



A Boost for Business Lending



Small business lending is set for a shake-up that will make terms fairer for the little guys if recommendations by the Australian Small Business and Family Enterprise Ombudsman (ASBFEO) are introduced.

The Carnell Report, released in February following an inquiry into bank lending for small-to-medium enterprises, has made 15 recommendations designed to address regulatory gaps and shortfalls in lending practices that disadvantage business borrowers.

Bank loans remain the most readily available source of funding for businesses, so are often the first port of call. They come with a repayment plan attached to an interest rate, with lenders requiring some form of collateral, which they can confiscate and sell if payments are not made on time.

The problem, according to the Carnell Report, is that rules have traditionally been stacked in favor of lenders. While the report conceded many defaults on commercial loans were a result of poor business

decisions, it found operators were also often unfairly hampered by one-sided contracts that allowed lenders to move the goal posts with no, or minimal, recourse for customers.

The report found small businesses were vulnerable when faced with:

- Insufficient timeframes around key loan milestones.
- Misleading and conflicting information between bank sales staff and credit risk staff.
- A lack of transparency and potential conflict of interest around dealings with third parties, such as valuer's, investigative accountants and receivers.
- No recourse other than the court system, which led to borrowers with few resources taking on banks with deep coffers and considerable legal clout.
- To address the imbalance, the inquiry recommended longer notice periods of changes to loan terms and clearer, more concise explanations of clauses and covenants.

Perhaps the most significant recommendation is for a new external dispute resolution (EDR) service for small business borrowers. The Federal Government has agreed to set up a one-stop-shop for consumer complaints to provide faster access to justice, make binding determinations and provide compensation.

Finding finance

Regardless of which way you turn, you should have a sound business plan to demonstrate revenue and, importantly, cash flow. If already in business, your previous three years' financials will also be helpful. The more the funder knows about your business, the more likely they are to say "yes".

Grants

It's hard to go past free money, with various private sector and government grants up for grabs. Applications often take time and require significant information, but the windfall can be worth it.

Keep in mind competition is fierce, so be prepared to go the extra mile to promote your enterprise's vision and worth.

Use the [Federal Government Grant Finder](#) to locate funds for a range of initiatives – from start-ups to exports and research and development – across various industries, including digital technology, agribusiness, science and many more.

Many companies and individuals also offer a leg-up for small businesses. The [Business Aid Centre](#) is a good starting point with helpful hints and listings by industry and grant dates.

Talk to us today

As a mortgage broker, we leverage our relationship with residential mortgage lenders to offer commercial finance. The benefit of borrowing through us is we know your financial situation and can explore your most suitable options.

The right finance can help you fuel growth and help build a strong and successful business. Get it wrong and the debt can often have the opposite effect. In business, the right finance is so much more than just finding the lowest interest rate and reducing fees. Not only do you need the right type of finance, you need to be able to choose from the widest range of options and the right structure. Needless to say, there are a lot of complexities. It can be a difficult area to navigate, and to have the confidence to know you've made the right choice.

With help from us you have the peace of mind knowing your business has the right funding in place, and leaving you to get on with doing what you do best – growing your business.



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