

BANKS' INCREASED RELUCTANCE TO LEND WILL CREATE MARKET FOR NEW FINANCING PRODUCTS PWC LEGAL

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European Central Bank guidance on leverage transactions will probably lead to increase in non-traditional lenders coming into the market

With traditional banks in Spain potentially facing a greater degree of supervision by regulators, it is anticipated that their lending requirements will become more onerous, which will create a market for non-traditional financing products.

"The incoming recommendations from the ECB [European Central Bank] guidance on leverage transactions will probably lead to even stricter supervision for banks," says Javier Gomez Dominguez, partner at PwC Legal in Madrid. "And if the banks are not going to be lending, there will be an increasing number of non-traditional lenders who will offer other sophisticated products (such as convertible bonds, warrants and other hybrid products) into the market." However, Gomez Dominguez says that although such non-traditional lenders are not subject to the same regulations as the banks, their lending requirements are more demanding. "Non-traditional lenders are a bit more sophisticated and require more from the borrower in the way of extensive business and

personal finance statements, credit reports and business plans; they follow up the business case carefully," he says.

In anticipation of this trend, law firms are offering clients "added-value" services for non-traditional loans. "For law firms, the margins for traditional M&A transactions are just not there, not because of the lack of transactions, but because fees are not what they used to be," says Gomez Dominguez.

"To cover the shortfall, we need to go from providing ordinary value products to more sophisticated ones as well as being a partner of the client as trusted advisor. That's why our M&A legal department has been getting ready for this, integrating not only the traditional corporate and private equity M&A services, but also capital markets and banking and finance services. We consider this a great opportunity for corporate lawyers so we're putting everything in place."