

Finance by Invoice Discounting

The Basics

Our finance product is provided to you either on the basis of invoice discounting or factoring. In both cases, we agree to purchase your debts (apart from excluded debts) and will, subject to the terms of the purchase set out in our agreement with you, make a prepayment available to you of a percentage of the value of the debt (typically 80-90%). The remaining balance is available to you after we have received the payment from your customer.

The availability of this funding improves your cash flow as you will not have to wait for your invoices to be paid and have cash available to reinvest in your business. Fees and charges apply which are payable by you.

Factoring is a disclosed facility. By this we mean that your customers will be aware that we have purchased the debt and that the customer has to pay us to settle the debt. This is typically disclosed on each and every invoice that you submit to your customers. We will speak to your customers and chase your debts as part of our credit management product which forms part of the factoring arrangement.

Invoice discounting is an undisclosed facility. The customers are not ordinarily aware of our involvement under this arrangement and will continue to pay you, although payments will be made in to a designated account. You are our collection agent for the debts we have purchased from you under this arrangement.

This guide concentrates on invoice discounting.

How it works

- You notify debts (evidenced by your invoices) and credit notes to us.
- Every time debts and any credit notes are notified to us, payments are received by us and you draw against your availability, we will update your funding available to you to withdraw against.
- The funding we make available to you will take into account relevant amounts we retain and charges and fees due to us under the agreement which are payable by you.
- As you are collecting the debts as our agent and therefore retaining control of your sales ledger, we will need you to provide a monthly reconciliation and aged debtor report in a form agreed with us, after which monthly adjustments to availability will be made by us to take account of this.
- We will need to conduct audits to ensure that the facility is running satisfactorily and to ensure the data we are receiving in respect of your debts is accurate and complete. This may include a need for one of our auditors to visit you.
- When you provide details of customers, we will need the following information from you: correct trading style name, full legal entity name (company, partnership or sole trader), full address and landline telephone number.
- It is important that you notify debts invoiced and any credit notes promptly to us and ensure that the data you provide is accurate. We can explain the electronic processes available to you to enable you to achieve this.
- If a debt is significantly overdue and remains unpaid, due to a dispute or non-payment, we will disclose our interest to your customer and take such legal action as we consider appropriate (low value debts may be considered uneconomic to pursue formal legal action on) and/or we may agree with you to reassign the debt to you and adjust the funds available to you. We will usually let you know before we start any formal legal action to recover a debt. Once legal action starts, we will update you on progress. You are liable for any legal costs we do not collect from the customer, although this liability may be limited if you have credit protection and the debt is successfully proven.
- We aim to communicate with you openly and transparently, and you will have telephone contact points within our business and access to our internet platform to send and receive relevant messages.