






## Choosing the right business finance

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








### What options are available?

	Secured business loan	Unsecured business loan (Spotcap)
	Secured loans are based on the assets a business holds, e.g. property, equipment, receivables etc. Typically involves valuations and legal costs. Tends to have higher, more stringent requirements which means it may take longer to get a decision.	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, or small, upfront costs.
Examples	<ul style="list-style-type: none"> <li>✓ Traditional bank loan or overdraft</li> <li>✓ Invoice finance (selective invoice discounting and/or factoring)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Working capital finance</li> <li>✓ Short and medium term loan e.g. Spotcap business loan</li> <li>✓ Merchant cash advance</li> </ul>

### How does it work?

 <b>Pre-application requirements</b>	<p>Necessary to have assets in your business such as:</p> <ul style="list-style-type: none"> <li>• property</li> <li>• equipment</li> <li>• vehicles</li> <li>• invoices</li> </ul>	<ul style="list-style-type: none"> <li>• Positive cash flow position</li> <li>• Steady flow of income</li> <li>• Healthy balance sheet</li> <li>• Well managed bank account</li> </ul>
 <b>Application</b>	Typically, longer (1-6 weeks). Due diligence processes means it takes more time to get the funds.	<ul style="list-style-type: none"> <li>• Almost always quicker— in some cases within 24 hours — no valuations necessary and the legal process is straightforward.</li> <li>• Less up-front cost — sometimes none at all.</li> </ul>
 <b>Risk and pricing</b>	<p>Usually lower interest rates but there is the risk of losing your assets and in most cases there are legal and valuation costs which have to be paid upfront.</p> <p>Traditional lenders tend to charge admin/setup fees as part of the facility costs.</p>	Somewhat higher interest rates than a secured loan as the lender is taking over the risk from the business. Spotcap annual APRs start at 6%.
 <b>Size</b>	The more assets you have, the more you can potentially borrow.	Providers are offering £10k-£300k.
 <b>Duration</b>	Typically 3 months to five years and beyond.	Typically 6 months to two years.

### Why are you looking for business finance?

	Secured business loan	Unsecured business loan (Spotcap)
 Hire more staff	✓	✓
 Buy equipment	✓	✓
 Boost working capital	✓	✓
 Purchase inventory	✓	✓
 Seasonal trading	✓	✓
 Purchase property	✓	✗
 M&A / buy out	✓	✗

### Next steps



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

Visit ICAEW’s and British Business Bank’s [thebusinessfinanceguide.co.uk](http://thebusinessfinanceguide.co.uk) for a step-by-step guide. If a short-term loan could be right for them contact our partner team for an instant loan estimate and more details on how to apply [partners@spotcap.co.uk](mailto:partners@spotcap.co.uk).