

Important questions to ask your bank

Before approaching the bank, you'll need to know how much you'd like to borrow, for how long and the monthly repayments you will be able to afford.

You'll also need an up-to-date business plan as well as information about what you need the money for, how it will help your business, and how you will repay the money you have borrowed. You may be asked to provide cashflow projections, particularly if you are applying for a loan, to show that you will be able to make the necessary repayments.

If you're unsure about anything, speak with a financial adviser or accountant first - they may even go with you to discuss your borrowing requirements or help you to apply.

It's worth checking early with the bank what information they'll need in order to go ahead with any application for borrowing. The sort of information they're likely to want is also listed in our checklist on **applying for bank finance**.

Here are some questions you will need to ask your bank to make sure that you're borrowing in the way most suited to your business. Tick off the questions you have asked the bank, and make sure you have thought or have sufficient information about any of the questions you haven't ticked.

You may wish to speak to more than one lender before deciding.

If you're asking about a loan...

- ☐ Do I need to have an account with the bank to be able to get a loan from you? (Most banks will prefer you to have your main business account with them but may be flexible.)
- ☐ Is there an arrangement fee? If so, how much is it?
- ☐ What is the interest rate for the amount I'm borrowing?
- ☐ Can I get a better rate than this or is it not negotiable?
- ☐ Is the rate fixed or variable?
- ☐ I've had a loan offer from another lender - can you make a better offer?
- ☐ What repayment options can you offer (eg monthly, quarterly)?
- ☐ Is it possible to draw down the money in stages or is it paid as one lump sum?
- ☐ How much will I pay back in total, including the interest and any other fees, assuming I pay it back over the full term?
- ☐ Are there any charges for repaying the loan in full before the end of the term? If so, how much?

- ☐ Can I make lump sum payments? If so, how often?
- ☐ How is interest recalculated if I make lump sum payments?
- ☐ Are there any other conditions that apply regarding lump sum payments?
- ☐ Is it possible to take a break from repayments if I need to? (This is often called taking a 'payment holiday'.)
- ☐ Are there any charges if I miss a payment or I'm late paying?
- ☐ Do you need references? If so, what information do you need, and who from?
- ☐ Do I need to provide security or other guarantee?
- ☐ Will you provide the full amount or will I need to match the amount with my own money? If so, what is the percentage I would have to provide?
- ☐ Do I have to take out any insurance in connection with this loan?
- ☐ If so, do you provide it, and how much will it cost?
- ☐ And what are the policy details? When will it pay out? What does it not cover?
- ☐ Are there any other conditions attached to the loan? (These are often known as 'loan covenants'. For example, you may have to have a certain level on insurance on the loan, and you may not be able to sell equipment or vehicles you've bought with the loan while it's still being repaid, and so on.)
- ☐ How long does it usually take for a loan application to be processed?
- ☐ If the application is approved, how long after that could I expect to receive the money?
- ☐ If the application is rejected, can I apply again?
- ☐ When would the first repayment be taken?
- ☐ What guarantees do you provide? (For example, very small businesses are covered by the Lending Code, which sets minimum good practice standards for loans, credits cards and overdrafts.)
- ☐ Can you give me an illustration of how much it would cost me to have an overdraft of [amount] over [time]? (This will help you compare the cost of using your overdraft against the cost of a loan over the same period.)

Will you need an overdraft?

- ☐ Is there a fee or charge for an arranged overdraft?
- ☐ If so, how much is it and will I be charged even if I don't use the overdraft?
- ☐ What is the interest rate on an arranged overdraft?
- ☐ If I exceed my agreed overdraft limit, what interest rate will I be charged?
- ☐ What are the fees for an unarranged overdraft?
- ☐ Are there any other fees or charges for using an overdraft?
- ☐ When is interest added to my account?
- ☐ Is there a limit on how long I can use an arranged overdraft?
- ☐ Can I cancel an overdraft at any time?

Special requirements

- ☐ Do you have Islamic (Sharia) finance products?
- ☐ If so, what are the terms and conditions? (Some of the questions above will still apply here, such as the length of the loan, how it's repaid, and so on.)
- ☐ Do you have any ethical finance products?
- ☐ If so, what are the terms and conditions?

Where next?

Try our tutorial on **sourcing finance** or see our section on **what to do if you're refused finance**.