HMRC - TOBPMMLS4450 - Commercial Viability

You should carry out checks to assess the commercial viability and/or credibility of the applicant’s business.

When considering the application for a licence, to assess the overall credibility of the business, you should focus on the following to:

confirm the legal entity of the business (sole proprietor, partnership or a limited company); if a limited company, you should view the business’ certificate of incorporation and check that the details of all directors submitted in the application are correct. These details should be closely examined and verified

· establish what other business interests (associated companies) the directors, or others involved in the business have

· establish who is financing the company and where the money came from

· examine the cash flow and profitability of the business (This content has been withheld because of exemptions in the Freedom of Information Act 2000)

· establish the business’ bank accounts, any loans/overdraft facilities they may have, and what security has been taken by the bank

· identify who the applicant’s customers and suppliers are (if applicable). Compare details of suppliers and other business information with the details submitted in the application.

seek detail of any contracts and establish if these are high risk (This content has been withheld because of exemptions in the Freedom of Information Act 2000)

· what short/medium term commercial commitments can the business demonstrate

· what assets does the business have (this should include both fixed and moveable assets); for example, do they own the property or is this leased (if it is leased, consider the length of the lease and any costs the business would incur if the lease was prematurely terminated); do they own or operate any vehicles?

check the businesses due diligence processes are adequate.

You should document all action taken with sufficient detail to defend any decision you make and to be able to reconstruct your assurance. The object of the tests is to establish whether the intended business is genuine, viable and is likely to be carried out in accordance with the law and general policy.

More detailed guidance on credibility tests is at HMASCR.

If the business is new, the applicants (and director’s or partner’s) background and detail of how they are financed is useful in deciding whether the business is legitimate or not. (This content has been withheld because of exemptions in the Freedom of Information Act 2000)

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