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The borrower-lender relationship: Why and how to nurture it during the crisis?

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Most companies have seen their business operations seriously affected by the COVID-19 pandemic and the various government measures taken to mitigate its impact on the population.

Companies have to contend with various issues in the short, medium and long term, such as the closure of many companies', clients' and suppliers' places of business, restricted opening hours, and working from home.

Businesses need to maintain the relationship of trust they have built with their lender a business partner with whom it pays to be proactive, show transparency and uphold best practices during these difficult times.

Although each situation requires an individual analysis, it is in the borrower's best interest to draw up an accurate picture of the company's situation for the lender. The information that should be shared with the lender includes:

A description of the plan implemented for clients, suppliers and employees to mitigate the effects of COVID-19 and ensure that operations continue as efficiently as possible;
A description of the plan implemented for employees to ensure their health and safety while working;
Whether the company's services and activities are considered essential;
The availability and use of government programs developed for businesses and their employees;
The possibility of allocating work to other places of business and other efforts to mitigate the impact;
Short, medium and long term financial projections, it being understood that even though these projections may be difficult to establish in the circumstances, they will equip the borrower for discussions with its lender and will enable it to anticipate its credit facility drawdown requirements, including any need to increase them;
Representations, warranties and covenants in credit agreements that could be compromised.

This communication must be ongoing. Considering the fast evolution of the COVID-19 crisis and the proliferation of governmental and other measures, it is important to keep the lender informed as the

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company’s situation changes. The lender will obviously appreciate getting the most accurate picture of the company under the circumstances, which will allow it to assess the situation and develop customized solutions with the company.

The relationship of trust between borrower and lender is, more than ever, an asset in these difficult times. It is proving to be a positive vector of stability for our companies, which will have to overcome the effects of COVID-19.

The professionals of our Debt Financing and Banking team can assist borrowers in analyzing the credit agreements they have entered into with their lenders and in developing a communication strategy that is appropriate and effective in the circumstances.

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