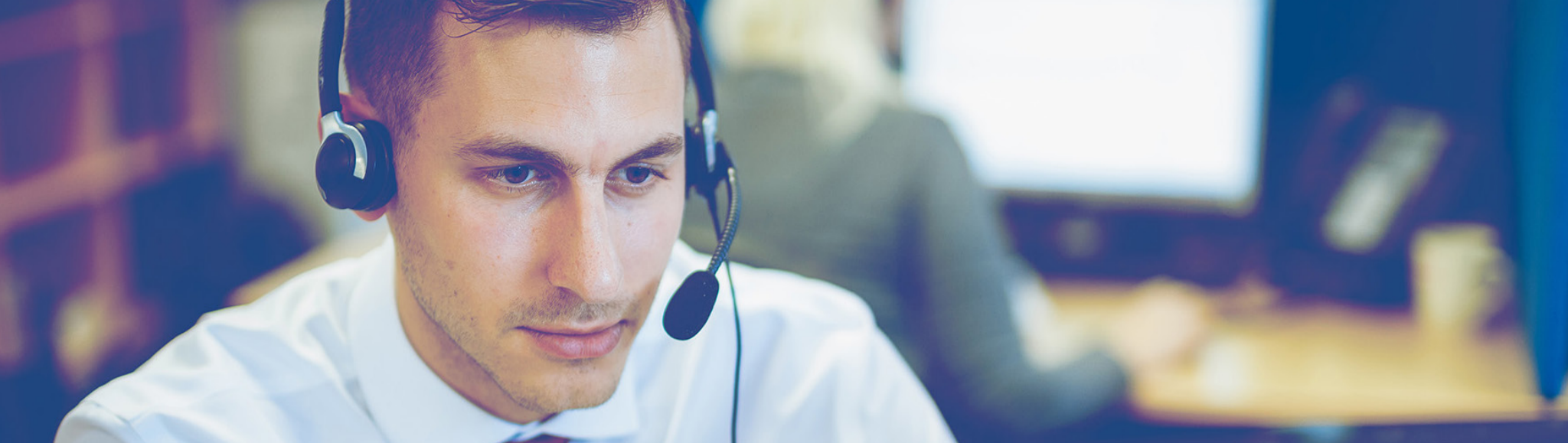




# Your ultimate guide to **BUSINESS LOANS**



All you need to know about loans, who can apply and how to find a suitable provider



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# Your ultimate guide to business loans

**Whether you're looking to raise working capital, purchase an asset or fund growth, a business loan could be the answer you're looking for.**

But what are the different types of business loan, who can apply and how do you improve your chances of being accepted?

This guide answers each of these questions and more to give you a thorough understanding of the different options available and their benefits.

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## Business loans

# Why successful businesses borrow money

**Many businesses see 'debt' as a scary word that should be avoided at all costs. However, the opposite can in fact be true. Borrowing money for your business offers a number of benefits and can improve your chances of commercial success. Here are 7 reasons why:**

### 1. Stay ahead of competition

Many businesses have taken advantage of the improved economy and greater optimism to steam ahead, leaving those businesses that haven't invested in their own growth behind.

If you don't have the funds available to keep up, then borrowing can be the boost that's needed to stay ahead of the competition.

### 2. Keep up with the times

Having the latest equipment and machinery can help improve processes, increase efficiency and enable the business to win and fulfil a higher volume of orders.

Yet having access to the working capital to make necessary purchases can be a challenge.

By utilising an appropriate loan, your business can invest in its future and support growth.

### 3. Improve credit score

Borrowing through your business and making timely payments can significantly boost your business's credit rating, making it easier to secure further credit in the future.

### 4. Boost working capital

It is common for businesses to experience periods where a reduced cash flow is preventing the business from being able to meet their day-to-day commitments or seize new opportunities.

Loans can often be a useful tool here to inject a bit of cash and ensure the company isn't held back.

### 5. Make more money

Although borrowing does provide businesses with an added expense, the benefit can often outweigh this cost provided the loan is secured for the right purpose. For example, with improved access to working capital,

businesses can take advantage of new opportunities in the market as and when they arise.

### 6. Reduce personal risk

It may be tempting for directors and shareholders to invest personal savings into the business and save money on finance fees.

