

(Ebook free) Staying with the original lender is a double-edged sword

## Staying with the original lender is a double-edged sword

*Philipp Ackel*

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**Philipp Ackel : Staying with the original lender is a double-edged sword** before purchasing it in order to gage whether or not it would be worth my time, and all praised Staying with the original lender is a double-edged sword:

Essay from the year 2005 in the subject Business economics - Investment and Finance, grade: 67% , University of Nottingham (Business School), 8 entries in the bibliography, language: English, abstract: This paper deals with the information capture of borrowers due to repeated transactions in their relationship with their lenders. Describing the issue that firms, that are unhappy in their current borrower-lender relationship find it hard to look for new sources of finance. Small and medium sized firms are used as examples because large organisations usually gain their finance from the public trade market. Describing the reasons for the difficulties of finding new lenders, such as information

capture of private information and the need of a well established relationship in order to gain better availability and credit terms. The factors that affect a firm's decision to look for a new lender are mostly difficulties in obtaining finance, dissatisfaction with the service provided and dependence on banks' decisions. Problems occurring when obtaining multiple sources of finance are lower availability of credit and significantly higher interest rates on the credit as lenders feel that their information captured is not as valuable any more. Included is a case study on Tynemill which shows that a well established relationship may benefit both parties. I will evaluate why firms find themselves in this unfortunate position of being informationally captured and seem to be better off staying with their original lender.