

Working
together
for your
Business



Bank of Ireland  UK

For small steps, for big steps, for life

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Section 1

Talk to us

When it comes to making the most of your business, Bank of Ireland UK is here to work with you and support you in finding the best way forward. This booklet aims to introduce you to Business Banking and how this might work for you and your business. Keeping lines of communication open is really important, so that you have all the support and guidance you need from us and to ensure we have a good understanding of you and your business and any issues you are facing.

Getting into the habit of regularly talking to your account manager will mean that they are better equipped to help you when you need it.

The following points will be helpful in building an effective working business with us:

- ▶ Always keep your account manager informed. Your account manager needs to understand your business, so talk to us and let us help you through the good times and the challenges
- ▶ Keep us updated on your business performance. For instance, you should regularly provide up-to-date management accounts with aged debtor / creditor listings. Your account manager will set this up for you
- ▶ Your account manager may ask to visit your premises; this is a good way for us to better understand your industry and operations
- ▶ We are here to help and can take you through funding arrangements and business banking options for your business; we know this is vital to growing your business
- ▶ Get the most from your bank. Speak to your Account Manager to ensure that you are aware of all the support that is available to you

We will explain

- ▶ How we assess loans to businesses
- ▶ What information is key to us as your bank
- ▶ How you could improve your cash flow
- ▶ Alternative day-to-day banking solutions which may suit your needs

See section 5 in this booklet for information on this.

Section 2

Reviewing your business for the future

The most important thing you can do to ensure the success of your business is to have a realistic plan for the future. A business plan is more than a tool to use while talking to us, this is a document which should be capable of moving with the times and keeping up with changing economic conditions. Taking time out to review the current state of your business and to identify any challenges that your business plan may be facing is a great way to start.

Reviewing your business plan will help you to identify any changes you need to make to help your business reach its full potential. With this information to hand you can begin to develop a plan of action which suits your business and enables you to work with us to drive your business. This plan could involve anything from reducing your cost structure and improving your debt collection processes to entering a new market.

In order to assist you in the process of putting your business plan together, we have provided an online template that can be accessed by visiting www.bankofirelanduk.com/business/loans/term-loan/ and follow the link for our Credit Application Process.

Below are some questions to consider when conducting your business review:

1. Are you effectively managing your cash flow?
 - ▶ Debtor collection days
 - ▶ Creditor payment
 - ▶ Stock levels
2. Have you considered what might happen if your business suffered a financial loss due to the unexpected illness of you or your key staff?
3. Have you critically assessed your management capacity?
4. Is your business model sustainable and viable?
5. Do you have the capacity to trade through challenging times?
6. Are you examining your cost base regularly to ensure that it is in step with sales?
7. Are you looking at potential new markets – international, national or local?
8. Are you introducing new products or services to supplement your current activities?
9. Are you looking for new channels, such as online channels to reduce stock?
10. Are you being realistic in your projections?
Do you need to adjust your projections?
11. Are you looking to exit unprofitable lines?
12. Have you thoroughly reviewed the market – sector performance, prospects, competitors, opportunities and threats?

Section 3

Managing your business today

While looking after your finances and keeping a close eye on your cash flow may seem run of the mill, it is always helpful to take a fresh look. Below we've included some areas to review, as well as some useful tips that should help you to re-examine your business processes and ensure that everything can run smoothly.

Debtors

Good credit control does not just happen. It is important that you have an effective system in place to ensure that you get paid on time. An effective and organised system will help you to control your cash flow and encourage your customers to pay you on time.

Stock levels

Don't carry more stock than you need. High stock will result in high storage and insurance costs and the risk of obsolete stock if your customers' demands change. While attractive discounts may make it seem like a good idea to hold high stock quantities, you must consider whether holding the stock will cost you more than the discount is worth.

Creditors

A well managed supply chain saves time and money. Make sure you receive benefits for purchasing in bulk and that the credit terms are favourable for the cash flow of the business. Build and maintain strong business with suppliers and understand their business.