However, this may not always be an option or you may wish to keep your personal finances separate. By securing a business loan, it is possible to keep personal savings intact.

### 7. Take advantage of supplier discounts

Having access to working capital may put your business in a better position to negotiate, secure and take advantage of early settlement discounts with customers. This can save your company money and often contribute significantly towards, if not cover, the cost of funding.



## Business loans

# Which type of loan is best for my business?

**Deciding which type of business loan is best for your business can be challenging.**

The funding market has evolved considerably and continues to do so. There are now many different types of business loans available to suit companies of all shapes and sizes.

Here we cut through the jargon and explain the features, benefits and potential downsides of three types of business loans, which represent just some of the options available:

### 1. Secured loan

Secured business loans have been offered by the mainstream banks for years. They get their name because collateral is provided in order to secure the loan.

This provides protection for the lender in case the loan defaults as they can sell the assets if the business fails to keep up with payments.

As secured loans are considered less risky, lenders are often prepared to advance higher sums than through unsecured loans.

And, because the finance is secured against the business's assets, the lender may be able to consider lending even when there is less than ideal credit history. This means newer business or those with limited credit history are more likely to be accepted.

#### Pros

- Relatively straightforward option
- Ability to raise large sums
- Interest rates and charges are competitive and risk-based
- Typically easier to access than unsecured loans
- Tend to be available over a longer repayment period

#### Cons

- The assets that secure the loan are at risk and may be repossessed if you are unable to keep up with repayments
- The application process may require a pre-lend survey and valuation of assets
- Repayment terms are often fixed and can include early repayment charges

# Business loans

## 2. Unsecured loan

In contrast, an unsecured business loan does not require security. Instead, it is based solely on financial integrity, business track record and risk assessment.

This is particularly good for businesses who don't have available assets to utilise as security and would therefore be unable to access the necessary levels of funding through other forms of finance.

However, because an unsecured loan does not require any collateral, the greater risk to the lender is reflected in its costing and fees to the borrowing business.

To qualify for an unsecured loan it is usually essential that the business's directors are homeowners, have a good credit history and credit scores and are perceived to pose little risk.

It is worth noting that the lack of security available places a higher emphasis on the performance of the business and its financial standing.

### Pros

- Easy application and faster decision processes
- No need to have any business assets
- Available where there is a reasonable credit score
- Good fit for growing and fast-paced businesses
- Usually fixed interest rates apply over the term of the facility, so you will know the level of repayments throughout

### Cons

- Solid trading history and ongoing potential need to be demonstrated
- Personal guarantee may be required
- Risk-based fee structure applied, so difficult to secure without a reasonable credit score

## 3. Receivables loan

Similar to a secured loan and more commonly known as invoice finance, it is also possible to access a loan using the security of your receivables.

Invoice finance enables businesses to raise finance from one invoice, a group of invoices, or your whole sales ledger.

It works by releasing up to 90% of an invoice's value within 24 hours of its issue. The remainder is then passed across once payment is received from the customer, less the invoice finance company's fees.

Whilst many variations are available, the two main forms of invoice finance are factoring and invoice discounting.

### Pros

- Bridges the cash flow gap between paying suppliers and getting paid
- More flexible than other loans as the amount accessible tracks the sales ledger
- Good for businesses with limited trading history
- Facilities can incorporate additional services such as credit control and debtor protection

### Cons

- Better suited to industry sectors who transact with other businesses on credit terms
- Creditworthiness of customers is an important consideration
- Lender is likely to require a debenture



## Business loans

# Who can apply for a business loan?

**The short answer is almost any company can apply for a business loan. However, different loan products and providers will have varying lending criteria.**

Typically, successfully securing a business loan is based on affordability to repay and is subject to meeting individual lenders' risk criteria.

The business's trading history, assets and ambitions will make some types of loan or provider more suitable than others.

When applying for a business loan the following points are usually considered:

- Is the prospect a home owner?
- Will the loan 'solve' the requirement? If the issue is cash flow then, unless the money raised is used to put a solution in place, the loan will run out and cash flow will still be an issue.
- Does the business have more than 9 months' trading history?

