

BILL CHRISTIE FCIBS
YOUR BUSINESS AND COMMERCIAL FINANCE FACILITATOR

PRESENTS

AN ESSENTIAL GUIDE TO FUNDING BOTH NOW AND FOR THE
FUTURE

The life blood of any business is the "finance" to commence, grow and expand the products/services being marketed. Where does the funding come from?

Many business owners have the capital with which to launch and promote their businesses. To have a successful business can be very expensive and success is not always guaranteed.

Dedication,

belief, and enthusiasm are called for. Given all our experiences during the pandemic it is even more important now to **PLAN AHEAD FOR A NEW BUSINESS OR TO SECURE, GROW OR EVEN DIVERSIFY YOUR EXISTING BUSINESS.**

The first step is to prepare a comprehensive business plan. This will ensure that you have researched thoroughly your chosen market and that the monies available to you can ensure that you can FUND your business. Perhaps more importantly is the chosen vehicle for your business, Sole Trader, Partnership, Limited Company, Limited Liability Partnership. Advice should always be taken from the appropriate professionals to ensure that you are complying legally; that your chosen route is tax efficient and that you and indeed your family/investors have identified the appropriate "protection" for your business.

High Street Banks' are still under constraints when it comes to assessing lending proposals and not all have the same criteria in terms and sectors.

Are banks' the only providers of finance?

Approaching a "bank" should be your initial "port of call." BUT be prepared as they will ALWAYS require a CONSIDERABLE amount of information and it is recommended that you approach a "professional" to assist you in the preparation of any funding proposal. The professional should know

1. How best to advise and assist prepare the presentation from the information they receive from the "many questions" which they will require answers to.
2. To identify the appropriate **FINANCIAL TOOLS.**
3. Know which lender is the most appropriate for your circumstances.
4. Be with you throughout the whole exercise to provide the advice and guidance.
5. Introduce to you, where appropriate, other likeminded professionals.

2.

Your own contribution. Cash or Personal Assets.

1. Your own experience in the sector is essential.
2. A lender will "usually" look for you to commit a certain percentage of your own cash to the project.
3. If you have security; domestic property, investment property, stock & shares, other forms of tangible assets; then these may be required to be "charged" to a lender. Please note that "security" is not always required.
4. Monies can be "raised" to meet your own financial contribution from: -
 - a) Obtaining cash from suitable personal pension funds- provided you qualify to do so.
 - b) You can utilise monies obtained by borrowings on Credit Cards. BUT Lenders will ALWAYS check your Credit History and advances on Credit Cards "could" be taken into consideration as additional borrowings. Please discuss your Credit Report with your adviser as it is NOT the SCORE that matters, it is the CONTENT that matters.
 - c) There are lenders who will advance monies from your family home by way of a second charge over the property. This is known as a Secured Personal Loan. Funding will be dependent upon 1. Your level of income 2. The Total Loan to value. Currently these loans can be repaid early without penalty.
 - d) Through providing a lender with a second charge over a Buy to Let property. This is also a Secured Personal Loan and is based upon 1. The level of rental income; 2. The Total Loan to value. 3. Lenders will also consider your "other income". 4. Loans over a 2nd Property have different criteria when it comes to "early repayment".

Please note that should you provide security over property then that property is at "risk" should you Default, and the appropriate advice should be sought.

- e). Monies received from "The Bank of Mum and Dad" towards your business venture will not be considered as "borrowings" unless "security" has been taken over any of your assets.

3.

Investing your own money.

Investing your own money in your business can have its advantages. By contributing it as a Director's Loan will enable you, through time to "withdraw" and "recover" your investment. This of course is dependent upon the ability of the business to "repay."

Take advice from your Accountant as to the Structure of your business as mentioned above.

However, should you be borrowing funds from a conventional bank they could insist that you postpone repayment to yourself until they have been repaid, either in part or in full.