Cash flow

- ▶ Ensure you have a cash flow plan in place and that you or someone in the business is monitoring on a weekly or monthly basis
- ▶ Try using 'what if' scenarios to see what will happen to your cash flow if sales are 20 / 30% greater or less than your forecast
- ▶ Stress test your cash flow. For example, if your debtors take an extra 30 days to pay or if your creditors want payment up front, how will this impact your cash flow?
- ▶ Be cautious about how quickly you expect your customers to pay you. It's better to expect slow payment and then receive the cash more quickly
- ▶ Try to have a contingency reserve of cash to cover unexpected costs or a sudden shortfall in receipts
- ▶ If you run into difficulty and cannot pay a supplier on the due date, talk to them immediately. The earlier you talk to them, the more flexibility they will be able to show and the more likely they are to accommodate an extension

Communicate with your staff

It is vital that all staff are aware of any changes you are making to your business. This will motivate them during uncertain times.

Bookkeeping

Don't solely rely on your accountant producing annual accounts – you need a system in place to capture and decipher financial information regularly. Knowing how your business is performing at all times will enable you to react quickly to any issues identified. It's worthwhile considering doing your own bookkeeping.

Managing existing debt

- ▶ Ensure you are using the correct form of borrowing for your business. Perhaps an alternative method would be better for your business e.g. invoice finance instead of an overdraft
- ▶ Present up-to-date financials on a regular basis and ensure the figures are accurate. Avoid delays submitting up-to-date information if it has been requested, as this may be perceived as a 'warning sign'
- ▶ Be aware that if your debt goes 90 days in arrears, it is deemed 'in default' and may affect your credit rating going forward
- ▶ Avoid unauthorised excesses, missed payments, lack of turnover in account etc., as these will all affect your credit rating and increase your costs
- ▶ If you have a need to refinance or restructure existing debt, contact your account manager as soon as possible. They will work with you and help you in any way they can
- ▶ Make sure you show awareness of any issues facing your business and illustrate systems / plans that will be put in place to address these

Section 4

Financial solutions

There are various sources of finance available to business customers. It is important to consider the suitability and benefits of each source. The options available to you when looking to raise finance for your business include:

- ▶ Your Own Resources
- ▶ Venture Capital Funding
- ▶ Internal Company Sources
- ▶ State Support
- ▶ Business Banks

In the following section, we outline the financial support available.

How we can help

No matter what kind of business you run, there could be a financial product that will suit it. Your account manager can talk you through a product that matches your business needs, but for a quick overview take a look at the more common types of bank debt facilities available.

Overdraft*

What is it?

- ▶ An agreed amount that your current account can go overdrawn by
- ▶ Repayable on demand
- ▶ Interest rate is variable and fluctuates in line with general market rates

What should it be used for?

- ▶ Seasonal or temporary cash flow requirements
- ▶ 'Bridge' the period between supplying goods and getting paid. This is a key cash flow management tool

Term Loan / Loan*

What is it?

- ▶ Negotiated for a fixed period
- ▶ Repayments are structured
- ▶ Interest rates can be fixed or variable

What should it be used for?

- ▶ To fund capital arrangements/purchase of assets

Lease (or Asset Finance)*

What is it?

- ▶ A form of rental
- ▶ Equipment is chosen by the lessee who will be responsible for the suitability and condition of the asset chosen
- ▶ Lessor retains ownership of the asset
- ▶ Lessee makes regular agreed payments to the lessor
- ▶ Typically for periods of 3 to 5 years

What should it be used for?

- ▶ Vehicles, Equipment and Plant

*Subject to Bank of Ireland UK lending requirements

Invoice Finance* (Sometimes called Invoice Discounting or Commercial Finance)

What is it?

- ▶ A versatile and efficient source of finance that enables you to convert your trade debts into cash
- ▶ Release typically 85% of the value of your invoices with the balance available to you, less our charges when your customers pay
- ▶ There is usually no need to pledge additional security as the facility is secured on your sales ledger

What should it be used for?

- ▶ Profitable, growing business with a need for additional working capital

Business Credit Card*

What is it?

- ▶ Specifically designed for businesses to assist in the efficient management of business expenses
- ▶ Can have as many cardholders as necessary on one account
- ▶ Accepted worldwide
- ▶ Currently an annual fee on the card

What should it be used for?

- ▶ Business expenses e.g. travel, petrol, toll charges, client entertainment, etc

Section 5

Applying for credit

When it comes to approaching us for credit many people are unsure as to what they will need to do. Talk to your account manager to understand what this entails. You'll be asked to produce certain documentation or information which we will use to assess your credit application based on a range of criteria.

