



## FINANCING START UP ENTERPRISE – TERMS & CONDITIONS FOR START UP LOANS

### 1. Background

1.1 Start Up Loans is a programme funded by HM Government providing loans, mentoring and other business support. These terms and conditions relate mainly to the loan aspects of the programme.

1.2 The programme is administered nationally through The Start Up Loans Company Limited, which operates through a number of delivery partners. Financing Enterprise Limited trading as Financing Start Up Enterprise Limited (FSUE) is one of those delivery partners, covering London and the surrounding area. FSUE is completely independent of The Start Up Loans Company, but works closely with it and is contracted by it.

1.3 Applicants are only allowed to receive one Start Up Loan, and are only permitted to deal with one Delivery Partner.

1.4 We will not discriminate towards loan recipients because of their gender, race, sexual orientation, disability, religious affiliation or social/economic background.

### 2. Applicant Eligibility:

2.1 Although loans must be for legitimate business purposes, they are made to individuals, who are personally liable for the debts incurred.

2.2 No loans may be granted to those aged under 18.

2.3 We operate a very strict credit control system, designed both to protect what is ultimately taxpayers' money, and to prevent borrowers taking on liabilities they will not be able to afford, especially since those borrowers will be required to make repayment whatever happens to the underlying business for which the loan is required.

2.4 We are unable to lend to current bankrupts or those on an IVA, and not usually to those on debt management programmes.

2.5 County Court Judgements will not necessarily prevent a loan from being granted, but applications will be subject to special scrutiny.

2.6 Your business must not have been trading for more than 12 months. We can probably assist if it was *registered* earlier, but did not undertake any meaningful activity. If you require any further guidance on this issue we will be pleased to give it.

2.7 An applicant may apply for a loan to join a company previously funded with a Start Up Loan at a later date as long as the business has been trading for less than 12 months.

2.8 Only businesses primarily located within the UK are eligible. No loans may be extended with regard to businesses that are primarily located overseas. This does not exclude businesses that primarily export goods or services overseas, as long as the majority of revenue resides in the UK and



the business or the person running it is a UK registered company and/or registered in the UK for tax purposes.

2.9 All nationalities are welcome to apply for a Start Up Loan if they have the right to work and live in the UK. If you are a non UK citizen you must provide the necessary documentation to confirm your eligibility to live and work in the United Kingdom without any restrictions for the duration of the loan period at the outset of the loan. If you have a Tier 4 Visa you are not eligible to apply for a Start Up Loan as self-employment is excluded. If you can secure a Tier 1 Graduate Entrepreneur Visa then you may be eligible to apply. We will require that any loan made is repaid at least six months prior to the expiry date of the relevant visa. For example, if your visa has four years to run any loan must be repaid with a maximum of 42 months.

2.10 No loan may be made for a business that is illegal within the United Kingdom or, if an exporting business, illegal within the country to which it is exporting.

2.11 An applicant cannot have a New Enterprise Allowance, and a Start Up Loan or any other government-funded grant or loan, outstanding at the same time. We may be able to lend enough to repay the existing loan. Please call us for details.

### **3. Approval and Drawdown of Loan**

3.1 A loan should normally be granted or declined within three months of initial application.

3.2 Once a loan is approved, you will have three months from the date of application to draw down the funds. If the loan has not been drawn within this period, the loan approval will lapse and a revised approval will be required prior to any drawdown.

3.3 We complete a credit search on all borrowers to draw down of loans. We will not normally undertake a search if the loan applicant provides their own detailed credit search, but we reserve the right to do so at our absolute discretion.

3.4 After a loan is granted we share information with credit reference agencies, and borrowers should be aware that defaults in loan repayments may harm their ability to obtain credit in the future.

### **4. How Much We Can Lend**

4.1 As this is a programme funded by the UK taxpayer, funding is limited. The average loan we make is around £5,000 per individual borrower. As this is an average, it follows that some loans are larger than this sum and some smaller.

4.2 Larger loans will only be made available (and then usually in tranches, or instalments) in exceptional cases, where the businesses being started can be shown to be capable of high growth, exporting potential and will create jobs.

4.3 We welcome applications from groups of individuals starting up in the same business, and are happy to give guidance in such situations. We would generally expect to see borrowing applications in proportion to the shareholding partners had in the business being financed.



4.4 We recognise that there will be many cases where the amount of money requested is less than the total amount needed to start the business.

This may be because the entrepreneur has either raised cash to put into their business, or has already spent money on the pre-start or early trading expenses associated with the business. We welcome cases where the loan applicant is risking his or her money, as well as accepting the obligation to repay a publicly-funded Start Up Loan.

In other cases the loan being requested from us will be only part (possibly a small part) of a larger funding package. We are able to consider such cases, as long as the money we are lending cannot be raised from other sources (e.g. a bank), but will require that either:

- a) Evidence is provided that the rest of the money needed has been raised.
- b) If the money has not been raised, written details are given of how the business can move forward without the additional borrowing and/or investment, i.e. how the money we are being asked to lend will enable the enterprise to start and grow whilst at the same time generating sufficient cash to repay any loan we are being asked to make. These details must include a cash flow forecast demonstrating that the “smaller scale” business model is viable.

4.5 We are unable to give “decisions in principle” that we will lend, subject to funding from other sources being raised.

