

# A GUIDE TO INVOICE FINANCE

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## MESSAGE FROM OUR MANAGING DIRECTOR

By **Stuart Cruickshank**

**If you constantly feel like you should be moving forward with your business but not getting anywhere, you probably have cash flow management issues.**

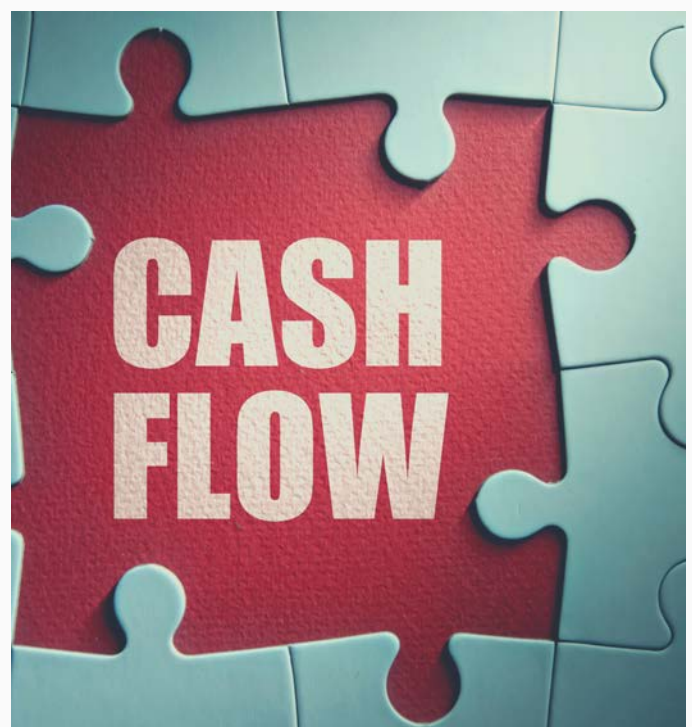
Cash flow is key to any successful venture. It is the movement of money in and out of your business. Cash is King and needs to keep flowing. Sales are great but if you never see the cash generated from these sales, or it arrives too slowly into your business, it can have a debilitating effect on the business and can lead to business failure.

When you spend money you should receive something in return for the amount you spend. Spending wisely will benefit your business and help it grow. So how do you ensure there is a steady flow of money in order to allow you to spend it wisely and ultimately, reap more than you sow?

Only positive cash flow will allow your business to grow - not accounting profit.

Read on and we will explore some ways to accelerate the flow of cash into your business.

**THIS GUIDE WILL PROVIDE YOU WITH ALL YOU NEED TO KNOW ABOUT INVOICE FINANCE AND HELP YOU MAKE A DECISION ON WHETHER IT IS RIGHT FOR YOUR BUSINESS**



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# WHY INVOICE FINANCE

**Invoice Finance is a great way to ensure that you have access to positive cashflow within 24 hours of invoicing your customer.**

Typically if you invoice a client for payment, you may need to wait 30, 60 or even 90 days before receiving payment for good or services that you have supplied.

Invoice Finance will allow you to take the guess work out of when you will be paid.

Up to 90% of the invoice amount can be paid into your bank account within 24 hours and this is a great way to keep the cash flowing.

In simply terms, you receive the balance of the funds once the invoice is settled in full, less any charges associated with the Invoice Finance facility

**"Not only do we at Lochend Finance save you the time, effort and hassle of finding a solution but we don't charge any fees for our research"**

**"Making more money will not solve your problems if cash flow management is your problem"**

**Robert Kiyosaki**

Invoice Finance comes in a few different "flavours". There is confidential invoice discounting, factoring and also spot factoring and it is important to chose the one that is right for your business.

The sheer range of options can prove difficult and time consuming to navigate in order to identify the correct provider for you. There are literally dozens of providers in the market place and not all of them are household names.

Using Lochend Finance to identify your requirements and find the most appropriate provider helps take the guesswork out of the process.

At Lochend Finance we are truly independent. We are not tied to any one provider and we are authorised and regulated by the Financial Conduct Authority (FCA) and bound to treat our customers fairly.

We will search the marketplace for you and introduce you to the provider best suitable to support your business and its specific requirements.

# CONFIDENTIAL INVOICE DISCOUNTING

This is where you "sell" your invoices to a lender, in return for an advance of up to 90% of the invoice value.

