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Visionary duo perfect fine art of turning crisis to their advantage

By Bertrand Benoit in Berlin

It may not seem the best time to start a financial services business. But for Daniel Asmus Tümpel, the financial crisis has been a boon: "It has saved me five years' worth of marketing work."

Within weeks of the Lehman Brothers collapse, Mr Tümpel and Loretta Würtenberger, his partner, started offering short-term loans to collectors and companies using artwork as collateral. They have been rushed off their feet, in a striking illustration of how the crisis is not just wiping out fortunes but also creating them.

"This is a pure crisis product," says Ms Würtenberger. Fine Art Equity, their company, uses Germany's pawn laws to lend to cash-short companies and individuals who would have no other way to raise cash in the current market than to sell their collections at a loss.

The model is well established in the US and is dominated by a handful of companies led by Art Capital Group. The lender, whose Madison Avenue headquarters is often described as a luxury pawnshop, has been in the limelight lately as collectors and even artists have turned to it for financing.

Last year, Annie Leibovitz, the photographer, borrowed $10.5m from Art Capital using her past – and future – work as collateral in addition to several properties.

Yet until Mr Tümpel and Ms Würtenberger began rolling out their loans last year, Europeans would have had nowhere to turn for similar services this side of the Atlantic.

Fine Art Equity did not start as an art lender. When the pair of former investment bankers created the company two years ago, their main goal was to help art dealers finance expensive acquisitions by acting as "private equity" partners - something none of the big US art lenders offer.

Ms Würtenberger says this side of the business too has boomed in the downturn: „Many dealers face a dilemma. They are in a buyer's market, where great art is looking cheap, but like the rest of us, they are more risk averse and eager to spread their exposure."

Although many banks advise clients on their art investments, they have been reluctant to lend against art or to finance dealers since the 1991 art-market crisis.

"In the old days, every dealer used to have an overdraft," says Andrew Blackman, a London-based dealer specialising in old masters. "Since the art-market crisis, virtually no bank has been accepting art as collateral."

If anything, the latest downturn has accelerated the banks' withdrawal from the market. Earlier this year, while art lenders in the US were reporting increases of 20 to 50 per cent in business, UBS, sponsor of the Basel art fair, shut its art banking department.