



Q. We are making profits but my bank says they cannot support us with the finance we need, what can we do?

A.

The bank will usually justify its decision to turn down your proposal and depending on their response you have the starting point for looking at other options to move your funding request forward.

Have you presented them with enough information upon which they can make a decision?

If not then the only answer a bank can give to a request for finance is 'No'. Ensure the package of information you give them provides the details they need to make a considered judgement. It is not sufficient to just run off a Sage / Excel forecast and say "please give me the money". Refer to pdf on 'What banks look for in a lending proposal'.

Is the bank saying you are 'over trading' and 'need a period of consolidation'?

Profits are not the same as cash and businesses go bust when they run out of cash. If these words seem familiar pause for thought and if appropriate then look at other finance options. Receivables finance (Invoice Discounting / Factoring) may be one good option for a growing business but is not suited for all business types.

They say I need security but I do not have any?

Have you considered asking the bank for a SFLG loan? This government-backed scheme is for businesses with no available security for what would otherwise be good bankable propositions. Another local finance scheme is the Wessex Development Fund facilitated by Business Link Wessex, which in a similar way to the SFLG, can provide loans to local businesses that might not otherwise get bank support for viable projects. Other Business Links may run similar schemes.

Does the bank say you need more equity rather than debt?

If so the bank feels it is being asked to take on risks that should be taken by the owners of a company. Equity usually comes initially from the founder, friends and family; if there is none available from that source consider the business angel route (or even Venture Capital), although this involves handing over some element of control of your business to a third party in return for their money. If you are reluctant to go down the equity route then look at the 'Accelerator Fund', operated by Finance South East for businesses located in South East England. This is an expensive debt option but when put alongside other finance options as part of an overall finance package could enable you to close the deal. Other Regional Development Authorities may run similar Early Growth Funds that are available for their local businesses.

Of course it may be that your proposal is completely unrealistic but if this is not the case there are a plethora of finance options out there. Do not despair if your proposal is rejected, just consider the options and speak to your business finance advisers.