INVOICE FINANCE

FACTORING | INVOICE DISCOUNTING | RECEIVABLES

TRADE FINANCE GLOBAL

WHAT IS INVOICE FINANCE?

Invoice finance is a common form of business finance where funds are advanced against unpaid invoices prior to customer payment. Invoice finance houses include banks, alternative investment providers and private lenders, used by businesses who trade both domestically and globally. There are two types of invoice financing methods; discounting and factoring.

In this guide we'll look at how invoice finance can be used to help manage cash flow and working capital within a business.

INVOICE FINANCE BENEFITS

Invoice finance is structured as a standalone flexible facility to grow as your company grows:

HASSLE FREE

The invoice financier will sometimes take on the responsibility to look after your sales ledger which means the business owner can have more time to focus on the business

REDUCES RISK OF NON-PAYMENT

An invoice financier will conduct due diligence (including credit checks) on customers, which reduces the risk of not receiving funding

BUILD STRONGER SUPPLIER RELATIONSHIPS

Invoice finance allows you to maintain a good relationship with your customers, as you can fulfill larger orders on time without worrying about cash flow and working capital problems

INVOICE FINANCE

INVOICE FINANCING: FACTORING VS DISCOUNTING

For both factoring and discounting, the end result is the same; a cash injection into the business to boost working capital requirements (be that meeting the next payroll or covering business expenses).

Factoring - here the financier is responsible for the businesses sales ledger and collecting the debts off the customer. Often customers will be required to pay the factoring company directly rather than to the business that provided the services or goods originally. There is recourse and non-recourse invoice finance. If the customer fails to pay, with recourse contracts, the business bears the cost, and with non-recourse contracts, the funder or factoring company takes on this responsibility.

Invoice discounting - here the business manages the sales ledger and collects payments as normal from the end customer. This financing structure allows for greater flexibility within the business. In addition, the end customer does not always need to know that the business has a financing arrangement in place, which could help build trust and company's reputation.

EXAMPLES

- A clothing manufacturing firm released £300k from unpaid client invoices to free up cashflow
- We helped a client get construction funding for a £1.2m of sub-contracting receivables
- Our partners helped a limited company with the provision of currency solution for their 2 year old business to fund international growth

CONTACT US

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