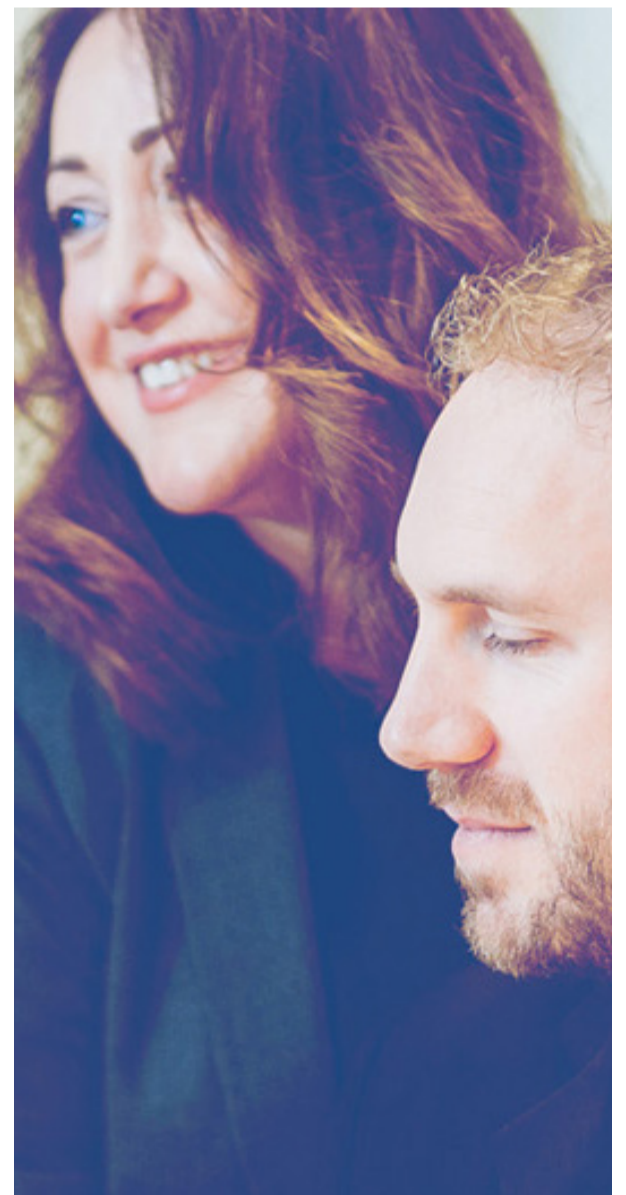
A personal guarantee can often be required, however.

The funding market has evolved considerably so that there is now at least one finance option available for most business situations.

For example, a receivables loan may be a more suitable option for businesses with limited trading history as funding is secured against the value of invoices.

However, receivables loans are only available to B2B companies who trade on credit terms.

The key is identifying which loan is most suitable for your business and which lenders have the appetite for your situation.





## Business loans

# How to find a suitable provider

**With so many funders to choose from it can be difficult for businesses to know which provider is best for their business. But there are a number of ways you can explore your options to find the most suitable facility.**

### Bank manager

Many businesses turn to their current bank manager for support when seeking a new funding facility.

However, your bank manager can only talk through the services that they could offer your business and not the full range of services available on the market.

Therefore, it is important to undertake a little research before making your choice.

### Friends

Although no two businesses are the same, friends or other business owners may provide a good starting point when beginning your search as they may have invaluable insight on their personal experience.

Likewise, the use of social media to recommend or review experiences has meant you can get a feel for a provider's service before you commit

– though be wary of giving social media too much weight behind your decision as a few comments won't necessarily create a fair or true picture of a company.

### Search engine

With a wealth of information available at the click of a mouse, many business owners choose to research their funding options online.

This is a great way to gain an idea of what's available, how different types of funding work, as well as an understanding of the different providers on the market.

This can be a valuable tool when comparing different products and lenders, but shouldn't be relied upon exhaustively.

With so many funding options available, researching this way can be extremely time-consuming, if not confusing.

### Independent broker

Tapping into specialist commercial finance expertise can help businesses to pin down a robust funding strategy that will work over the long term.

Recognising that every business is different, a good broker will work with you closely to fully understand your business's funding needs and challenges in order to identify the right facility.

It is important to work with a broker who is wholly independent and will put your needs first, one who is open and transparent about how they operate with a set of Terms & Conditions that convey their remit.

A good broker will not only listen to your needs, they may also challenge your perceptions and demonstrate insight into the types of facilities which may be available to you.

