to be very low risk and banks want to have more of these in their portfolio so that the overall risk of the entire portfolio is reduced. That ultimately reduces the risk of the bank going bust. But when banks lend to small companies, this is deemed higher risk. Banks are then forced to reserve more liquidity. This is meant to ensure that the bank is reserving enough funding just in case these risky loans go bad. Therefore, in normal times it will always be harder for a smaller business to get a loan versus a big multinational. Governments tried to solve this problem in 2020 by offering guarantees to the banks for special Covid loans. So if the loan goes bad, then the government has to pick up the tab. That sounds fine, but it doesn't finish there. Many banks expect governments to take up to two years to pay up for these bad loans. If that were to happen then the banks will have a big liquidity problem while they are waiting for these government payments. To mitigate their risk, many banks are doing their best to slow down the loan application process. Many firms are not finding that they are refused a loan, the process is dragging on and on. If you are a smaller business and you are hoping to get a bank loan in 2021, it just might take longer than you expected.





Organising for Growth

Successful businesses often find themselves too busy to think about much more than just getting through the day and keeping the customer satisfied. This is why having a solid business plan is so important. It will mean that every decision does not have to be thought through from the basics. This is particularly important when it comes to the shape of the organisation. Expansion will usually mean that new people need to come on board. That presents two potential problems. Firstly, did you plan for this new hire in advance, i.e. rather than having to think about the role to be filled and the type of person you want to hire, you could have planned this well in advance as part of your business plan. That will make it much easier to explain to recruiters exactly who you want to hire and speed up the hiring process. Secondly, as your business grows it will require a more formal structure. That will mean delegating authority. This is something that many businesses do not plan properly. This can then mean that organisational decisions are slow to formulate and often happen much later than would have been best for the business. The worst part is that this usually will impact your customers. It may manifest itself with late deliveries, silly mistakes been made, customer expectations being failed and internal chaos. All of these issues can be avoided by proper planning, not just for sales and growth, but for how the organisation needs to mature in alignment with that growth.

Employment Contracts in Ireland

Employment legislation updates are often made to account for new ways of working. A new law giving employees a right to request remote working is due to be in place by September 2021 for instance. To ensure your business operates in line with the law, you should review your employment contracts regularly.

Also, did you know that employees must be provided with a written statement of five core terms of employment within five days of starting a job? If you don't give new employees their written '5 day' statement within five days, a hefty fine could land on your desk.

Find out more by contacting Douglas Higgins at Peninsula. He will be happy to help you to manage your HR needs.

Douglas.Higgins@peninsula-ie.com



Website: www.plesona.com

Twitter/Facebook/LinkedIn: @plesona

Email: info@plesona.com

Phone: Portugal +351-911556662

Ireland +353-86-0223468