



Information Booklet for Small and Medium-Sized Enterprises (SMEs) in Financial Difficulties

0818 882 241

www.pepper-advantage.ie

Introduction

We are very aware that customers face challenges every day. If you are in arrears or experiencing financial difficulties in respect of your credit facility with us, please contact us. We want to work with you to resolve any financial difficulties and help you to manage repayments of your credit facility.

This booklet outlines our process for helping you, as an SME in financial difficulties. The process is based on the Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Lending to Small and Medium-Sized Enterprises) Regulations 2015. These are known as the 'SME Regulations'.

The SME Regulations are in place to strengthen protections for SME customers who are seeking lending or have credit facilities from regulated entities, such as Pepper. For a copy of the SME Regulations, see the Central Bank website, www.centralbank.ie.

What does it mean to be classified as being 'in financial difficulties'?

The SME Regulations set out that you are 'in financial difficulties' when one or more of the following happens:

- For three months in a row, your credit facility remains in arrears.
- Where the credit facility is an overdraft, you go over the approved limit for 90 days in a row.
- Following an assessment by us, we consider you to be in financial difficulties.



Our four-step financial difficulties process

- 1 Talk to us so we can start working with you straight away to find a solution.
- 2 Share your financial information with us, so that we understand your situation.
- 3 We assess your financial situation to ensure we find a solution that is suitable for you.
- 4 We agree a resolution together.

We have included a **glossary of terms** to help customers when reading this booklet, on pages 14-15. We may also use these terms in other communications we have with you.

Step 1: Talk to us

It is in your interest to engage with us if you are in financial difficulties or if you are worried about making repayments in the future. We want to work with you with a view to finding a solution. By addressing problems early, and together, we may be able to avoid the situation becoming worse.

Our approach with you will depend on whether you have been considered as being in financial difficulties or not.

Customers at risk of requiring financial difficulties support

If you are already in arrears, or if you tell us that you are at risk of going into arrears, we will offer you a review to see how we can help you. We will assess your circumstances and decide if you should be considered as being in financial difficulties.

Customers who need financial difficulties support

When we have determined from our review that you are in financial difficulties, we will write to you within 10 working days to confirm that your case has been considered as being in financial difficulties.

We will tell you:

- The status of your credit facility
- What information we will need from you
- How your financial difficulties could affect other credit facilities you have with us
- The details of the dedicated team who will contact you about your situation.

We can provide help over the phone. If you prefer to meet in person, we can arrange a meeting at our offices in Dublin or in Shannon. All meetings will take place in private. To arrange a meeting, please contact us on 0818 882 241, Monday to Friday from 9am to 5pm.

How we communicate with you

We are committed to communicating with you in way that is clear and easy to understand.

We will give you enough time to complete anything you have agreed to do. We will confirm how and when we will need to contact you again.

If you write to us about your arrears or financial difficulties, we will respond within 10 working days of the date we receive your letter or email. We will ensure that our communications with you are not excessive, and take into account your particular circumstances.

Our communications with you are confidential, and any meetings with you will take place in private. You can choose to have a third party, such as a financial adviser, attend any meetings with us, whether these take place face to face, online or by phone.

You can also choose to have a third party represent you and deal with us on your behalf. In this case, we will need you to provide us with written instructions to allow us to engage directly with them.

We will also communicate, as and when appropriate, with any guarantor on record. We will ensure that a guarantor receives all communications that are required and relevant to their guarantee.

Seek independent advice

You may prefer to get independent advice from your financial adviser or from MABS (Money Advice and Budgeting Service). MABS is a national independent advice service for people in, or at risk of, difficulties over debt. Its services are free and confidential. You can contact MABS on 0818 072 000, Monday to Friday from 9am to 8pm, or get information from the website: www.mabs.ie.

Step 2: Help us understand your finances

To make sure we have a detailed understanding of your finances and to complete a review, we will need certain information from you. This information will help us to assess your case and identify what arrangements might be suitable.

Information we ask for may include:

- Up-to-date financial and tax information
- Cashflow projections
- Up-to-date business plans
- Financial statements
- Bank statements
- A sworn statement of affairs
- Any other information we believe is relevant.

It is important to provide complete and accurate information to help us understand your finances.

Step 3: Assessing your case

When we have all the information we need, we will assess your individual situation to work out the most appropriate solution for you.

