



Ref No. 16/2039/MF

18 July 2016

Mr. Seán O'Callaghan,  
Cork County Council,  
County Hall,  
Cork,  
Ireland



Dear Mr. O'Callaghan,

The Minister for Finance, Mr. Michael Noonan TD, has asked me to thank you for your recent correspondence, dated 11<sup>th</sup> May 2016, concerning the resolution of Cork County Council regarding the creation of an Irish public banking system.

The Government is committed to protecting the growing economy and ensuring sustainable economic development across the country. In this regard, it may interest you to note that a number of measures have been put in place relating to SMEs and SME financing given their vital role in the economy of this country. These measures include: the Strategic Banking Corporation of Ireland (the SBCI), the Credit Guarantee Scheme, the Credit Review Office and Microfinance Ireland.

- **The Strategic Banking Corporation of Ireland** has been established as a means of ensuring that SMEs are provided with sufficient finance for growth. The Strategic Banking Corporation of Ireland (SBCI) is an initiative designed to increase the availability of funding to SMEs at a lower cost and on more flexible terms than has been available on the Irish Market in recent times. The SBCI does not lend directly to SMEs. It uses a network of lending partners known as 'on-lenders' to make its funds available to SMEs and presently has 3 bank and 3 non-bank on-lenders. To the end of December 2015, the SBCI has lent just under €172 million to circa 4,600 SMEs. The average loan size is €37,000 and the loans are for a variety of purposes including agricultural and other investment, working capital, lease and hire purchase and refinancing. The SMEs who receive SBCI finance are from a variety of business sectors and are spread across all regions of the country with 85% of SMEs receiving support based outside of Dublin. More information on the SBCI can be found on [www.sbc.gov.ie](http://www.sbc.gov.ie).

- **The Credit Guarantee Scheme** encourages additional lending to small businesses by offering a partial Government guarantee to banks against losses on qualifying loans to eligible SMEs. The amended legislation allows for SBCI to participate in this scheme. More information is available at <https://www.djei.ie/en/What-We-Do/Supports-for-SMEs/Access-to-Finance/SME-Credit-Guarantee-Scheme/>
- **The Credit Review Office** helps SME or Farm borrowers who have had an application for credit of up to €3 million declined or reduced by the main banks. They also examine cases where borrowers feel that the terms and conditions of their existing loan, or a new loan offer, are unfairly onerous or have been unreasonably changed to their detriment. This is a strictly confidential process between the business, the Credit Review Office and the bank. The Credit Reviewer and his team have overturned more than 50% of the refusals that have been appealed to the Office. Further details are available at [www.creditreview.ie](http://www.creditreview.ie)
- **Microfinance Ireland:** The Microenterprise Loan Fund, administered by Microfinance Ireland, provides support in the form of loans for up to €25,000, available to start-up, newly established, or growing micro enterprises employing less than 10 people, with viable business propositions. Microfinance Ireland works in partnership with the Local Enterprise Offices nationally to administer this fund ([www.microfinanceireland.ie](http://www.microfinanceireland.ie)).

The Department has considered, extensively and in detail, the public banking model in place in other countries and its applicability to Ireland. As you are aware, the creation and development of a public banking system would require substantial resources. Given the significant SME supports already available, as outlined above, it is not evident that there is currently a clear business case at this time for a public banking system in Ireland.

However, the Department is continuing to monitor and analyse the SME finance market in Ireland and will keep the concept of public banking under review within the parameters of overall banking policy.

Yours sincerely,



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Justin Dolan

Private Secretary to the Minister for Finance