

News Release

April 2009

## **MAJOR SURVEY REVEALS BANKS ARE 'CLOSING THEIR BOOKS' ON CONSTRUCTION**

***Over 40 per cent of SME builders say the relationship with their bank has deteriorated in last 12 months***

Banks stand accused of failing the construction industry following a new survey by the National Federation of Builders (NFB) – the leading trade organisation for small and medium sized contractors.

The study, which quizzed NFB members about their business banking relationships, found that over a fifth had not been passed on a base rate cut in the last twelve months, despite record cuts by the Bank of England.

Almost 30 per cent saw interest rates increase on their existing credit facilities, while a fifth were refused an extension to an overdraft and the same proportion had additional loan finance turned down.

The NFB fears that with the survey reflecting on the past 12 months, the picture by 2010 will be far worse. These concerns have heightened following Wednesday's budget which included no new measures to help boost lending to SMEs.

Overall, over a third of the SMEs surveyed said they were dissatisfied with their current banking provider, a worrying statistic when over half felt that a good relationship with their bank will be very important to their success over the coming year.

The NFB says that many sound businesses are being refused the necessary capital needed to operate simply because they are in the construction industry.

Julia Evans, the NFB's chief executive, stressed that many small and medium sized firms are already under pressure from late paying customers while the banking sector has failed to increase lending despite several bailouts.

The organisation believes the Government must do more to support a vital industry which employs almost 2 million people and contributes eight per cent to the UK's GDP.

Julia said: "It's clear from this survey, and in the conversations I've had with countless businesses across the country, that the banks are continuing to tighten the screws indiscriminately.

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“Many robust companies are going to the wall because construction is deemed too risky by lenders who are not only failing to lend, but to even pass on the rate cuts intended to help them.

“The construction industry is a major employer which has been creating jobs and pumping cash into Government coffers during the past decade – vital cash which has now been used to bail out the banks.

“For the ‘economic stimulus’ to work as intended, the wheels of finance need to start moving again with banks passing on that cash where it’s needed.

“Many of the businesses refused finance are solid contractors with robust order books – they just need the support of a forward-looking bank to manage their way through this period.

“Construction is vital to our economic recovery. A technically advanced, competitive and sustainable industry with a highly skilled workforce will be needed to build for growth.”

The NFB has also called on the Government to step in where banks are failing, setting up funding options via organisations such as Regional Development Agencies (RDAs).

Julia Evans added: “The stakes are too high for the Government to risk not helping contractors. RDAs are ideally positioned to take informed views on funding for SMEs on a regional basis. We would like to see more money being made available to SMEs via routes outside the banking sector, bypassing the banks which have chosen to close the book on builders.”

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**Notes to editors:**

All figures, unless otherwise stated, are from the National Federation of Builders(NFB). Total sample size was 115 registered NFB members. Survey was undertaken between 10 March 2009 and 14<sup>th</sup> April 2009. The survey was carried out online using [www.surveymonkey.com](http://www.surveymonkey.com) and distributed across the NFB’s membership database. The organisation has 1,500 members.