



Sally Hares and her daughter Stef Winnall, of Hare's Moor DIY Curry Kits

Loan blunder leaves bad taste for struggling Midlands firm

A small firm in Walsall was left unable to pay employees after its bank froze its account – despite being £15,000 in the black.

Hare's Moor, which makes DIY curry kits to sell to big name retailers like Ocado, Harrods and the Co-operative, could not access cash to fulfil orders and pay salaries after its account was blocked by Lloyds TSB.

The problem was triggered after Hare's Moor was given a loan of £15,000 from the Black Country Reinvestment Society (BCRS), which lends to companies which can't get finance from their banks.

Because of a dispute over whether BCRS sent a vital legal document – known as a “waiver on a debenture” – the bank froze the account. But BCRS claims it sent the documents on the day it received the request.

Hare's Moor founder Sally Hare said she discovered via letter that Lloyds TSB had frozen the account, not having picked up a message left on her home phone the previous day. “My employees have got mortgages to pay at the end of the month and we couldn't fulfil an order for the Co-op and Ocado,” she said. “For a small business it's enough in a recession trying to make ends meet. The last thing you need is for life to be made more difficult by big institutions that should know better.”

A spokeswoman for Lloyds TSB said she could not comment on individual cases, but added that the bank followed standard practice when a debenture is placed on an account. She said: “If a customer has given a debenture to a third party, for a bank to then operate a business account for that customer, the bank needs to get a legal agreement from that third party in order to do so – in effect to be given a waiver by that third party.”

On learning of Hare's Moor's difficulties, BCRS stepped in and made a temporary loan of £2,000 into another account to enable the firm to pay its staff.

Community lender hopes to unlock finances

A Black Country community lender is hoping to provide a “win-win” solution for both banks and businesses to get more money flowing into small firms.

The Black Country Reinvestment Society (BCRS) said it was sounding out the big six commercial banks – which have been accused of not lending enough to small firms – on a model which he believes could provide a solution which benefits everyone.

BCRS chief executive Paul Kalinauckas said the society was hoping to borrow itself from the big banks and then use the money to lend on to small businesses in the local area.

This would be a safer bet for the banks than lending to the small firms themselves, as BCRS is backed by public money coming from sources like the European Union and local authorities.

The move would be an extension of BCRS's current model, which already sees it borrow from the co-operative banking sector.

Mr Kalinauckas said: “We are scaling it up. We are now going to the wider commercial banking sector as the money we have got so far has come from the co-operative banking sector.

“The next stage we are moving into is to

help the big six commercial lenders who can't deal with small business – we can do that. We're sounding them out now, and telling them it's a win-win solution.”

Mr Kalinauckas said banks had retreated from small-time lending as it was no longer cost-effective for them.

“We are doing it because we want to do it – because we are a co-operative. We are able to provide that focus on the local business. Some businesses are desperate to have a relationship with an external financier who will give them an understanding of what they are looking for and look beyond the balance sheet.”