

Factsheet on Interest-Rate Hedging Products

Interest rate hedging products are a form of derivative that were widely sold by Banks to business customers between 2002-2010 - in particular these were heavily sold between 2006-2010.

The main types of IRHP's are Swaps, Caps and Collars.

They were sold to businesses of all sizes and sectors. They were sold to businesses as an "insurance product" that protected against rising interest rates. The products have been seen to have been widely mis-sold and businesses are now successfully claiming against the Banks for redress.

How to spot one of these products:

- ✓ Usually there will be separate documents for the swap/hedge transaction to the underlying debt facility (usually a trade confirmation, presentation, terms and conditions)
- ✓ The product will have been "sold" to the business by someone from the Bank's Treasury department
- ✓ Business will have been paying high rates of interest (usually between 3.5-8%) at a time of historically low base rates
- ✓ Huge break costs to exit the product

Seneca Banking is advising several hundred businesses in relation to their claim on a total hedged debt quantum north of £2billion

Facts about mis-sold IRHP's:

- It is estimated there are up to 100,000 businesses that have been mis-sold these products
- The average claim size is £500,000
- Sectors particularly affected include hoteliers, property businesses, nurseries, care homes, farmers, pubs, manufacturers – however this has affected ALL sectors
- The banks have provisioned c.£3billion to date for mis-sold hedging products (it is estimated this number will increase ten-fold)

The FCA announced there has been serious failings in the way these products were sold and thousands of businesses are entitled to significant amounts of compensation.

Seneca is a specialist advisor to businesses on these complex claims and we would be delighted to explore whether any of your clients have been affected by these products and whether as a result there is mileage in claim against the Bank for redress. We are able to pay introducer fees for any referrals.



Seneca Banking Consultants
4th Floor 21-27, Churchgate, Bolton
Greater Manchester, BL1 1YA.

T: 01204 896 919 | F: 01204 238 023

www.senecabanking.co.uk