

## **MEDIA STATEMENT**

14 January 2021

### **Access to capital critical to survival in perfect storm: Ombudsman**

The Australian Small Business and Family Enterprise Ombudsman Kate Carnell is urging the Federal Government to establish a revenue-contingent loan scheme for small businesses, to provide them with the cash flow they need to survive the next 12 months.

With government support measures being withdrawn, banks continuing to subject small business borrowers to onerous credit assessment processes, rent relief ending and the impact of recent lockdowns and border closures, Ms Carnell says access to finance could mean the difference between life and death for many small businesses.

“Unfortunately it’s a perfect storm scenario - especially for those small businesses that haven’t been able to fully recover from the COVID crisis,” Ms Carnell says.

“Access to credit will be critical to keeping those otherwise viable small businesses afloat, particularly over the coming months as support measures are phased out and the bills start flowing in again.”

Ms Carnell is calling on the Federal Government to introduce a revenue-contingent loan program for small businesses, similar to HECS, requiring borrowers to repay when their turnover reaches a designated level.

The loan would be Government-funded and capped at a percentage of the small business’ annual revenue. Applicants would need to satisfy a viability test conducted by an accredited adviser to be eligible.

“Sudden lockdowns and border closures have heavily impacted small businesses in recent weeks – it’s no wonder they are scared to take on additional bank debt given conditions can deteriorate so rapidly,” Ms Carnell says.

“Even in the best of times, small businesses have struggled to secure finance. Taking into account the enormous challenges they are now facing, the fallout of insufficient working capital could be devastating, not only for small business owners and their staff, but for the broader economy.

“The latest ASIC data shows external administrator appointments were up by 23% in December 2020 and economists are predicting the number of businesses entering voluntary administration to rise this year.

“A revenue contingent loan scheme would give small businesses the confidence they need to seek funding, so they can survive and employ again. It’s essential to Australia’s economic recovery.”

**Media contact:** Donna Acioli, 02 6213 7410 / 0448 467 178

Kate Carnell, 0415 662 266