



Banking on funding success

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Making an application to a bank for funding is not a day to day occurrence for most if not all businesses. As such, those facing the challenge of seeking finance can perhaps be forgiven for not always being well prepared for such an eventuality. It is not unheard of for those seeking finance to meet with their bank without even the 'back of a fag packet plan', not clear as to how much they want and for how long. Needless to say, like many such funding requests the applicant faces a polite decline. This scenario is extreme but helps to highlight the downside of poor preparation. A well thought out submission and discussion with a potential funder can avoid unnecessary delays, extra costs and in some cases projects not going ahead.

A fully fledged business plan is not often a pre-requisite for most funding applications. It is, however, important to prepare and provide the appropriate information that is required by your bank manager, and in some cases their superiors, to consider and support your application.

Whether you are already known or not by the bank it helps to provide them with a brief resume of what your business is about, trading history, successes and strategic objectives. It also helps if there is a brief synopsis of the key personnel, senior management and directors.

It is essential you are clear about the purpose for which funding is being sought, whether it is to undertake a project, buy machinery or to provide working capital. It is usual to match the type of finance to the purpose. Demonstrate how you have arrived at the amount of funding required, this can be by way of formalised quotes, estimates or financial forecasts. Your requests should be realistic, it is best to ask for the amount you need, not the amount you think you can get away with or one which would be too unrealistic. Do not forget contingency funding.

Your bank will be looking for you to demonstrate your ability to repay any loans or funding advanced. They tend to be less concerned with the specifics of the repayment.

The provision of security for any loans tends to go without saying. This can take the form of freehold property, shares, life policies, bonds and guarantees. The use of intangible security, a floating charge on all other assets, is applicable only to limited companies. Most banks however are equally if not more concerned about the viability and profitability of the business.

The days are past when banks were prepared to make special concessions on interest rates and commitment fees. Banks now normally make an initial charge for lending finance, and also charge a market rate over the bank's minimum lending rate. Your negotiations with the bank for funding could include aspects over bank charges even capital repayment holidays. Your discussion could also involve looking with them at alternative and complementary funding providers. It is increasingly common for businesses to benefit from funding from specialist providers as well their own bank.

Offering your bank manager on-going and regular financial information demonstrates to them your confidence and belief in your project and business. Good communications with your finance provider gives them confidence in you, your data and your business.

Help is on hand, credibility can be gained, time delays avoided and advice received on deal structures if you enlist the services of your chartered accountant. During the preparation stage and even in discussions with your bank, value can be added through knowledge of you and your business and through a practical appreciation of business finance.

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