In certain circumstances, as part of our assessment of your case, we may ask a third party to carry out an independent review to evaluate the future viability of your business.

If we do this, we will write to you setting out:

- Why we are requesting the review
- What the review will cover
- Who will carry out the review
- Any costs you may have to pay.

If there is a guarantor on your credit facility, we will inform them if we require an independent review.

We will send you a copy of the report we receive, following the independent review.

As part of the assessment we will consider:

- Your financial circumstances, including your overall personal and business debt
- Your current ability to make repayments
- Your previous repayment history
- Your income from any rental property
- Agreements or credit facilities you have with other lenders
- The value of your assets
- Your financial accounts
- Any other information that is relevant to your current financial circumstances.

Step 4: Looking for a solution

After assessing your case, we may be able to offer you an alternative arrangement to help you deal with your financial difficulties.

We aim to make a decision within 15 working days of receiving all of the information we need from you. If we are unable to make a decision within that time, we will tell you the reason why and how long it will take to reach a decision.

What is an alternative arrangement?

An alternative arrangement is an agreed variation or alternative to the terms and conditions of the credit facility that is currently in place. It can help you manage your arrears and repayments.

We may be able to offer you an alternative arrangement provided you meet our assessment criteria. If so, we will inform you of the details. If we cannot offer you an alternative arrangement, or if you do not accept the offer, we will tell you how you can appeal against our decision.

Alternative arrangement options may include one, or a combination, of the following:

- Restructuring your credit facility
- A short-term extension of your credit facility term, to allow you time to refinance your credit facility
- Where we agree with you on the sale of all or part of your secured asset(s) other information that is relevant to your current financial circumstances.

What is enforcement?

If we are unable to agree an alternative arrangement with you, or if you break an agreed alternative arrangement and you are still in arrears, we may proceed to enforcement.

This may mean we:

- Appoint a receiver to manage and then sell the secured asset(s)
- Start legal proceedings to repossess the secured asset(s) and recover the debt
- Seek to register a court judgment
- Enforce a court judgment that has been granted.

If the money from the sale of the secured asset(s) is not enough to pay off your debt, you will remain liable for payment of any remaining balance. This amount will include any interest that has built up, plus charges and legal, selling and other related costs, as set out in the terms of your credit facility.

Not co-operating – what does it mean?

It is important that you respond to us within any timeframe specified by us and provide a full and truthful disclosure of the information we request when we are assessing your situation. Otherwise, you may be classified as ‘not co-operating’.

The SME Regulations define not co-operating as a situation in which:

- 1** The borrower has failed to make a full and truthful disclosure to the regulated entity of the information required by it to assess the borrower’s financial situation, within the timeframe specified by the regulated entity;
- 2** The required warning letter has been issued to the borrower; and
- 3** The borrower has not carried out the action(s) within the timeframe specified in the warning letter.

Where you are at risk of being classified as not co-operating, we will issue a warning letter to you (and to any guarantor on the credit facility). This is in accordance with Provision 20 (8) of the SME Regulations.

The warning letter will outline the specific actions you need to carry out to avoid being classified as not co-operating. We can classify you as not co-operating if you do not carry out these specific actions within 20 working days.

What happens when you are classified as not co-operating?

- We might not offer you an alternative arrangement.
- We may demand full repayment of your credit facility. This may mean enforcing the terms of any guarantees or security, including the sale of secured asset(s).
- We may take enforcement action, such as starting legal proceedings or appointing a receiver to manage and sell any assets that were provided as security for your credit facility.
- You must pay any debt that remains outstanding after the secured asset(s) has been sold.

Can I complain?

You have a right to make a complaint to us about the service we have provided to you, or about our offer of an alternative arrangement. You can also make a complaint about our refusal to offer you an alternative arrangement.

You can make a complaint verbally or in writing to Pepper Complaints Department (see Useful contacts on pages 16-17). If you make a verbal complaint, we may be able to resolve the issue immediately. However, you may prefer to have the complaint handled in accordance with our process for written complaints as outlined below.

