

# Council banks could be key to helping firms

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REGIONAL or local banks could help smaller businesses survive the recession, a financial expert says.

Jon Sturrock, the managing director of North-East financial advisor Arlington Financial, said regional development agencies (RDAs) or councils should look at following Essex County Council, which set up the Bank of Essex this year.

Last week, the bank, the UK's first municipal bank in almost 100 years, was praised by the Audit Commission.

It has given out £250,000 in loans and offers up to £100,000 to small and medium-sized businesses that are struggling to get credit from the main banks. Newcastle City Council is looking at setting up such a bank.

Development agency One North East said it planned to launch a £125m fund early next year to offer finance to help small businesses.

Mr Sturrock believes such initiatives could provide the key to businesses surviving the recession at a time when the Federation of Small Businesses has warned that high street banks are in danger of building up a monopoly on credit for small firms.

He said: "Some businesses, despite their viability, are finding themselves struggling to get the money they need to continue trading until the economy improves.

"There is real value in investigating how the North- East could benefit from having a local or regional bank, run by the RDA or local authorities, with the interest of local commerce at heart.

"Such a bank could deal in shorter-term finance agreements that would help businesses through the economic recession.

"For businesses to survive the recession, there must be a degree of innovation and these banks, as well as lending from institutions such as the Post Office, can supplement those loans which are still coming through from the high street banks."

Mr Sturrock, whose company is based in Hartlepool, said: "All banks have increased the cost of lending over the last 12 months and they are being a lot more careful about how they lend, which means that borrowing is becoming a lot more difficult to obtain.

"It is right that banks are being more prudent. We do not want a return to the problems that came from their past over-lending, but it is causing difficulties for businesses."