

taking credit

by Andrew Fleming, Partner, Blocks Solicitors

Despite the opprobrium heaped on bankers these days, commercial lenders are generally in a stronger bargaining position when there is not enough credit to go round.

As it is the well-prepared and well-informed applicant who is likely to succeed in obtaining a business loan on reasonable terms, you should:

- Consider the range of lenders – clearing banks, mutuals, venture – and decide which is appropriate and whether you need a broker.
- Identify the assets you are able or prepared to offer as security, such as land, shares, book debts. With a limited company, it is possible to grant a floating charge over all assets. The securitisation of certain assets of sole traders and partnerships is more difficult.
- Decide what personal commitment you are willing to make. If you are guaranteeing a company's obligations, you need to determine the maximum level you are prepared to underwrite.
- Obtain provisional consent, where necessary, from interested parties, such as an existing mortgagee, landlord or spouse/partner. If the latter, he or she may need to receive independent advice if expected to join in on a guarantee or mortgage to assist your business.
- Anticipate the information a potential lender is likely to require under due diligence, such as credit history, accounts, references and business plan.
- Ensure you are happy with the terms of the loan offer – particularly special conditions –



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before you sign the facility letter, at which point you are probably incurring a hefty arrangement/administration fee.

- Assemble your professional team – and give clear instructions, authorities and information. In the case of your lawyer you may need to advance funds to allow an undertaking for costs to the lender's legal team to be given.

Above all, you should be transparent in all disclosures and prompt in responding to inquiries. Lenders have other suitors and will not suffer fools gladly.

For more detailed information or for advice

tel: **01473 230033**

email: arf@blockslegal.co.uk

www.blockslegal.co.uk ■