Bank ‘misselling’ to SME’s & Bank insolvency appointments

Sense necessitates that the various Governance systems in the UK can-not look to Regulate lending to SME's. However, the current epidemic of bank 'misselling' has resulted in a lack of confidence and unnecessary embarrassment for UK plc and its Governing Bodies.

Until Government recognise the need to ensure current behaviour can not repeat itself for future generations, implementation of governance to ensure no more 'misselling' must be adopted. It is a well-known adage but 'prevention is better than cure'

We have an 'ill' banking system with no recognition of its condition. It needs a resolve.

Banks have been allowed to design products, manufacture the opportunity to manipulate non regulated lending to SME’s and condition reckless implementation of structured products simply not fit for purpose for anyone other than the banks own benefit.

The banks have positioned SME’s to take unnecessary risk for their own gain, by way of unauthorised use of SMEs assets. This is best exampled by the way the banks forced unsophisticated SMEs to hold Derivatives on their own balance sheets, sold as ‘non advised’ protection on mass to some 18,0000 unsophisticated businesses, mainly between 07-08, when the banks own Liquidity Requirements were in need of a solution.

Lending facilities implied trust and honesty by way of inducement to a standard variable loan; the very comfort needed for the UK to excel in innovation and entrepreneurial talent.

The banks have been allowed to Abuse their position of Power by way of freedom to design structured products, present them as 'standard' loans, sold to provide peace of mind as 'protection' with the effect of unconscionable profits providing protection for the banks only.

Derivatives are wholly inappropriate contracts held by unsophisticated SMEs.

We now have bank panel, bank appointed insolvency practitioners detailing that the banks 'missales' caused some businesses to enter insolvency at the banks instructions. Redress is due. Should we allow insolvency to become a safe haven for the debenture holders (the banks) to harbour wrongdoings lending will be changed at everyone's expense.

The fact that banks can appoint insolvency practitioners, independent reviewers, advisers and auditors from the same firm will result in clear conflicts of interest when challenged. Until a 'missale' is defined in law as a new Tort or other wrongdoing the questions remains as to what the bank has actually done wrong and what the UK Judicial system is able to define and judge suitable remedy.

As a supporter of the UK Financial Services sector we have tirelessly supported the necessity to have the banks acknowledge, address and redress the businesses destroyed by 'missales'. This has not happened and it is now frustrating the very accountants who have to deal with the issue.

In rugby its term is a 'hospital pass'

Insolvency Assist CIC recommends the commissioning of a Report into the issue of bank misselling, its affects and future governance requirements by way of invitation to leading insolvency practitioners, experts and accountants to conclude a need for two primary requirements;

1. representation on bank Boards from SME's to detail funding needs
2. approval of all new regulated products designed by the banks by a Panel of bank CEOs, before distribution to SMEs under Regulated exemption under FSMA and the FCA.

Our recommendations are to chair a round table meeting with representatives from;

- Insolvency Assist
- Vedanta Hedging
- PWC, EY, Menzies, BDO, Baker Tilly and Begbies Traynor
- R3
- ICAEW

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