



Business Finance case study >>

An accountant asked us to refinance one of his farming clients whose bank had asked him to close his accounts and go to another bank. We arranged a loan for £2.7 million to refinance the business, which was on much better terms, with potential savings of over £2 million.

About the Client

The client was a 2-generation partnership that owned a dairy, sheep and arable farm.

The Challenges

Although well secured, the bank was bouncing cheques and there were several CCJ's outstanding against the business. Three lenders had already declined to lend – including the Agricultural Mortgage Corporation.

The Solution

The key to arranging the refinance was first to take time to investigate and understand what had caused the original problems, which turned out to be a serious case of bovine tuberculosis that had crippled his dairy unit some years earlier. This led us to include with the refinance request a proposal to borrow some extra money to increase the size of the herd to improve profitability. The farm already had the infrastructure and the manpower, so apart from the capital cost of the cows the only increase in overhead was feed and electricity.

This enabled other banks to see further than the obvious problems and the money was made available, much to the client's delight because the lending terms were hugely beneficial compared to the terms he had before.

Outcome

- 12-months interest only while the enlarged herd settled down
- A 25-year loan of £2.7 million, without the 5-yearly break clauses they had before (breaks allow banks more flexibility to review and maybe re-price)
- The interest rate was significantly lower than the client had previously paid, which over the full term of the loan could save him a staggering £2,098,109!
- In fact, the monthly capital and interest repayments on the new facility were less than he was previously paying on an interest only basis!
- A saving of £20,000 on the lending fee compared to what the new bank would normally have charged
- Less-onerous covenants
- The lending fee added to the loan so that it didn't come out of cash flow
- There were no early repayment fees to lock him in





Conclusion

The successful refinancing avoided some potentially serious consequences - increased costs, damage to the client's reputation and credit profile, forced land sales and the possible appointment of a Law of Property Act Receiver.

This was clearly a difficult case but working with IBC can be equally beneficial for cases that appear straightforward. We understand business lending and we know what we are doing. Our methods get results.

“ *Now we can get on with farming instead of spending all day and all night worrying about the bank.* ”

JN, Partner

About IBC

Everyone at IBC has extensive 'inside knowledge' and practical experience, acquired over many years spent working in commercial banks at all levels – as front line lenders, credit managers, recoveries managers, and in leadership roles. This means we understand how banks work and how they think; we know the right people and we speak their language, making us a valuable resource for business borrowers.

We have been trading since April 2000 and are proudly independent – no conflicts of interest or divided loyalties. We are also authorised and regulated by the Financial Conduct Authority for the provision of credit related services, including debt adjusting and debt counselling.

If you think you or your clients could benefit from our services then contact us in confidence

Email: enquiries@independentbankers.co.uk