If you make a written complaint to us, we will:

- Write back within 5 working days of receiving it. We'll give you the contact details of the person who will deal with your complaint.
- Send you regular written updates on our investigation of your complaint. The updates will be provided at intervals of no more than 20 working days from the date you made your complaint.
- Try to resolve your complaint within 40 working days. If it is not sorted out by then, we will tell you when we hope to resolve it.
- Write to tell you the outcome of our investigation within 5 working days of completing it. If you are not satisfied with our response to your complaint, you may have the right to make a complaint to the Financial Services and Pensions Ombudsman (see Useful contacts on pages 16-17).

Can I appeal against a decision?

You have a right to appeal to our dedicated SME Appeals Board if you are not satisfied with:

- The withdrawal or reduction of your credit facility
- A special term or condition you must accept in order for us to provide you with an alternative arrangement
- Our refusal to offer you an alternative arrangement
- Our offer of an alternative arrangement
- Being classified as not co-operating.

You must submit your appeal in writing to the Appeals Board within 20 working days from the date that we notify you of a decision.

The Appeals Board will:

- Write back within 5 working days of receiving your appeal.
- Consider your appeal and decide on it as soon as is reasonably practicable.
- Aim to make a decision on your appeal within 15 working days of receiving it. If we cannot reach a decision within 15 working days of receiving your appeal, we will explain why and let you know how long we expect to take.
- Write to tell you our decision within 5 working days of making it.

If we decide to refuse, reduce or withdraw credit, you may have a right to refer the matter to the Credit Review Office. The Credit Review Office provides an independent, impartial credit appeals process for SMEs, including sole traders and farmers (see Useful contacts on pages 16-17).

How might my financial difficulties affect my credit history?

We register information on your payment history, including whether any of the alternative arrangements above are put in place, with the Central Credit Register. This is in accordance with the Credit Reporting Act 2013.

Your credit history may be negatively affected if you miss your regular repayments. A poor credit history may make it difficult for you to get credit in the future.

We may provide more information to the Central Credit Register or other credit agencies, where we are legally required to do so.

Fees and charges

Fees or charges may be imposed in certain circumstances, in accordance with the terms and conditions of your credit facility. This may happen if, for example, your account falls into arrears or you enter financial difficulties.

WARNING

If you do not meet the repayments on your credit facility agreement, your account will go into arrears. This may affect your credit rating, which may limit your ability to access credit in the future.

WARNING YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP PAYMENTS ON A MORTGAGE OR ANY OTHER LOAN SECURED ON IT.

If you have a variable interest rate loan:

WARNING The cost of your repayments may increase.

Glossary

Alternative arrangement means an agreement to repay your debt through a change to the terms and conditions of your existing credit facility. This new arrangement may be in the form of a loan restructure (where you renegotiate the terms of your loan) or a settlement agreement (a legally binding contract on how and when you will pay your debt).

Appeals Board is a panel made up of at least 2 expert and experienced decision makers in Pepper who have not been involved in your case previously.

Arrears arise where you have not made a payment in full or on time in accordance with your credit facility agreement or alternative arrangement. In the case of an overdraft facility, you are in arrears if you exceed your overdraft limit for 30 consecutive days. Being in arrears means you are behind with your repayments or in breach of your overdraft limit.

Customer, for the purposes of this booklet, means a micro-enterprise, small enterprise or medium-sized enterprise whose credit facility is managed or administered by Pepper.

Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Lending to Small and Medium-Sized Enterprises) Regulations 2015 means the regulations that apply to regulated entities (lenders and other financial service providers, as defined below) in dealing with SME credit facilities. They are known as the SME Regulations.

Communication means the exchange of information between you and Pepper in writing or by speaking in person, online or by phone.

Court judgment is where your lender can go to court to get a judgment that you owe the credit facility. The judgment can be registered and this means it is publicly available that there is a judgment against you for not paying money you owe.

Credit facility agreement means an agreement in which a lender provides or promises to provide, credit to a borrower.

Credit facility is where a customer has a line of credit from a lender such as a mortgage, loan or overdraft.

Enforcing the court judgment is where a lender who has a court judgment that you owe them money can get the money from you through an enforcement order.

Financial difficulties means a situation in which one or more of the following applies to a credit facility agreement or to an alternative arrangement:

- The borrower is in arrears under the credit facility agreement or alternative arrangement for 3 consecutive months.

Glossary (continued)

- The credit facility agreement is an overdraft facility and the borrower exceeds the approved limit on the overdraft for 90 consecutive days.
- We have determined that the borrower is in financial difficulties, after an assessment carried out in accordance with the SME Regulations.

