

5<sup>th</sup> December 2013  
Mr Peter Wright  
Strategic Investment Director  
Finance Wales plc  
Oakleigh House  
Park Place  
Cardiff CF10 3DQ

FIN(4)FW068  
Finance Wales Inquiry  
Response from the North West  
Fund

Dear Peter

### Recent review by Professor Dylan Jones-Evans

I am writing in response to the review of Finance Wales and some of the conclusions drawn by the Professor.

I do not agree with his conclusion that the interest rates charged by FW are excessive or too high. I would respectfully point out a number of factors that he has failed to appreciate or factor into his conclusions:-

1. The rates typically charged by the main high street banks reflect the risk profile of the businesses to which they are lending. The anticipated default rate on loans made by FW here in the North West is almost **10%**. The current loan default levels within the high street banks are more typically between **0.5%** and **1.5%**.

It should come as no surprise therefore that FW loans are several % points higher.

2. FW is often acting as a lender of last resort to businesses that have been turned down by other high street lenders.
3. FW has to make a return that is commensurate with the risk of the investment and is sufficient to cover its own cost of capital, operating costs and anticipated default rate.

To be honest I am greatly surprised that the report seems to have failed to grasp what most people would regard as basic economic reality. It also hugely undervalues the fact that the fund management operations that have been established outside of Wales represent a very significant asset to the business.

Kind regards

Cliff Maylor  
Chief Executive



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