

Chartered Banker

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Jason is the Finance Director of OPQ Finance plc. He is a Chartered Banker and a qualified accountant. He has been preparing financial reports in order to enable the company to prepare its financial statements.

A matter of some concern has been brought to Jason's attention. A large company borrowed £2 million last year in order to purchase a new head office. The loan is secured on the property. However, since the loan was granted, the company suffered a downturn in business and has already had to reschedule the repayments. To make matters worse, the value of commercial property has fallen sharply in the area in which the company is located and offices are taking several months to be sold.

Information gathered by Jason suggests that the borrower's situation is unlikely to improve in the short term and may get a good deal worse. There has been speculation in the media about boardroom unrest and there is a possibility that one of its major customers is in deep financial trouble.

Jason is far from happy that his senior colleagues have been reluctant to discuss the loan with him. He feels that the possibility of default is increasing and that the financial accounts should reflect this.

Eventually, Jason met the Chief Executive Officer to discuss the problem loan. Jason was informed in no uncertain terms that the provisions for bad debts were already escalating and that making a substantial specific provision for the loan in question would impact not only upon the company's financial performance and confidence of the shareholders, but also on the board's perception of the capabilities of senior management.

He added that Jason should have more confidence in the ability of the commercial lending administration team to apply sufficient pressure on the borrower to service the loan repayments in an appropriate manner. The Chief Executive tells Jason to drop the matter and just use the figures he has been given.

Jason suspects that internal reports have glossed over the fundamental issues relating to the loan in order to deflect attention from what he feels was a lending proposition that should never have been sanctioned in the first place.

What should Jason do?