This section outlines what type of documentation you may be asked for and why. It also sets out the key areas we will look at when assessing credit applications and other factors that are important in the overall process.

For online Tools & Support in making an application for credit, visit **www.bankofirelanduk.com/business/loans/term-loan/** and follow the link for our Credit Application Process.

What we look at

Your application will be assessed under a number of headings. Some of the key areas include:

Business owners background

Your account manager will first look to you as the business owner, and your track record in dealing with previous bank borrowings. We may do this by searching your records held by credit reference agencies. Please refer to our brochure A Guide to Banking for Business Customers for further information on Credit Reference Searches or speak to your account manager.

Ability

Your ability to provide evidence that you are planning for the future and are dealing with the issues that your business is facing is a key element in helping us assess the finance application. Your account manager will also look at your track record in business, and your management ability and experience.

Purpose

The purpose of the loan is very important, for instance, is the loan needed for working capital, investment capital or expansion? Always ensure that the purpose of the loan fits with the strategic objectives of the company, as we will need to understand how the new funds will benefit your business.

Amount

You need to ensure that you apply for the right level of facility and must consider all costs when looking to raise new finance. For example, the purchase of a machine might cost £50,000, but with installation and other costs, the actual cost might be £55,000. Underestimating the total funding amount needed can be harmful as this may eat into valuable cash.

Repayment capacity

Your business needs to be able to repay the finance facility. If it's a term loan or lease, we will look to see whether the income of the business will be able to meet the repayments of the loan / lease.

We will also look at all other financial commitments and the source of repayment. In the case of an overdraft, we will need to see that this facility is there to support the cash flow of the business. The Business Current Account should not have to use the overdraft all of the time.

Market

The market and your business' place within it are central to an assessment of your application. We will review the local market to identify anything that might have either a positive or negative impact on your business, as well as reviewing any assumptions that you have set out in your business plan against normal market trends.

What we look for

Evidence that you are planning for your business e.g. cash flow projections or brief action plan.

- ▶ This allows us to gain an understanding of you as a business owner, the market, product / service, the assumptions supporting the financial projections and details of your future plan

Up-to-date financials and management accounts with up-to-date information on debtors and creditors, stock, work in progress, etc.

- ▶ This enables us to gain background information on how your business performed in the past and how it is likely to perform in the future

Tax confirmation by Accountant.

- ▶ This clarifies that all tax payments are up to date and in order

Proof of contracts, copies of invoices and letters from customers.

- ▶ This backs up information on order book

Business and / or personal bank statements (only if your account is held with another financial institution).

- ▶ This enables us to review current account operation

Certification of incorporation & certificate of business name.

- ▶ This enables us to comply with anti money laundering requirements

Documentation of company directors i.e. proof of name and proof of address.

- ▶ This enables us to comply with anti- money laundering requirements

Further areas to consider

Security / Collateral

Security, also known as collateral, may be requested as part of the terms of borrowing. Collateral such as property or assets are used as security against a loan. When a borrower repays the loan in full and on time the collateral is returned to them. However, should a default occur, the Bank will have the right to the collateral as part of the terms of the borrowing. This may involve the Bank taking possession of the asset and releasing its value by selling it. The proceeds would then be applied to the balance of the loan owed to the Bank. In most cases, this will be used as a last resort and the institution will strive to avoid selling the assets or calling in the guarantee.

Level of collateral required

The level of collateral required will depend on the nature of risk inherent in the application. Most company account borrowings may require a Personal Letter of Guarantee from the directors of the company. This is to safeguard the financial institution in the unfortunate event of the company failing. A personal guarantee shows the owners' personal commitment to the business.

Loan Protection

In order to safeguard yourself as a borrower, it is usually a good idea to ensure that Life, and sometimes Critical Illness, cover on the borrower(s) is in place. Talk to us to find out more.

