

Enabling growth

Know your clients



Hugh Sigrist, Managing Director, Renaissance Asset Finance, and Fred Yue, Head of Leasing, Bank of London and The Middle East plc (BLME), explain how asset finance provides routes through the barriers that traditional lenders can throw up

Since the financial crisis, SMEs have struggled to find flexible financing options from traditional lenders. In turn, this can be a factor in stalling the growth of many of these companies.

The British Business Bank recently reported that while almost half (46%) of UK small businesses are planning to grow in the next year, many are still unaware of the alternative finance options available.

Over the last year or so, the Government has done much to try and kick-start lending to this sector. Despite all the noise made about Government schemes such as Funding for Lending, less has been done to raise awareness of lending options outside the typical high street banks.

ENABLE

For the first time, the Government is now shining a spotlight onto asset finance through its ENABLE scheme. Launched two months ago through the British Business Bank, the ENABLE scheme will help facilitate asset and lease finance to smaller UK businesses by warehousing newly-originated asset finance receivables from different originators, bringing them together into a new structure.

Once the structure is big enough, it will seek to refinance a portion of its funding through securitisation techniques, enabling smaller finance providers to tap into institutional investors' funds.

Outlining the benefits

Recently, we were invited by the FLA to attend an event at the House of Commons, where we met with key MPs to discuss the benefits of asset finance for businesses. For us, the most important message is that asset finance can help businesses in a variety of ways.

A good asset finance provider should provide flexible and tailored solutions. Lenders such as high street banks tend to have a comparatively small remit of ventures they can finance. A common misconception is that unsuccessful lending applications are a result of an unsatisfactory credit rating. However, in many cases the issue is actually a lack of specialism on the bank's part in understanding the supply or title route, which can be very relevant in many deals.

Process driven

Many lenders do not have the time or expertise to understand and audit the title route. This can prevent customers buying the goods that are priced more competitively and are better suited to their business. Also, banks often lack the understanding to see when an asset purchase could be self-funding and generate sufficient additional revenue to substantially cover the liabilities.

In reality, many traditional lenders are process driven and have core infrastructure in place that prevents them from looking outside "typical" deals, which means they may be turning down viable and lucrative deals because they lack understanding of what is required.

Many traditional lenders are also unable to provide the personalised service required by smaller businesses. Even some newer lenders, while providing more flexible options than traditional lenders, are only offering financing for new capital purchases and are not specialised enough to understand the refinance market, which often involves visiting the customer at their business.

By visiting the premises of a business, asset finance providers are able to look at all of the available assets of a business and may also find new assets to raise finance against, often when ones

customer has not thought about themselves. This can then help to free capital to finance more difficult items or things such as refurbishments, new business acquisitions or investments.

Not all providers will offer such solutions and therefore only the best asset finance providers enjoy long lasting rather than transactional relationships with clients. Some businesses may apply for finance from several different lenders over the course of their lifespans, going through a cumbersome application process each time.

However, once an asset finance provider has visited your premises and really taken the time to understand your business, they can take an informed look at your changing cash flow requirements and help you find innovative ways of achieving your changing finance needs.

Levels of expertise

Businesses in this sector should look for providers with high levels of expertise who can fully understand the supply route of transactions and who can assist in funding a whole array of required goods. Specialist services, such as refinance, sale and leaseback, are also important for assisting businesses in finding essential growth capital.

The SME sector is a niche field that requires an experienced and focused approach from lenders. We believe that finance providers too often lump SMEs under the generic SME term, while in reality the needs of these businesses can vary greatly.

Knowing your customer is absolutely essential and actually visiting a client is a key ingredient in being able to better understand a business in order to find the most beneficial and appropriate financial solution.