

Choosing the right short-term business finance

There is a wide variety of business finance products available today. Here's an overview to help your clients explore and compare some of the main options.

What options are available?

	Secured business loan	Unsecured business loan
	<p>Secured loans are based on the assets a business holds (e.g. property, equipment, receivables) or on the business' cash flow. Typically involves asset valuations, charges on the company's assets, personal guarantees as well as costs associated with drafting such agreements. Tends to have higher, more stringent requirements which means it may take longer to get a credit decision.</p>	<p>Unsecured loans are based on the financial strength of the business. Do you have a healthy bank account with a steady flow of payments? Asset valuations are not necessary. Decisions can be made quicker and there are no upfront costs and no security needed.</p>
Examples	<ul style="list-style-type: none"> ✓ Traditional bank loan or overdraft ✓ Invoice finance (selective invoice discounting and/or factoring) ✓ Other asset-backed finance facility (asset finance, commercial mortgage) 	<ul style="list-style-type: none"> ✓ Working capital finance ✓ Short and medium term loan e.g. Spotcap business loan ✓ Merchant cash advance

How does it work?

Pre-application requirements	<p>Necessary to have assets in your business such as:</p> <ul style="list-style-type: none"> • Property • Equipment/Vehicles • Invoices • Other fixed assets 	<ul style="list-style-type: none"> • Positive cash flow • Steady flow of income • Healthy balance sheet • Well managed bank account
Application	<p>Typically, longer (1-6 weeks). Due diligence processes means it takes more time to get the funds.</p>	<ul style="list-style-type: none"> • Almost always quicker— in some cases within 24 hours — no valuations necessary and the application process is straightforward. • Less up-front cost — sometimes none at all.
Risk and pricing	<p>Pricing will typically be lower given the facility is secured. Legal and valuation costs are typical, while there is the possibility of losing the asset if the loan is not repaid.</p>	<p>Somewhat higher interest rates than a secured loan as the lender is taking over the risk from the business.</p>

How does it work?

Size	The more assets you have, the more you can potentially borrow.	Providers are offering £10k-£500k
Duration	Typically 3 months to five years and beyond.	Typically 1 month to 5 years.

Why are you looking for business finance?

	Secured business loan	Unsecured business loan
Boost working capital	✓	✓
Buy equipment	✓	✓
Purchase inventory	✓	✓
Seasonal trading	✓	✓
Hire more staff	✓	✓
Fund expansion	✓	✓
Develop new product	✓	✓

Next steps



How do you decide what business finance is best for your clients?

Visit British Business Bank's thebusinessfinanceguide.co.uk for a step-by-step guide. If a short-term loan could be right for them, contact our dedicated account managers for an instant loan estimate and more details on how to apply on clientservice@spotcap.co.uk.