Your customers will **NOT** be aware that you are receiving advance payment of their invoice. You maintain full control over the credit management process and overall relationship with your customer (hence the term confidential)

Once the customer pays the invoice, you pay back the advance and any interest (or discount) & charges agreed.

You can then repeat this process with additional invoices for the same or new customers up to the agreed percentage you have in place with the lender.

You can nurture the relationship with your customer whilst generating the cashflow you need to grow the business successfully.

You may wish to invest the cashflow generated into more stock, or raw materials or simply use it to help cover day to day costs such as fuel & salaries.

Confidential Invoice Discounting is very flexible and can be easier to arrange than bank loans or overdrafts as it is secured against the individual invoices.

The lender will also run credit checks on your customers before agreeing to advance funds meaning it increases your chances of dealing with reliable clients and help avoid potential bad debts.



## INVOICE FACTORING

If you wish to accelerate the receipt of cash into your business but do not want the hassle of chasing up money that you are owed, then Factoring might be the solution for you.

Similar to Invoice Discounting, you receive up to 90% of the invoice value within 24 hours.

Your customer is however aware that you are using a factoring company and being assigned to them to collect money due on behalf of the business in line with the agreed terms you have set with that customer.

The factoring company will then chase up your customer in time to ensure that the invoice is settled in full.

You will receive the outstanding balance of the invoice when your customer settles less the relevant fees and interest agreed with the factoring company.

As the factoring company carries out more work, the fees and charges tend to be slightly higher than with Confidential Invoice Discounting



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## CONSTRUCTION FINANCE

The construction industry works differently to others in many ways. When it comes to cash flow, often work is paid for using an Application for Payment rather than a full invoice. This is due to the fact that work is ongoing and staged payments are required and based on completed works carried out. Retentions are not uncommon in construction and disputes can arise as to the value of work completed.

Whichever area of the construction sector you work in, this type of facility will help to ensure that you have the cash flow you need to grow.

Not only will the provider accelerate cash flow into your bank account by advancing funds based on applications for payment, but they often have specialists that will help in dispute resolution to ensure that invoices are paid and keep the cash flowing.

Due to the higher risk nature of the sector, you will not achieve as high as a 90% advance of the funds due as in previous examples. The amount advanced will be set with you by the lender based on an overall assessment.

Not all providers support the construction sector therefore by using the specialist knowledge of Lochend Finance, we can find the best Invoice Finance partner for you.

## SPOT INVOICE FACTORING

Normally when you enter an Invoice Finance agreement it covers all debtors and invoices raised by the business. You generally can't pick & choose which ones you wish to finance.

Spot Invoice Factoring is different as you finance individual invoices. You assign an invoice, which is typically larger than your average or normal invoices to the spot factoring company at pre set rates and fees.

The invoice is verified with the customer and the lender then advances an amount, typically in the region of 70-85% of the value.

As with the other methods mentioned above, when the invoice is paid, the business receives the balance less and interest and charges.

It can take a week to 10 days to put a facility in place therefore you should plan ahead accordingly when considering a facility. The flexibility of Spot Factoring tends to come at a premium price.



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## GOVERNMENT SUPPORT SCHEMES

Invoice Finance is one of the funding options covered by the Government backed Recovery Loan Scheme which runs from April to December 2021.

Lochend Finance have access to the providers offering this scheme as well as others that do not.

If you have a viable business that can trade out of the pandemic, we can support you to find you the funds you need.

If you think you might need funding, it is better to apply early. If you delay and the requirement for funding becomes critical, it can be more challenging to get the support you need.



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## WHAT'S NEXT?

If you operate in the Business to Business space and have outstanding debts, then an Invoice Finance facility may suit your needs.

As a Director or shareholder, you may be required to personally guarantee a facility so you will want to be confident in strength of your business and its ability to meet its obligation.

At Lochend Finance we provide a confidential and professional service to ensure you are introduced to the right Invoice Finance partner for your needs within the right budget.

We want to ensure that you have the cash resources to grow your business.

If you would like to find out more, then please call or email us and we will be delighted to help.

"We would, without hesitation, recommend Lochend Finance. Very professional, informative and supportive of our needs. Every target date was met and Stuart has a most welcoming manner - he was excellent to work with"

Martin Cosh



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