## Why work with Hilton-Baird Financial Solutions

**Every business is different, which is why it is important that you take the time to find a facility that meets your cash flow needs.**

With so many options available, however, finding the funding that fits can be time consuming, confusing and potentially overwhelming.

And, as a result, many businesses could be getting tied into financial facilities that do not necessarily meet all of their requirements.

As an experienced and award-winning independent commercial finance broker, we have introduced thousands of businesses to the funding facilities and lenders that offer the optimum level of support over the short, medium and long term.

Here are 5 ways your business would benefit from our expertise:

### 1. Efficiency

With an ever growing number of types of products and providers available to businesses, the search for funding can be cumbersome and time consuming.

In order to minimise any unnecessary impact and keep your time as free as possible to focus on your core business, we can easily pinpoint the products and funders most suited to your business and its needs, based on a fact-finding process which is designed to quickly give us all the necessary insight to undertake our task as effectively as possible.

### 2. Independence

Speaking directly with lenders will only provide you with information on what they can potentially offer, but any enquiry would typically only lead you to a salesperson.

With our experience and access to a wide range of lenders, we have built established relationships that allow us insight into their wider appetites.

Rather than receiving a sales pitch from us, we will objectively assess

the whole market and propose the most suitable facilities to meet your needs.

We will also share insights into the pros and cons of each and every facility we feel might benefit you, so that you can arrive at your own decision armed with all the facts.

### 3. Expertise

The commercial finance arena is constantly evolving and it is our job to keep abreast of these changes in order to maximise the likelihood of our clients' applications being successful.

Established in 1997, we are at the centre of the commercial finance sector and take pride in the fact 100% of the businesses we have helped say they would recommend us to others.

### 4. Choice

With lenders using their own terminology, which isn't always consistent from one lender to another, attempting to compare facilities in terms of the value they will drive and their cost is challenging.

We take the time to talk you through the different product offerings to discuss the benefits of each one.

Likewise, it may be that your business would benefit from more than one type of funding.

If so we can, should you wish, identify complementary solutions for your consideration.

### 5. Personal attention

Your business is unique and deserves more than a one-size fits all funding solution.

This is why we pledge to take the time to get to know you and your business, your objectives and your funding needs in order to identify the right options.

We pride ourselves in always looking at the bigger picture, not only considering your current needs but also establishing how to safeguard your medium to longer term needs.

As such, we will keep in touch to ensure everything runs smoothly and that any facility you opt for continues to serve your needs and work for your business as it evolves.



# Putting businesses on the road to success

For many fledgling businesses, a lack of trading history can be a stumbling block when finding a funding facility. Yet, with so many products and providers to choose from, there are options available – if you know where to look.

A wholesaler of golf equipment, clothing and accessories required a business loan to help bring in more stock to satisfy demand.

However, despite their early success within the first nine months of trading, with no tangible security, their loan application was declined.

At this point the business could have taken the rejection badly and given up but instead they approached Hilton-Baird's team who were confident that the perfect facility was out there and set out to help.

With extensive knowledge of the commercial finance market, we

were able to identify a selection of loan providers that considered the business and its potential rather than focussing on its limited trading history and could provide the facility required.

## **Our support didn't stop there**

Loan applications can be confusing and challenging to complete, so we supported the business through the application and maintained regular dialogue throughout the process to ensure a suitable solution was sourced.

With our help, the business secured a £10,000 loan over a 12-month period and the business is able to purchase stock to keep up with demand and put them on track for a successful future.

[Take a look at some of our other success stories...](#)