## 5. Industry Eligibility

5.1. Loans may not be granted for the following purposes:

- a) Pornography or other ventures of an overt sexual nature that require a licence to operate.
- b) Onward credit, investment or lending in any form. This may include but is not limited to businesses engaged in activities that include car financing, lease financing, pay day loans, loans to another third party, peer-to-peer lending, crowd funding, investment in other company(ies), or any FX / Equity / Derivative or other trading activities.
- c) Money transfer services.
- d) Businesses engaged in private investigation/detective activities are eligible *but only if* they have the appropriate licences and/or do not undertake illegal activities such as phone hacking or breaching privacy act.
- e) Companies whose primary purpose is engaged in gambling or benefiting directly from users engaging in gambling activities.
- f) Those working as an agent for a third party (franchises are acceptable but should be discussed with us in advance).



g) Where the loan is repaying any existing personal debt of the applicant, business loans of a company owned in whole or in part by the applicant or to service the loans of any other business, or for any other purposes not outlined in the original business plan.

h) To fund training, qualifications or education programmes that are needed before the business can be started or that are not core to the success of the business. For example, health and safety training is acceptable but not training to qualify as a hairdresser, electrician etc. Any exceptions must first be discussed with and agreed by us.

i) To fund investment opportunities that do not form part of an on-going sustainable business, for example, providing the deposit for a buy to let property.

j) To buy part-equity in a business that has been trading for more than 12 months.

k) To fund a hobby.

5.2 If you are unsure if an application falls within these categories please discuss the circumstances with us. We will, if necessary, refer the matter to The Start Up Loans Company for consideration.

5.3 If you misrepresent your business in order to appear eligible under these rules when you are not so eligible, any loan made as a result of the misrepresentation will become immediately repayable.

## **6. General Conditions**

6.1 If we are able to make a loan, it will be repayable within five years from the date of drawdown. The minimum term of repayment will be one year, but the loan can be repaid early without penalty.

6.2 In exceptional circumstances and where the applicant can prove a need, we may be able to grant a capital repayment holiday. This means that for the duration of the capital repayment holiday, which will usually last for three months, you will pay interest only. Taking a capital repayment holiday will increase the term of the loan, and increase the total amount of interest paid over the life of the loan.

6.3 The interest rate is set at a nominal fixed rate of 6% pa (which equates to 6.2% APR representative).

6.4 We will not ask you for collateral of any sort under any circumstances, nor will we request you to provide a guarantee from a third party.

6.5 You will not be charged any fees over and above the cost of interest on your loan. Interest on loans is charged at a rate agreed when the loan is offered. It will be charged on the reducing balance of the loan, and will be fixed for the whole repayment period of the loan. We will not charge you any lending fees, commission or early redemption fees of any kind, other than if you pay a loan instalment by debit or credit card, when a charge will be made to recover our costs.

6.6 Should you require us to appoint a mentor to assist you once a loan has been made we will do our best to do so, and under no circumstances will a charge be made for this service, by us, our agents, or our mentors, who are bound by a strict code of conduct. We will do our best to advise you of the availability of other post-loan support, but strongly recommend you check our website from



time to time for details of what is on offer. Post-loan support is often provided at no charge, and if this is not the case any charges payable will be clearly advertised.

6.7 If you are asked for any fee (particularly for seeking finance for your business) you should contact us immediately for guidance.

6.8 If you choose to take advantage of any the offers made by us, The Start Up Loan Company, or their corporate partners (and often exclusive to Start Up Loans borrowers) you will be told exactly what the cost is prior to purchase, if a cost is involved.

6.9 When making a loan we are required by law to carry out anti-money laundering verification checks, and so we will require proof of who you are and where you live, as well as evidence that you have a valid UK National Insurance number.

6.10 In granting a loan, we are required to ensure that no loan we make will damage the reputation of the Start Up Loans Company and the Start Up Loans programme.

## **7. Requests for Additional Funding at a Later Date**

7.1 Whilst The Start Up Loans Company would not expect requests for additional funding made some time after the drawdown of the initial loan (generally known as “top up loans”) to be the norm, they recognise that there will be circumstances where a business has grown in a sustainable way but at a faster than expected rate. They feel it would be wrong to prevent the company’s continued growth whilst traditional forms of finance remain out of reach. On that basis, top up loans can be made to support clear, continuing start-up costs. These are distinct from loans for business growth post the start-up phase.

7.2 In making any loan, we are required to ensure that total repayment is achieved within five years from the first drawing on the initial loan.

7.3 Capital repayment holidays are not generally available once a top up loan has been made.

7.4 An application for a top-up loan will only be considered if the following eligibility criteria are met:

a) There have been at least three months of good trading, largely in line with or exceeding the original cash flow projections

b) The applicant is not currently in arrears or had been in arrears in the three months prior to the request for the top up loan. We can exercise a certain amount of leniency if the applicant had been in arrears for their first month due to issues with setting up the direct debit but then subsequently settled the outstanding payment.

c) The applicant has been trading for less than 12 months.

d) All applications must have a supporting reference provided by the applicant’s mentor outlining their confirmation of the business need and support for the applicant.



e) Any top-up request that is equal to or more than 100% of the original loan approval or that will result in the outstanding loan exceeding £10k will only be met in the most exceptional cases.

7.5 Applications for top-up loans must include a revised cash flow forecast showing actual results against forecast performance. Additionally, the applicant is required to provide a brief update on the business and any changes, and a breakdown of the use of the top-up funds.

7.6 Applicants are only allowed to receive one Start Up Loan, and any requests for top up loans must be made through the existing Delivery Partner.

## **8. Changes in Terms and Conditions**

We reserve the right to adapt or amend the above terms and conditions.