

Business Loans

Unsecured vs Secured

A business loan can be beneficial to a business in many ways, allowing you to boost your cash flow and take advantage of new opportunities.

There are different types of business loan, suitable for a wide range of businesses applications. We're going to look at the difference between secured and unsecured business loans, but first, we'll explore the benefits and key considerations of any business loan.

The benefits of a business loan

- Straightforward to set up
- Provides access to large amounts of funding
- Interest rates are usually fixed
- Money secured can be used for any business purpose
- Improves cash flow without giving away a percentage of profits or a share in your company
- Not repayable on demand unless the terms are breached



Key considerations

- It's key to demonstrate a minimum trading history, ongoing potential and affordability to repay and service the loan
- You may need to provide a personal guarantee
- It will be difficult to secure a business loan without a reasonable credit score
- Repayment terms are often fixed and can include early repayment charges



Secured Business Loan

A secured business loan is often a higher value amount and offered against collateral that is provided as comfort/security to the lender. The loan can be secured against a variety of assets, such as equipment, property or a legal charge, such as a debenture.

Due to the reduced risk to the lender, competitive rates may be available and, by their nature, these loans are often more widely accessible.

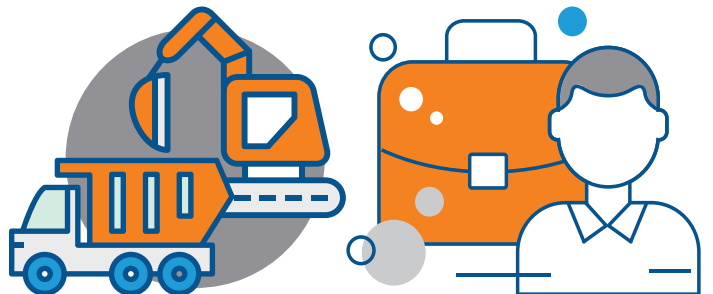
However, the assets used to secure the loan may be repossessed if repayments aren't made in line with the agreement.

The provider is also likely to require a pre-lend due-diligence and/or a valuation of your assets – and this is usually at the cost of the borrower.

Unsecured Business Loan

An unsecured business loan doesn't require any security and, where offered, it is based on financial integrity, business track record and a risk assessment.

This often means a decision is made faster, as there is no need to provide assets and have them assessed. It can be a good option for newer or growing businesses, who do not have a large number of assets on their balance sheet but do have a reasonable credit score.



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For more information about business loans contact
Hilton-Baird Financial Solutions on 0800 9774833.