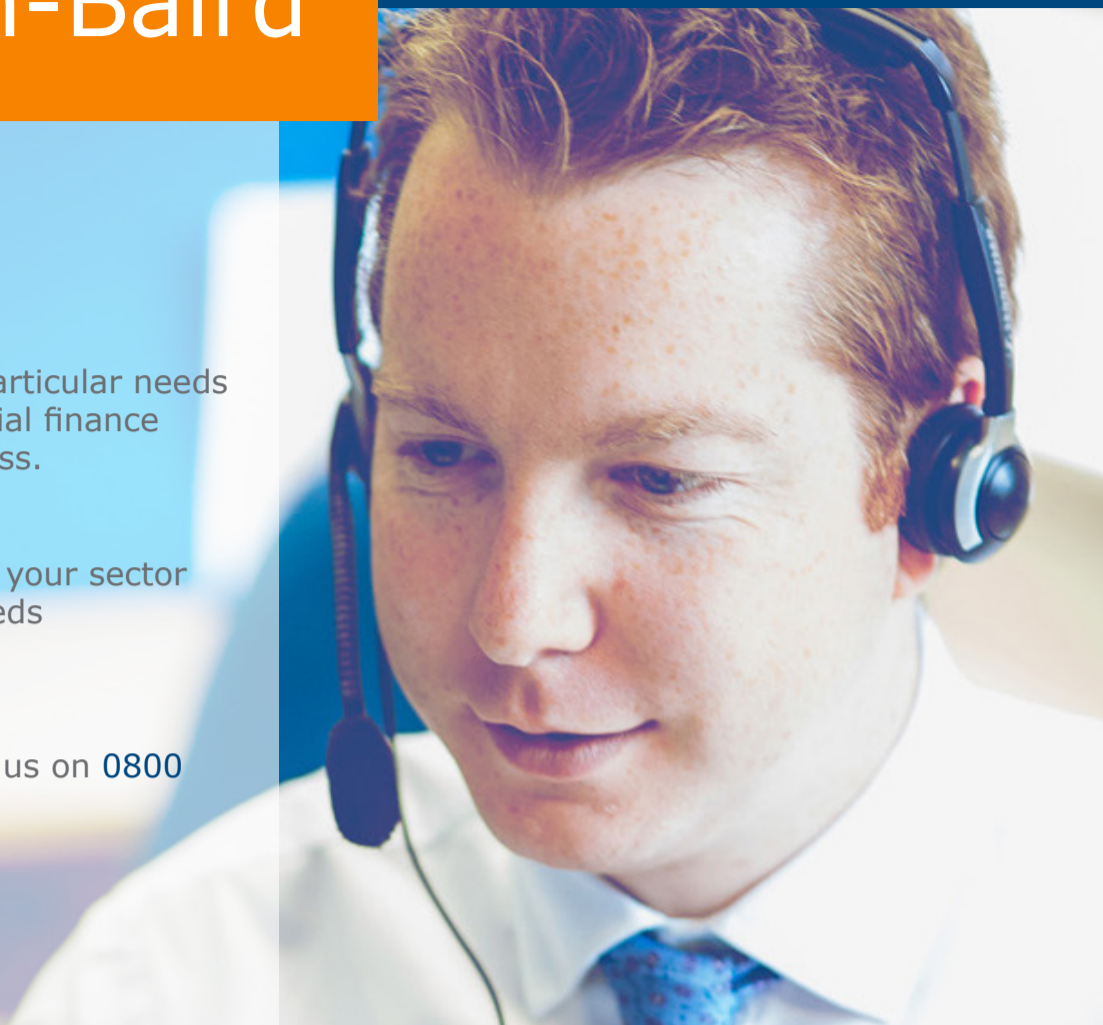
# About Hilton-Baird

## How we can help

Finding the right business loan for your business's particular needs can be challenging. But as an independent commercial finance broker our assistance can be invaluable in this process.

- Commercial finance specialists
- Extensive knowledge of providers and facilities for your sector
- Dedicated to finding a solution tailored to your needs
- Wholly independent
- Access key decision makers within the funders

To explore your options with one of our experts, call us on 0800 9774833 or email [info@hiltonbaird.co.uk](mailto:info@hiltonbaird.co.uk).



## The UK's trusted commercial finance broker

**Established in 1997, Hilton-Baird Financial Solutions has helped thousands of businesses to conquer their cash flow challenges by introducing the most suitable funding solutions on the market.**

Totally independent, and with expertise across the commercial finance market, our access to a multitude of banks and independent funders means we can objectively find your business the solution that fits, giving it the foundations to grow and reach its full potential.

We recognise that every business is different. As such, we work closely with you to fully understand your business's unique funding needs and challenges so that we can identify the most appropriate facility.

Authorised and regulated by the Financial Conduct Authority, our affiliations to the leading industrial

bodies – UK Finance, the Finance and Leasing Association (FLA), Commercial Finance Association (CFA) and the National Association of Commercial Finance Brokers (NACFB) – ensure we maintain the highest level of standards, making us the ideal partner to work with in order to realise your business's objectives.



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