

A Guide to Invoice Finance

Invoice Finance is a flexible financing solution that allows businesses to access funds tied up in their outstanding invoices. This guide will provide an overview of how Invoice Finance works, its benefits, and the different types of facilities available.



What is Invoice Finance?

Definition

Invoice Finance is a form of asset-based lending where businesses can access funds by selling their outstanding invoices to a third-party provider, often called a factoring or invoice discounting company.

Key Aspects

The provider purchases the invoices at a discounted rate, providing the business with immediate cash flow while assuming responsibility for collecting the payments from the customers.

Flexibility

Invoice Finance can be tailored to meet the specific needs of a business, offering both selective and whole-ledger financing options.

How does Invoice Finance work?

1

Invoicing

The business issues an invoice to its customer for goods or services provided.

2

Funding Request

The business applies to the Invoice Finance provider for a cash advance against the outstanding invoice.

3

Approval and Advance

The provider approves the request and advances a portion of the invoice value to the business, typically 80-90%.



Benefits of Invoice Finance

1 Improved Cash Flow

Invoice Finance provides immediate access to funds, allowing businesses to better manage their cash flow and meet short-term financial obligations.

2 Flexibility

The ability to choose which invoices to finance and the option to scale the facility as the business grows make Invoice Finance a highly flexible financing solution.

3 Enhanced Competitiveness

By freeing up working capital, Invoice Finance enables businesses to reinvest in growth, innovation, and expansion strategies.



Types of Invoice Finance Facilities

Factoring

The provider purchases the invoices and takes responsibility for collecting payments from customers.

Invoice Discounting

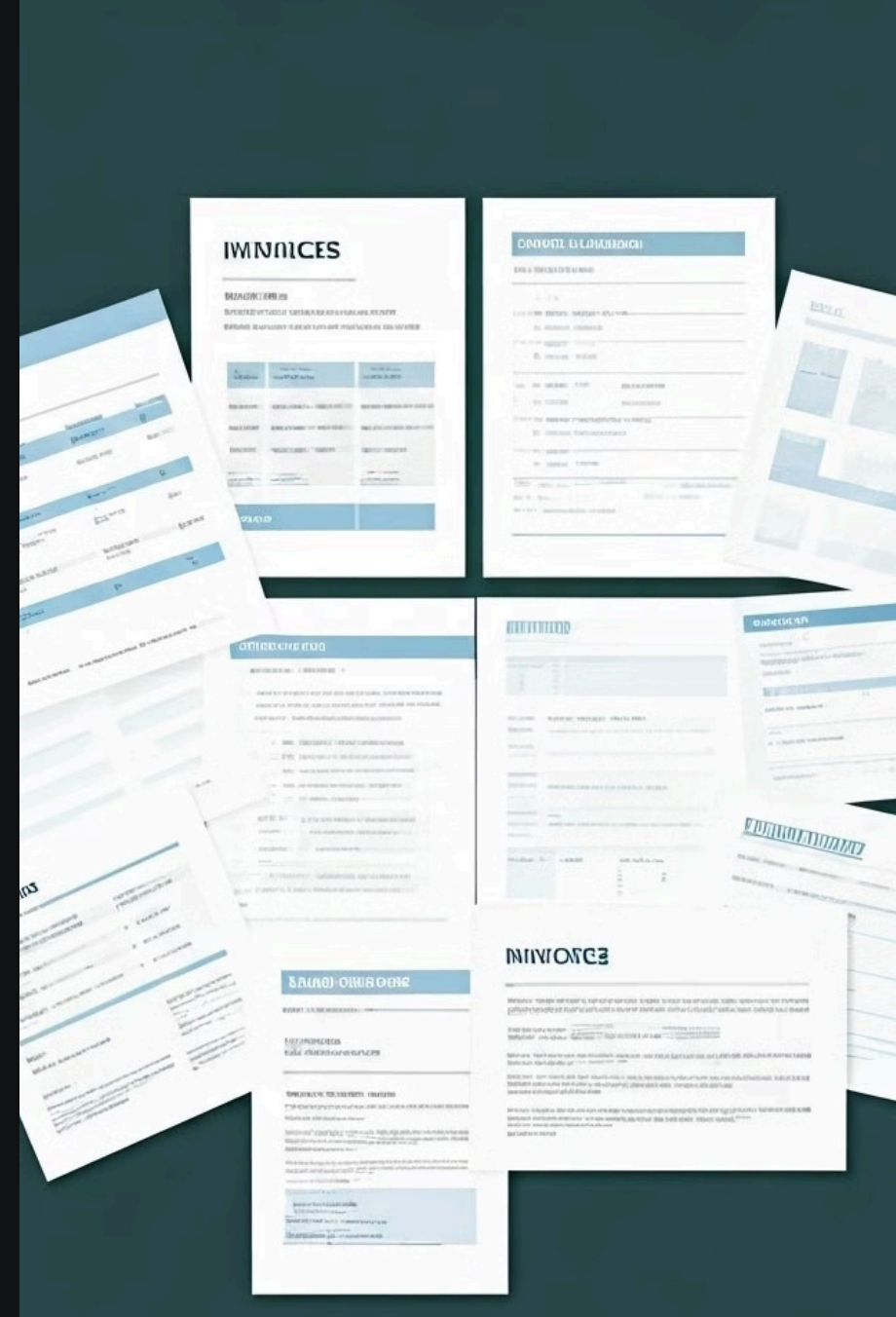
The business retains control of invoice collection while the provider advances funds against the outstanding invoices.

Selective Invoice Finance

Businesses can choose which specific invoices to finance, allowing for more targeted cash flow management.

Whole Ledger Finance

The provider finances the business's entire sales ledger, providing a comprehensive cash flow solution.



Eligibility and Application Process

Eligibility Criteria

Businesses must have a minimum annual turnover, a healthy sales ledger, and creditworthy customers to qualify for Invoice Finance.

Application Process

The application process typically involves providing financial statements, customer information, and details about the business's operations.

Approval and Onboarding

Once approved, the provider will work with the business to set up the Invoice Finance facility and provide ongoing support.



Costs and Fees Associated with Invoice Finance

1

Discount Fees

Businesses receive a percentage of the invoice value, typically 80-90%, with the remainder being the provider's discount fee.

2

Service Fees

Providers may charge additional fees for services such as credit checking, collections, and administration.

3

Interest Charges

Businesses pay interest on the advance received, with rates depending on the provider and the business's creditworthiness.

A photograph of two hands shaking in a firm grip, symbolizing a business deal or agreement. The hands are wearing dark suit sleeves. In the background, a dense city skyline with various skyscrapers is visible under a clear blue sky with some light clouds.

Conclusion and Next Steps



Understand Your Needs

Evaluate your business's cash flow requirements and determine if Invoice Finance is the right financing solution.



Research Providers

Compare different Invoice Finance providers, their fees, and the types of facilities they offer.



Apply for Financing

Contact The Funding Navigator to begin the application process and find the best Invoice Finance provider for your business.