Our risk rating system

The Basel framework is an international business standard that requires financial institutions to hold enough cash reserves so as to cover their risks. In accordance with Basel, Bank of Ireland UK uses a risk rating system to assess credit applications from business customers. The result of your risk rating will affect our willingness to lend, the interest rate applicable and the conditions of the loan. It is worth noting that:

- ▶ All customer risk rating levels are updated on an ongoing basis based on new loan applications, the operation of the existing account and new / annual information e.g. financial statements
- ▶ If your individual credit rating weakens over time

it can result in tighter control of your account and a reduction in the availability of credit

- ▶ As a business owner it is your responsibility to manage your accounts and stay close to your bank, in order to better inform them of the performance of your business

Interest rates

We will assess the level of risk in the application and determine the cost of the loan / facility based on the risk and cost of us funding the amount being borrowed. Different rates are available with different finance options, so ensure that you are using the correct type of solution for your business; otherwise you could be paying higher interest rates than necessary. Talk to your account manager to find out more.

Timings

Under normal circumstances and subject to receipt of all necessary information, your account manager will inform you of the decision on your application for credit within 2-3 working days. We will keep you informed of the progress of your application.

Credit approval

Your facility letter will be issued within one to two weeks of advising you of the approved decision.

Times for perfection of security may vary dependent on security type and circumstance. We commit to instruct perfection of required security within 3 days.

If your application is successful we will write to you setting out our agreement. We will make our requirements clear and will recommend that you obtain independent advice before entering into any agreement. Information on the rates applicable to your facility will be included in your facility letter.

If we decline an application for credit, or for an increase to an existing credit limit, we will:

- ▶ explain the reason why the application was declined
- ▶ explain how the application may be appealed
- ▶ offer the opportunity for the application to be referred to the Government designated Finance Platforms

How to appeal your declined credit application

Appeals should be sent in writing to the following address within 30 days of receiving the Bank's declined decision:
Bank of Ireland UK

Credit Governance NI
4th Floor
1 Donegall Square South
Belfast BT1 5LR

Referring your declined application to the Government Designated Finance Platforms

Under the Small Business Enterprise and Employment Act 2015, as a Government designated Bank, we are obliged to offer you a referral to the Government designated Finance Platforms. If we decline your application or you reject a facility offered on a different basis to the one you applied for, we will ask you for your verbal consent to refer your application to the Government designated Finance Platforms.

If you consent to a referral, we will provide specified information regarding your application to each of the Government designated Finance Platforms who will then make contact with you. Your specified information will not be passed on to any potential lenders until your further consent is given to the Government designated Finance Platform.

If you decide not to provide your consent to be referred at the time of decline, you can 'self-refer' to make use of the services of the platforms to help you find finance at any time by visiting their websites.

Further information regarding the referral process, including a link to the UK Finance 'Understanding Bank Lending Referrals to Finance Platforms' Factsheet, and the individual Platforms is available by clicking on the following link:

www.ukfinance.org.uk/business-finance/lending-declines/

Arranged overdraft limits

If you exceed your arranged overdraft limit, you may incur increased fees and charges, including higher interest rates. Please refer to our Rates and Product brochure for details.

If the present limit on your current account is not adequate, discuss the possibility of increasing your limit with your account manager.

Section 6

Our doors are open

At Bank of Ireland UK we are committed to helping you at every stage of your business.

We have a range of support and advisory guides with information relevant to all aspects of starting and running a business.

Dedicated account managers in our local branches and business centres are contactable between 9.30am to 4.30pm Monday to Friday (excluding Bank / Public Holidays).

Information on our range of products and services and details of how to make an enquiry online, can be found at **www.BankofIrelandUK.com**

Internet Banking

www.boi-bol.com

Telephone Banking

03457 365 555

Commercial Finance

cfsales@boini.com

Useful business supports

Business Banking

www.bankofireland.co.uk/business

Lending Standards Board

www.lendingstandardsboard.org.uk

Companies House

www.companieshouse.gov.uk

Federation of Small Businesses

www.fsb.org.uk

HM Revenue & Customs

www.hmrc.gov.uk

Law Society

www.lawsociety.org.uk

Department for Business Innovation & Skills

www.bis.gov.uk

Intellectual Property Office

www.ipo.gov.uk

Market Research

www.mrs.org.uk

Invest NI

www.investni.com

Business Information

www.nibusinessinfo.co.uk

Intertrade Ireland

www.intertradeireland.com

European Investment Bank

www.eib.org

UK Loan Guarantee Scheme

www.british-business-bank.co.uk

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