

IFA FRAMEWORK FOR NEGOTIATIONS TO SUPPORT FARMERS WITH CREDIT DIFFICULTIES

Principles of negotiation

IFA has identified key principles on which it believes negotiations must be carried out between farmer borrowers with credit difficulties and loan owners, in order to achieve a sustainable outcome for both parties.

1 No forced sale of farming assets that would undermine the viability of the family farm, where the farmer has meaningfully engaged to find a solution

Meaningful engagement will be based upon the long-term repayment capacity of the farm, the sale of non-core assets, if appropriate, and other financing options the borrower proposes.

2 Full and final agreement must be reached between the borrower and loan owner prior to the disposal of any assets

It is unacceptable that borrowers would agree to sell an asset to reduce the outstanding debt, with no certainty provided by the loan owner as to what will happen to the outstanding balance.

3 Assets must be sold for their full market value and with proper advertising

The value of any asset disposed of must be maximised, whether the sale is undertaken by the borrower or the loan owner.

Where the loan owner is selling the land, all potential purchasers must have the possibility of participating in a proposed sale, with appropriate notice given and the sale advertised through normal channels (e.g. local media, signage, sale via a local auctioneer).

4 No forced collection of debt that is not yet due

Farm debt is generally long-term, and, where a farmer is in a position to bring his/her repayments fully up to date, the loan owner should not be in a position to enforce any further debt recovery, outside of the terms of the original loan schedule.

5 Where delays in arriving at a decision are due to the loan owner's actions, there can be no interest or penalty accumulated on the outstanding debt in that time period

There must be no incentive for loan owners to delay in reaching agreement with borrowers. Under the Central Bank's *Code of Conduct for Business Lending to Small and Medium Enterprises*, regulated entities must respond within 15 working days to a proposal from a borrower in arrears, where all requested information has been provided by the borrower. Loan owners and other regulated entities must abide by the Code, and make borrowers with credit difficulties aware of their entitlements under the Code.