

This short note explains why Irish banks are selling off even seemingly Performing loans to Investment Funds, what a 'Non-Performing Loan (Exposure)' is, how a Non-Performing loan affects a customer's banking relationship (including applying for new loans) and what you can do to help yourself.

Did you know that your Bank(s) views your overall financial health to be as strong as the weakest link across all your banking arrangements and that the weakest link can get all your loans classed as 'Non-Performing'? Do all you can to know what those links are and how to strengthen them so that you stay 'onside' and maintain Performing Loan status.

WHY THE BANKS ARE SELLING 'NON-PERFORMING' LOAN BOOKS

Ten years on from the financial crisis, our Banks are required to deal with their legacy issues and comprehensively reduce their 'Non-Performing' loans. Banks are required by the Banking Regulators (in Ireland and the EU) to make sure their Non-Performing loans make up no more than a 5% share of their Loan Books by 2020 (currently they make up between 7.5% and 25%).

WHAT IS A 'NON-PERFORMING' LOAN

The European Banking Authority defines a bank loan to be a 'Non-Performing Loan' where either, or both, of the following two situations arise:

1) A loan repayment is more than 90 days past the due date.

Just one missed loan repayment puts a Bank on high alert and can lead to immediate banking restrictions.

2) The Borrower is assessed, by the lending bank, as being unlikely to meet the full credit obligation without realisation of collateral.

Put another way, the bank assesses the borrower to be unlikely to pay back the loan without needing to sell off some of the assets securing the loan.

Operating your accounts outside of the agreed terms can trip you up and lead to your loans being classified as 'Non-Performing'.

HOW NON-PERFORMING STATUS AFFECTS ACCESSING NEW LOANS

If you have a Non-Performing Loan, your name and loan details will also appear on the new Central Credit Register. The Register is available to all finance providers operating in the Irish market. This makes accessing new loans more problematic.

WHAT TO DO IF YOU ARE UNSURE OF YOUR LOAN(S) STATUS OR IF ADVISED THAT YOUR LOAN(S) OR TOTAL BANK EXPOSURE IS CLASSED AS NON-PERFORMING:

If you are unsure about what the status of your loans are, and/or what the banks expect of you, then ask them to explain it to you. Don't do nothing. Take control. It is always better to inform yourself.

If your debt is classed as Non-Performing, arrange a formal meeting with your Bank to agree what is required to return the lending to Performing status. This will be in the best interest of both you and the Bank.

Contact Credit Review in good time before meeting the Bank to ensure that you are fully informed on the credit management issues relevant to your situation.