

Business Loan

A Business Loan is a common form of finance for businesses and one of the first options many S.M.E's consider when seeking funding. The lender provides money that the borrower pays back, with interest, over an agreed period. Many funders provide business loans in the UK, including high-street banks, challenger banks, peer-to-peer platforms and other alternative finance providers

The best option for your business will vary dependant on what amount of debt it can afford to repay and whether you meet the eligibility criteria, which varies from lender to lender. The main two variable terms of any business loan facility are the repayment period i.e. how long you'll have to make repayments for, and the interest rate charged.

Repayment period

Your business loan will have a set duration, on average from 1 to 5 years, throughout which you'll need to repay the amount you borrowed plus interest. Longer terms are available.

The lender may charge you for paying off your debt early as it will have already committed that money to your business. There are however lenders in the market which provide exit fee-free facilities, often these lenders insist on an arrangement fee at the outset.

Interest rate

The interest rate is dependent on how risky the lender perceives the business as a potential borrower.

For example, if you have assets you are willing to offer as security and good personal and business credit ratings, you'll be deemed less risky than someone who has poor credit and is no willing/able to pledge assets as security.



What documents would I be asked to provide when applying for a business loan?

For a business loan application to be shown in the best light to a prospective lender, you would need to be able to provide the following documents:

- 2 years full accounts (if you don't yet have two or even your first set of accounts yet published, up to date reports including a profit and loss as well as a balance sheet would be required).
- Last 3-6 months bank statements
- A narrative detailing how your business has been impacted by COVID-19 (if applicable). See our CBIL Guide [Here](#)

In addition to the above some lenders may also ask for:

- Last 4 quarters of V.A.T returns
- A detailed cashflow forecast (template can be provided for completion).

How long does it take to get a business loan from start to finish?

Speed is a key factor when searching the market for a business loan. Many 'tier 1' high street funders would take between 4-6 weeks to pay out this type of facility, where as a 'tier 2' or 'tier 3' peer to peer or alternative lender could take between 4 days – 3 weeks.

Often speed of funding comes hand in hand with cost. If the client requires funding quickly it is often the best route via a tier 2 or 3 lenders, as opposed to the Highstreet and as a result the cost of funding generally increases.