CORPORATE FINANCE SERVICES

THE BANKING RELATIONSHIP

In our new world Bank Managers will never be held in the same revered light they once were, being responsible at least in part for the collapse of the economy.

But still they have an unhealthy control over so many companies' destinies. They continue to push up rates seemingly to attempt to regain the same percentage recovery they enjoyed when interest rates were north of 4 and 5%.

I am seeing countless examples of rates being changed from base to libor and from 1% and 2% plus to as much as 7% even when the said business is actually not in any worse state.

I'd say negotiate but the trouble is with who, as banks consolidate and others disappear. At the moment the most avid lenders seem to be the good old Co-Op and the Yorkshire Bank but a word of caution – however long you think it will take to get a deal it will take twice as long and what's more cost you twice as much.

But in the ideal world your bank should be more than just a place to store your finances; it should make your business operations easier and your financial situation simpler to manage. In addition, your bank should be able to offer essential information, guidance and advise on all manner of business problems.

Fees and charges are naturally a vital consideration for any business when entrusting finances to a bank. Investigating how overdraft charges are calculated is worth looking into along with such factors as maximum withdrawal amounts, it is important to take note of how easy it is to contact a bank; as well as what are the hours of phone contact plus it's internet banking are both available.

What is important, even essential, is you form a relationship with your bankers. At the centre of this "relationship banking" concept, is the notion that bankers who know their customers can deliver better and more appropriate services.

The main benefits of relationship banking is, the more a banker knows about a client and the client's business, the more cost-effective it is for both parties.

Times are very tough at the moment so the relationship is more important than ever. Get referrals from others in your industry, from your lawyer or your accountant. Interview banks to learn about their services. Talk to a commercial lending officer; tell him about your

business and your needs. Ask if the bank is already doing business with others in your industry. For example, a contractor may seek a bank doing business with other contractors. Those bankers will understand the industry, the cycles of the business and that those clients need certain products at certain times.

A banker with many clients in the same industry is more likely to understand that the needs of two clients may be different even though they are in the same business.

What traits should business people seek in a relationship banker?
Look for advocacy – that is someone who is interested in what's good for the client as well as for the bank. The banker should be asking questions about the client and his goals. During the interview, the banker should listen to the client and tell him what he needs now and in the future to achieve his goals.

How might a banking relationship start?

It's beneficial for the client to provide as much information as possible to the banker. Clients can begin slowly with only a few services, such as a personal and business chequeing account and then watch how the relationship develops. Over time, as the client and banker become more familiar with one another, other services can be added and relationships can be expanded to other specialists within the bank.

When choosing between competing financial institutions should you be in this fortunate position, consider the long-term. Over time clients with banking relationships can realise benefits beyond savings on fees and rates.