

HOW TO PRESENT A REQUEST FOR FINANCE TO YOUR BANK

It is important to appreciate the following criteria used by banks when considering providing finance for a client:

The client

- Does the bank know you?
- How long have you been in business?
- Do they know your trade?
- What past record do you have in the business?
- What past record do you have with the bank?

The amount

- Are you requesting sufficient finance? (crucial)
- How will it be spent?
- Have you obtained estimates for expenditure?
- What is the position, if applicable, relating to planning regulations?
- Do your cashflow forecasts show that the increased finance will result in increased business? If so, will a further increase in working capital be necessary?

Repayment

- Repayment of loans for capital goods can normally be geared to the life of the machinery - and buildings up to fifteen years
- Banks normally prefer to use structured loans rather than overdrafts, with the repayments to include interest and capital
- A moratorium on capital payments can sometimes be arranged for the first six to eighteen months
- Payments can be geared to seasonal trading where appropriate

Security

- The bank will seek to ensure that your business is viable on its own profitability and that you are using the security only as a backup
- Banks normally regard freehold property, shares, life policies, bonds, and guarantees as acceptable tangible security
- You can consider factoring debts through a specialist factoring organisation
- Intangible security - a floating charge on all other assets - is applicable only to limited companies

Remuneration for the bank

The days are past when banks were prepared to make special concessions on interest rates and commitment fees. Bank managers now normally make an initial charge for lending finance, and also charge a market rate over the bank's minimum lending rate.

Preparing a business plan

A business plan is more than just a cash flow forecast or a projected profit and loss account.

It needs to cover:

- The business proposal
- The assets of the business
- The market for the business
- How the business is / will be advertised / marketed
- The experience of the owners and key management
- Human resources
- Cash flow forecasts
- Forecast trading and profit and loss accounts and forecast balance sheets
- What ifs to show the effect on the forecasts of key criteria changing

The plan needs to be truthful and realistic, but it must also sell your proposal to the bank or another lender. A business plan can also be a useful tool for assessing a business you are thinking of buying.

We can help you in preparing a detailed business plan.

General

We recommend you tell your bank manager what is required, and ensure that you present him or her with a proper proposal for consideration. Banks are in business and make a considerable profit from lending money. Thus, it is important when requesting finance from them that you take a positive attitude. Take particular care over the following:

- Make sure you have requested adequate finance to support your proposal
- Demonstrate in writing that the finance is required and that your request is set at the correct level
- Your bank manager will expect to see up-to-date accounts - please ensure you allow us adequate time to prepare them properly
- Where applicable, ensure that profit forecasts are available
- Make sure you include cashflow projections to demonstrate your ability to repay the loan and interest

Your bank manager will tend to take a more positive view of your request for finance if he or she is assured they will be receiving regular information on your business trading.

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