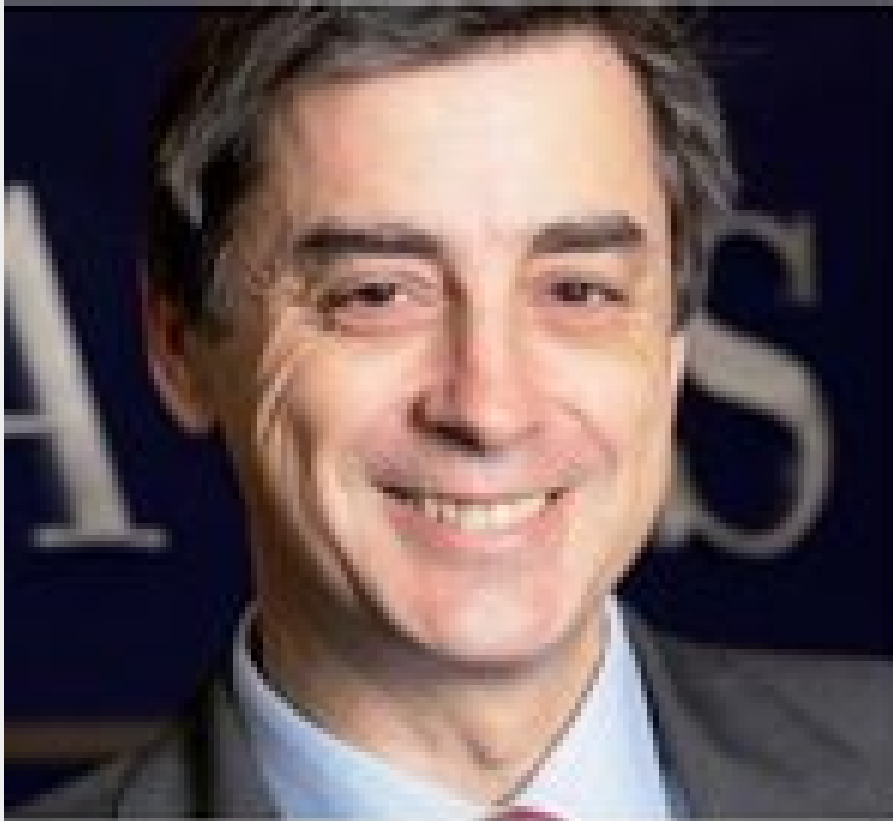


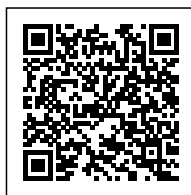
OVERCOMING LENDERS' WALL OF SILENCE - JAUSAS

Posted on 14/11/2011



Agustín Bou

Category: [Corporate](#)



A recurring issue confronting many businesses is a lack of decision making from banks over new financing leading some to consider the viability of their own companies

In the face of a lack of liquidity in the financial sector many businesses are experiencing greater challenges to finance and refinance their operations, including what may often seem like "indifference" from some institutions, says Agustín Bou, Head of Restructuring and Insolvency with Jausas in Barcelona.

"We are seeing greater numbers of clients facing what they perceive to be a wall of silence from lenders, even as existing loans come up for renewal. In many cases banks seem to be so absorbed in their own issues that they are unable or at least unwilling to commit either way to new finance." The uncertainty facing many financial institutions' own balance sheets and the need to comply with rising tier 1 capital ratios means that some banks now seem more concerned about the macro-

economic picture than the day-to-day realities of many of their own clients, says Bou.

"This inevitably presents serious worries even to viable businesses. Companies with often positive forward sales and business projections still need additional lending to cover ongoing needs or to finance capital projects."

Unable or simply unwilling to wait for a decision, companies have therefore to plan ahead and to develop and prepare alternative finance scenarios, suggests Bou. "Businesses need to be able to present banks with alternative scenarios and to convey to them the very real adverse impact of a delay in decision-making."

Directors also need to ensure they are aware of and complying with their own duties both to the company as well as any additional creditors, Bou cautions.

"Just because the bank is not calling in a loan does not mean that other creditors cannot. What is important is to be able to maintain a dialogue with all sides. It is a lack of communication, and worry among creditors of their own positions, that most often leads to formal insolvency proceedings being launched. Companies cannot let one wall of silence lead to others."