Lender, for the purposes of this booklet, means a company that owns a credit facility agreement and any related guarantee(s), security documents and rights relating to it. Pepper is the lender in respect of your credit facility agreement(s).

Pepper (and “us”, “we” or “our”) means Pepper Finance Corporation (Ireland) DAC trading as Pepper Advantage, Pepper Asset Servicing, Pepper Money and Harbour Credit. Pepper is the lender for your credit facility agreement(s).

Regulated entity is a financial service provider regulated by the Central Bank of Ireland to undertake certain regulated activities.

Restructure means you renegotiate the terms of your loan.

Refinance means you use a new credit facility to repay your existing credit facility.

Secured asset means an asset, such as property or business equipment, the customer has provided to a lender to secure a loan or credit. It gives the lender the legal right to sell the secured asset if the customer fails to repay the debt.

SME is a small- and medium-sized enterprise and means a business that employs fewer than 250 people and has an annual turnover of no more than €50 million or an annual balance sheet not exceeding €43 million. SME Regulations apply to micro-, small- and medium-sized enterprises.

You means the borrower(s) under any credit facility for which Pepper is your lender.

Useful Contacts

Pepper Commercial Team

Commercial Real Estate
Pepper Asset Servicing
PO Box 690
Shannon
Co Clare
Phone: 0818 882 241
Hours: Monday to Friday 9am–5pm
Website: www.pepper-advantage.ie

SME Appeals Board

Pepper Advantage
4310 Atlantic Avenue
Westpark Business Campus
Shannon
Co Clare

Pepper Complaints Department

Pepper Advantage
4310 Atlantic Avenue
Westpark Business Campus
Shannon
Co Clare
Email: complaints@peppergroup.ie

Credit Review Office

The Credit Review Office provides an independent, impartial credit appeals process for SMEs, including sole traders and farmers.
Phone: 0871 217 244
Hours: Monday to Friday,
9am–1pm and 2pm–5pm
Email: info@creditreview.ie
Website: www.creditreview.ie

Central Bank of Ireland

The Central Bank provides information on the SME Regulations.
Phone: 0818 681 681
Hours: Monday to Friday, 9am–6pm
Email: enquiries@centralbank.ie
Website: www.centralbank.ie

Data Protection Commissioner

It sets out the rights of individuals and the responsibilities of organisations in storing personal data. It also gives guidance on how the rights and principles apply in various real-life situations.

Email: info@dataprotection.ie
Website: www.dataprotection.ie

Financial Services and Pensions Ombudsman

The FSPO deals with unresolved complaints about financial services. It is an independent, free service.

Phone: 01 567 7000
Hours: Monday to Friday,
9.30am–1pm and 2pm–5pm
Email: info@fspoi.ie
Website: www.fspoi.ie

Useful Contacts (continued)

Insolvency Service of Ireland (ISI)

This is an independent statutory body for people who are in debt and likely to remain so. The ISI aims to help you tackle your debt.

Freetext: GETHELP to 50015

Information line: 01 764 4200

Hours: Monday to Friday, 9am–6pm

Email: info@isi.gov.ie

Website: www.backontrack.ie

MABS (Money Advice and Budgeting Service)

MABS is a national free, confidential service for people in debt or who are at risk of getting into debt. Its website provides useful budgeting tools. It also has contact details for all local MABS offices.

Phone: 0818 072 000

Hours: Monday to Friday, 9am–8pm

Email: helpline@mabs.ie

Website: www.mabs.ie

Office of the Revenue Commissioners

Revenue provides information on tax credits and reliefs that you may be entitled to. It also has contact details for all local Revenue offices.

Website: www.revenue.ie

Please note:

Nothing in this booklet and no action we take, or do not take, means that we forgo or limit any of our rights. These rights are set out in a loan agreement or letter, guarantee or security connected with the loan. The rights include, without limitation, the right to demand repayment of the loan and enforce the security and guarantees held. We reserve all these rights and remedies for our use.

The information in this booklet is intended to help you deal with financial difficulty. It is not an alternative to seeking legal advice from your solicitor or other professional provider of legal services. If you have questions about any legal matter, you should consult your solicitor or other professional legal adviser.



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