

Back then the Bogeyman, now the Lifeline for Business

Het Financieele Dagblad
Eva Rooijers
Amsterdam
March 21, 2020

“Imagine you have a fashion business and just sourced your new collection and nobody enters your shop anymore. We are doing everything in our power to help our clients through this difficult time.” Kees van Dijkhuizen, chief executive of ABN Amro showed his emphatic side this week in an interview with Het Financieele Dagblad.

In his opinion, in the previous crisis it was the banks that needed rescue, and now the time has come to return the favor.

Wiebe Draijer, CEO of Rabobank had exactly the same message. “We are ready to help clients get through this economic crisis in the best possible way, instead of us being busy managing our own crisis that causes trouble for the rest of world.”

After proclamation of the good intentions, exceptional support measures followed on Thursday. Banks are granting a 6 month delay on interest payments and amortization of loans for all healthy small and medium businesses. This will involved tens of thousands of clients and tens of billions of debt. Also house owners and large companies under financial stress will qualify for relief.

Banks, in combination with the government and central banks are thus providing the lifeline that keeps the business sector afloat. It is hard to image a how very different the previous crisis was. That was a crisis that spread from the financial sector into the real economy, to companies and households. The availability of credit was none.

Also the way of communication with clients was heavily criticized. “Special credit departments were a torture chamber”, said Hans Biesheuvel of the organisation “Ondernemend Nederland” which supports the interests of businesses. Whereas, in reality, such departments should have been intensive care units.

“Banks acted ruthless and showed no compassion whatsoever”, says Hugo van Wijk, who in his capacity as CEO of Vallstein advises large corporates on their bank relationship management. “Any collateral that could be called, got called. Companies went under that could have had a future.” This time round, banks are ready to act as intensive care for the business sector. “We have the reserves and we can handle this”, says Van Dijkhuizen.

The corona crisis thus also appears to provide the banks with a chance to improve their image and regain confidence. That image still is not a good one. The rescue operations during the previous financial crisis are still on everybody’s mind. And each time the image of the banks was about to turn positive yet a new issue popped up, be it on bonuses, faulty interest derivatives or money laundering, to damage the image once more.

Van Wijk does not see a reason to be cynical about the pr-momentum right now. “The statements of the executives are honest. They are willing and able to help.” He points to the capital buffers, which are sound. Even Rabobank, where 96% of business clients qualifies for suspension of interest and repayment, can handle this, he believes. “They have significant exposure in the food & agri business. We will continue to eat, also in times of corona crisis.”

Of course banks have to be careful not to endanger their own stability as result of all their good intentions to help. But Van Wijk is not too much worried about that. “Banks will remain both merchant and minister. Right now, they are the compassionate minister, but the merchant is never far away.” Van Dijkhuizen pointed out that the bank of course is “not a charity.” And rightly so, according to him. “Banks are a vital part of the economy. It is essential for societies to be able to trust banks.”

Arnoud Boot, professor of Corporate Finance and Financial Markets is often critical on banks, but also believes banks now really want to support their clients. “If I look at the executive management of ABN Amro, Rabobank and the Volksbank (he excludes ING since that bank is mainly internationally active) I can see they are trying to establish a common ground in the Netherlands and are trying to regain confidence.” Also before the corona crisis broke out.

He also views banks has having sufficient buffers to provide some relief to the business sector. “But to be able to continue this for a long time, they will need support from the government. And it is all a bit wry,” he says. Banks are now showing off their big buffers, but when the capital requirements increase they were less enthusiastic.

To what extent banks will be flexible with their client and how fast they will act, will show. They will needs thousands of companies, and speed is a must. Boot: “there is no time to be careful. Then you are too slow.”

--END--

© Het Financieele Dagblad p2-3, March 21, 2020