

Can't bank on assistance

TWO Teesside entrepreneurs have blasted the banking sector for putting their expansion plans in jeopardy, as new research shows firms are being denied access to business finance.

David Nicholson and John Heseltine - who both say they have a solid track record within their respective industries - failed in attempts to obtain bank finance to expand their businesses.

They warn that some small firms could be put out of business if banks continue to tighten the purse strings.

Billingham-based Nicholson Group was forced to finance a restructuring of its operations after attempts to secure investment from a high street bank fell flat.

The restructuring was designed to allow each of the operations - which include warehousing and distribution, logistics, storage and training firms and a pheasant cookery business - to operate independently within the group.

In the absence of bank finance, the group had to arrange the sale and lease-back of several of its property assets - a move which cost a "substantial" amount of money.

David Nicholson, group chairman, said: "We got around a third of the price we paid for them (assets)."

"We are a profitable business but the banks didn't want to back property or logistics businesses. We paid the banks, we paid off creditors and we became self-funding."

Having completed the restructuring, the group is aiming to grow £4m-plus revenues by 10%-15% a year.

Mr Nicholson, who has masterminded the group's expansion since launching Nicholson's Transport in 1989, advised firms to "follow their gut instincts" rather than the advice of the banks.

"They suggested we didn't put our



heads above the parapet and stay as we were as a transport company, but that wasn't what I wanted to do.

"Transport firms work on low margins and we wanted to move into more high-earning businesses."

Middlesbrough entrepreneur John Heseltine faced similar difficulties when trying to launch fruit drink firm Cherrygood last year with business partner Martin Hall.

The duo's request for £500,000 of start-up capital was turned down by high street banks - even though Mr Heseltine had demonstrated success within the sector.

He had created a natural fruit juice retail chain, Lovejuice, and sold it for £3.4m.

He has used proceeds from the sale and attracted backing from a private investor to help launch the venture, which he said had been put in jeopardy by the banks' indifference.

He said: "We were told to come

back in six months because the business was too young.

"But we had orders from major supermarkets and we didn't want to mess around."

Early signs are that the venture is a viable commercial proposition.

Cherrygood generated sales of £1.2m in the year to April - its first year of trading - and its products are stocked in all of the major multiples.

The company has signed distribution deals in Greece and Cyprus, is actively targeting the US, Scandinavia and the Netherlands and aims to become a £15m business in three years.

The scaling back of bank lending has been a major headache for firms since the financial crisis began in 2008 - and shows little sign of going away.

Just 1% of respondents to a new study by the Forum of Private Business (FPB) said access to finance has

TURNED DOWN:

Dave Nicholson, MD of Nicholson Transport and, below, Cherrygood's John Heseltine (left) and Martin Hall



improved, while 15% said it has worsened - almost four times the number in May, when 4% reported a decline.

The research comes as the Government heaps pressure on banks to boost lending to business.

A green paper published last week said there was scope for banks to build capital and boost new lending by limiting bonus and dividend pay-outs.

Business Secretary Vince Cable has warned that excessive bank profits could be taxed.