THE FINANCIAL TOOLS

Overdraft Facilities. Can be used for several purposes including assistance with working capital. Amount agreed at the outset and is repayable on demand. Security is not always requested but a personal guarantee "may" be required.

Term Loan: An agreed number of years is agreed at the outset. Interest only facilities could be available for a short period of time, but the norm is monthly repayment of capital and interest. Early repayment is allowed, and it is best to ensure at the outset that this can be done "without penalty. Security is usually but not always required but a Personal Guarantee may be required.

Asset Finance: Funding for plant, machinery, vehicles etc. High Street Lenders are quite keen for this funding to be undertaken by their "specialist departments." Sector restrictions and minimum amount lent can vary between banks. There also specialist funders for Asset Finance as well as the High Street Lenders. Unencumbered Assets can also be utilised for raising funds through refinancing.

Invoice Finance/Factoring.

When a new product or brand is taken to market it is important that the business has the relative cash-flow to meet its financial commitments and indeed continue to produce/manufacture. Whilst a long-established financial tool, which for the wrong reasons may not always have enjoyed the respect that it deserved, this funding tool is now seen as very effective. It allows the business providing the goods to obtain an agreed percentage of the Invoice issued to the client. Instead of "waiting" for many weeks to be paid, the agreed percentage is made almost immediately thereby ensuring suitable and sustainable "cash flow".

There are also Financial Institutions which can fund a "one off" expense or substantial invoice as well as providing "similar facilities" as advertised by High Street Banks.

4.

Trade Finance.

Specialist Lenders can provide the Finance to assist fund the purchase of “goods” from suppliers when you may not have the available funds to acquire them but have customer orders.

Enterprise Finance Guarantee Scheme (EFG). In Partnership with The British Business Bank.
This scheme was withdrawn following the pandemic.

IT IS IMPORTANT THAT YOU CHECK OUT WITH YOUR PROFESSIONAL ADVISERS THE VARIOUS GOVERNMENT SCHEMES THAT HAVE BEEN INTRODUCED TO SUPPORT BUSINESSES AFFECTED BY COVID 19.

Structured Facilities

1. Rent to Buy.
2. Currently Rent and seek to acquire the Freehold Interest
We can enquire as to the current schemes available .

Alternative Sources of Funding.

1. Local Authority/Government Department.

Check with your local authority or indeed a Government Department to ascertain if you and indeed your business qualifies for "assistance."

These can relate to Business Rates, Employees, Training, Equipment. IT etc

2. Business Loans Scotland:

A Consortium of Scotland's Local Authorities — To Start or Grow Your Business:
<https://www.bls.scot>.

Some local authorities may additionally have set up separate entities to consider funding applications.

5.

3. **Community Development Finance Institutions.**

This is a network of Independent Institutions throughout the UK, prepared to lend to certain industry sectors. The amount available could be restricted and in some instances, they can consider "matching funds" already obtained either personally or through another funding institution.

4. **Start-up Loans**

The Institutions in 3. above will also consider "Start-up Loans".

Once eligibility has been confirmed businesses which have been trading for less than 3 years can apply. DSL based in Govan, Glasgow is one provider. The loan is provided to the "individual" with a maximum of £25k per person and £100k for anyone "business".

<https://www.dslbusinessfinance.co.uk>.

Please note that there are similar organisations throughout the UK.

4. **Crowd Funding also known as Peer to Peer Funding.**

This Internet based lending and has become very popular and indeed effective.

This is where "investors" are invited to deposit with a "company" a sum of money of their choice in order that when the "company" receives applications for funding and once the applicant has "passed" the initial "credit check", the application goes out to auction. The Investor can then indicate "how much" they are prepared to commit and at "what rate of interest."

Lending Crowd (Based in Edinburgh)

Secured and Unsecured Loans will be considered with Limited Companies or A Limited Liability Partnership trading for at least 2 years and having a turnover of at least £100, 000 a year for facilities £5,000- £500,000. Sole Traders and partnerships £25,001- £500,000. Sector restrictions can apply.

