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FOCUS
INSOLVENCY GROUP

NEWSLETTER

Reduced bank lending opened door to loan firms

Over the past five years lending by the country's biggest banks has fallen by £364.7 billion according to a report published on Monday by KPMG.

The 'banks performance review' stated that the country's major groups have cut lending by 14% since 2009 to 2.3 trillion in the first half of the year.

The report adds that in the five major UK banks, Standard Chartered, RBS, Barclays, HSBC and Lloyds Banking Group, customer lending accounted for £309 billion of the cut.

The effect of bank's significantly reduced lending has been to open the door to shadow banking initiatives such as payday loan firms, like Wonga and QuickQuid; to fill the void.

The payday loan market has risen from £900 million in 2008/09 to between £2 billion and £2.2 billion in 2011/12, according to figures previously released by the Office of Fair Trading.

KPMG UK head of banking Richard McCarthy said: "We have to remember that banking requires risk-taking. Yet in the rush to clean-up the past, both banks and regulators have lost sight of this."

"The reduction in lending to customers since 2009 is testament to this risk aversion."

Bill Michael, Europe Middle East and Africa head of financial services at KPMG, added: "Shadow banking initiatives are increasingly penetrating under-served areas of the market."

The report goes on to state that banks are now at a crossroads where they must choose to move on from clearing up the damage of the past financial crisis, to providing a new period of profitability, adding that the country's major banks have been taking steps toward profitability since the second half of 2013.

This was backed up in the first half of 2014 with the big five banks turning in combined profits of £15.2 billion.

Regulatory fines ranging from payment protection insurance mis-selling to interest rate fixing have hit the industry hard however costing banks a total of £31 billion since 2011. Although latest year on year figures show that fines fell 44% to 2.4 billion suggesting that this may now be easing.

Mr McCarthy said: "Lower margins, massive conduct-related costs and much higher capital requirements have all contributed to a lower return in the sector in recent years."

"This has reduced the much-needed resources banks require to re-focus their strategies on growth."

"The punishment of the banking industry as a whole, as opposed to individuals, will hinder the banks' return to growth and their ability to increase lending."

The Latest UK Personal Debt Statistics

- **£110m the daily amount written off by banks and building societies**
- **Every 21 minutes 29 seconds a property in the UK is repossessed**
- **Every 4 minutes 51 seconds someone is declared insolvent or bankrupt in the UK**
- **£1.452bn the total amount of personal debt in the UK**
- **£146,853 is the average first-time buyer loan**
- **£64.56 is the average cost of filling a 50-litre tank with unleaded petrol**
- **468 a day drop in the number of long-term unemployed in the last year**
- **£4,699 is the annual interest paid on the average new mortgage, based on July 2014 trends**
- **£18,134 is the average spending per second on credit and debit cards**

Stats from The Money Charity

Insolvent businesses may face extra holiday pay claims

Insolvent businesses which are still trading could be faced with backdated claims for extra holiday pay according to law firm HBJ Gateley. A ruling by the Court of Justice of the European Union (CJEU) has changed the way employers must now calculate holiday pay.

Experts at HBJ Gateley have predicted that the changes could not only affect cash flow but impact on the value of a business as a whole. Lock v British Gas Trading Limited has shown that employers are required to include commission when calculating holiday pay for those workers who regularly receive it as part of their remuneration package.

Previously, where employees received a basic rate of pay alongside other fluctuating payment such as commission, over time or shift allowances, holiday pay was calculated on the basic rate alone.

However the ruling by the CJEU interprets basic pay as including as any elements of pay that are 'intrinsically linked' to the tasks performed under the contract. This includes commission that is regularly part of an employee's remuneration package.

During the case is was proposed that commission calculations are based on a twelve month average, but the Court refused to rule on this aspect of the case, leaving it up to national courts to decide.

It is widely accepted that the ruling will mean that employers may need to adjust future holiday pay calculations. HBJ Gateley have said that employers could also face claims for backdated holiday pay, although the means by which this would be calculated are yet to be decided.

Yvonne Brady, head of corporate restructuring at HBJ Gateley said: "In terms of cash flow and the ability to service debt, there are obvious implications for solvent trading companies and their funders.

"However, insolvent businesses that are being traded will also be affected in terms of increased trading costs and, due to the higher liabilities acquired by a buyer, it could affect a sale price.

"There will also be an impact generally for insolvencies in terms of the level of claims and potential level of recovery available."

Here are just a few reasons we should be your first choice for debt and cash flow problems

- **Service – not only a great service, but an unrivalled one. Qualified and experienced staff with a 'can do' approach to getting the job done. A single point of contact for both introducer and client**
- **Cost Effective – higher targeted performance, free meetings and fewer costs**
- **Reciprocal Work – we believe in supporting those who support us and we do not compete**
- **Full range of financial, insolvency and restructuring solutions available**
- **Big enough to cope with the large jobs but small enough to care for everyone**
- **Experienced and qualified board of directors who care passionately about what we do and how we do it**
- **Focus Business Club – regular corporate events, newsletters, updates and blogs**

Focus are climbing Helvellyn on 20 September 2014 for Derian House

Focus Insolvency Group are doing a charity trek in the Lake District in aid of a local charity very dear to our hearts; Derian House Children's Hospice.

derian house
children's hospice

On September 20th nine members of our team are heading off to scale Helvellyn; the highest point in the eastern fells of the Lake District at 3,117 feet above sea level and the third highest peak in not only the Lakes; but in England.

We gratefully welcome donations of any amount to help the team raise much needed funds for Derian House. Please visit our Just Giving page which can be viewed here, alternatively please contact Andy Platt if you would like to donate in a different way.

Contact Focus Insolvency Group

If any of your clients have been affected by the stories in our newsletter or need advice on any other matters, please feel free to contact us on 01257 257030 or email a.fisher@focusinsolvencygroup.co.uk

"We pride ourselves on being the experts of choice for anyone struggling in business or with debt."

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