

Invoice Finance The PRO's and The CON's



Advantages

- 🔗 There are no personal assets required to directly secure the facility
- 🔗 Invoice finance can typically grant access to up to 4 times the amount of additional working capital than a bank loan or overdraft
- 🔗 Being based on a percentage value of your invoices, the facility increases in parallel with the size of your Sales Ledger
- 🔗 Pay suppliers earlier and obtain better rates and discounts
- 🔗 Professional outsourced credit control (an optional extra)
- 🔗 Bad debt protection (an optional extra) will provide you more comfort in providing credit to your customers.
- 🔗 Confidential facilities are available so your customers never need to know you are using invoice finance
- 🔗 Additional optional services are available such as back-end payroll support to automate as much as possible
- 🔗 Transparent fee structure
- 🔗 Fixed Fee – to allow for better budgeting and planning
- 🔗 Single invoice facilities known as spot factoring allow targeted invoice values to be advanced
- 🔗 Short term contracts and trial periods available from most lenders
- 🔗 Smoothing out peaks and troughs in cash flow

Dis-advantages

- 🔗 Only works if you have credit terms with your customers
- 🔗 On face value, borrowing through invoice finance typically appears higher cost than a bank loan or overdraft
- 🔗 Advances (cash) paid against invoices which are subsequently disputed or not payable will be taken back and can result in cash flow deterioration at a later date.
- 🔗 Giving up control of collections can change the dynamics of the relationship between you and your client, this needs to be effectively managed. Arguably a more hands off approach can be seen as an advantage.
- 🔗 Headline rates can mask the true costs of the on-going operation of the facility.
- 🔗 Despite the ever improving image of factoring there can still be a stigma attached to using the facility.
- 🔗 Can create cash flow peaks and troughs if turnover is seasonal or drops off for a period of time.
- 🔗 Potential penalty fees for early exit of contracts.

Contact Touch Financial today

Speak to an expert at Touch Financial on 0800 157 7342 for free, no obligation advice or alternatively visit www.touchfinancial.co.uk for more information.