Unsecured and Secured Lending will be considered. Personal Guarantee will be required.

Lending Crowd is authorised and Regulated by the FCA but is NOT covered by the Financial Services Compensation Scheme (for Investors) www.lendingcrowd.com

Funding Circle

Funding Circle provided "similar" Funding to Lending Crowd. Potential borrowers should obtain details of these and all similar Lenders to ascertain their Full Lending Criteria. Funding Circle is authorised and Regulated by the FCA but is NOT covered by the Financial Services Compensation Scheme (for Investors.) www.fundingcircle.com.

6.

5. **Private Investors/Business Angels.**

An important factor when considering "growing" your business. Be prepared to consider "giving up" a portion of the shares in your Company. Take advice from the relative professionals to consider ALL the implications involved. In the UK there are "tax benefits" to potential investors considering investing in approved sectors. Be prepared however as they may not be in for the "long haul" and you may require having in place an exit strategy after a prescribed number of years.

Venture Capital Schemes

1. Enterprise Investment Scheme (EIS)
2. Seed Enterprise Investment Scheme
3. <https://www.gov.uk/topic/business-tax/investment-schemes>;

Research and Development Tax Relief for small and medium-sized companies (R & D)

<http://www.gov.uk/topic/business-tax/corporation-tax>;

6. **Franchise/Licence your products/brands.**

Provided you have a "track record" this could be an ideal way to further inject "cash" into your business as well as providing a route to market your products/brands.

7. **Merchant Cash Advances.**

Obtain an advance based on the utilisation of your "Merchant Services." There are several well-established Companies in this sector.

8. **Consumer Credit Solutions**

Certain businesses can provide a range of consumer finance options to amongst others the home improvement market and the renewables industry (solar panels, wind turbines, the niche sectors of mobility and cosmetic surgery. They assist these companies in the provision of credit plans to their clients.

9. **UMI Debt Finance Scotland.**

Operating in a B2B Capacity with Businesses trading for 3 years (under 3 years a then a positive net worth/ shareholder equity value on the balance sheet will be required). Loans of £25k- £100k over terms up to 36 months will be considered. Sector applicable. www.weareumifinance.scot.

10 Capital Allowances.

Maximise and utilise the monetary and secondary benefits that can be gained by claiming capital allowances and land remediation relief. Plant and machinery allowances are available where a commercial property is constructed or refurbished or fitted out. These reliefs can be maximised if considered before the project specifications are completed.,

11. Scottish Edge

This is a competition aimed at identifying and supporting Scotland's up-and-coming, innovative, highgrowth potential entrepreneurial talent. Currently provides prize funding of up to £150k www.scottishedge.com.

12. Innovate Scotland. Scottish Enterprise

Grants and Funding are available for the sectors and purposes which are regularly advertised.

13. Personal Guarantee Insurance

It is possible to apply for "personal guarantee insurance" on both current and anticipated guarantee commitments. Details can be provided.

SOME ADVICE

Take the appropriate professional advice; be prepared to commit your time, energy, and personal resources to your business.

Plan, develop, review, and continuously update your Business Plan.

Ensure that you have the appropriate status for your business — sole trader, partnership, Limited Company, Limited Liability Partnership.

Take the appropriate legal advice on all property aspects, Freehold, Leasehold, Insurance etc

Employ the appropriate staff. Take legal advice on "Employment Law/" "Contracts etc to protect both you and your staff.

Identify and quantify your exposure to potential risks across all areas of your business. Consider "protection" by way of the appropriate Insurance for you and your business.

Be GDPR compliant.

If considering **Property/Land/Development/Auction/Portfolio Finance**, we can also assist on how **best to structure the funding : Short Term and Longer Term.**

Take advice on ALL Accountancy aspects, Financial Records, Payroll. HMRC.

Share Purchase/Agreements etc.

Have the appropriate Terms and Conditions for your business.