

Kent and Medway Business Fund

Guidance Notes (January 2018)

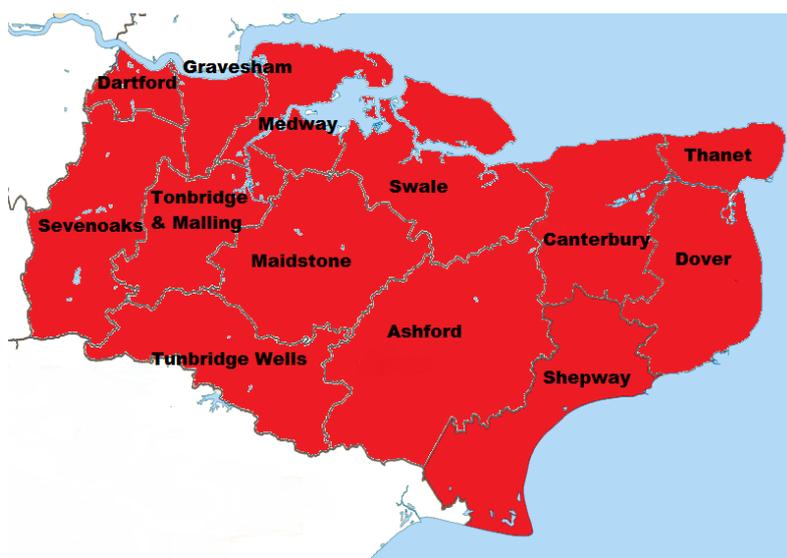
1. The Kent and Medway Business Fund (KMBF)

This scheme is funded by recycled loan repayments from the former Regional Growth Fund schemes (Expansion East Kent, Tiger and Escalate) and aims to deliver investment to businesses across Kent and Medway. This guidance relates to the applications submitted from January 2018.

The scheme primarily offers 0% loans between £50,000 and £500,000 to small and medium sized businesses with the potential to create new jobs and growth within the Ashford, Canterbury, Dartford, Dover, Gravesham, Maidstone, Medway, Sevenoaks, Shepway, Swale, Thanet, Tonbridge & Malling and Tunbridge Wells local authority areas (see **Map 1** below).

Loans can be used to develop new or expand existing products, services, or processes, where these will lead to new jobs, deliver business growth and improve productivity. The scheme will be open to new pre-applications from **2nd January 2018**.

2. KMBF eligible area



Kent and Medway Business Fund Eligible Area. The local authority areas of Ashford, Canterbury, Dartford, Dover, Gravesham, Maidstone, Medway, Sevenoaks, Shepway, Swale, Thanet, Tonbridge and Malling and Tunbridge Wells are highlighted in **Red**

Map 1 Contains Ordnance Survey data © Crown copyright and database right

3. Funding available through KMBF

This scheme provides financial support normally in the form of repayable business finance, sometimes referred to as interest free (0%) or soft loans (see **Glossary**). Security or personal guarantees will be taken on all loans of £100,000 and over. For loans below £100,000 security or personal guarantees may be requested on a discretionary basis based on an assessment of the risk.

Kent and Medway Business Fund

Guidance Notes (January 2018)

Although interest is not charged, each loan will incur an administrative charge equivalent to 5% of the total value of the Loan.

In addition to loans the scheme can also offer convertible loans or equity investments i.e. provide money upfront in return for a stake in your business. This shareholding may then be sold at some stage in the future e.g. within three to five years, although these shares may be retained over a longer period. Convertible loans or equity investment could form part of an investment package working alongside conventional repayable KMBF loans.

4. Who can apply?

You can apply for investment support from KMBF if you meet the following criteria:

- **Type of business** - Are you a sole trader, partnership, limited company or a not-for-profit business (see **Glossary** for definition).
- **Providing employment** – Either creating or safeguarding jobs (see **Glossary** for definitions) in the KMBF eligible area i.e. the local authority areas of Ashford, Canterbury, Dartford, Dover, Gravesham, Maidstone, Medway, Sevenoaks, Shepway, Swale, Thanet, Tonbridge and Malling and Tunbridge Wells (see **Map page 1 eligible areas are indicated in Red**).
- **Size of business** – KMBF can provide funding to small and medium sized enterprises (SMEs) e.g. employing less than 250 people (see **Glossary** for definition).
- **Size of Loan** – Loans must be between £50,000 to £500,000 and must be matched pound for pound by other sources of investment.
- **Security** – For all loans between £50,000-£99,999, security or personal guarantees may be required on a discretionary basis based on an assessment of the risk. For all loans of £100,000 and over, security or personal guarantees will automatically be required. Please note that when security is provided it will be required for at least a value equal to the loan capital and administrative charges over the term of the loan (see **Appendix 8**).

Additional eligibility criteria can be found in **Appendix 2**.

5. What will KMBF pay for?

The minimum loan is £50,000. The maximum loan is £500,000. The scheme will normally contribute up to 50% of total eligible costs for businesses (see **Appendix 5**). Therefore in the case of a 50% loan with an eligible investment totalling £200,000, the maximum loan contribution would be potentially £100,000.

An eligible investment proposal must relate to setting up a new business, expanding an existing business or mobile investments e.g. diversifying into new additional products or a fundamental change in production process. Main types of eligible investments:

Kent and Medway Business Fund

Guidance Notes (January 2018)

- **Tangible assets** - This includes assets relating to land, buildings, plant, machinery and equipment. These assets can be purchased outright or by using lease finance or hire purchase (see **Appendix 5**).
- **Intangible assets** - This includes assets acquired from third parties by the transfer of technology or knowledge.

Please note, an arrangement fee of 5% will be applied to your loan following its approval (your offer in principle letter).

6. What KMBF cannot fund?

Non-eligible sectors – KMBF cannot accept applications from firms active in the following sectors, as they are ineligible and they cannot be considered for support:

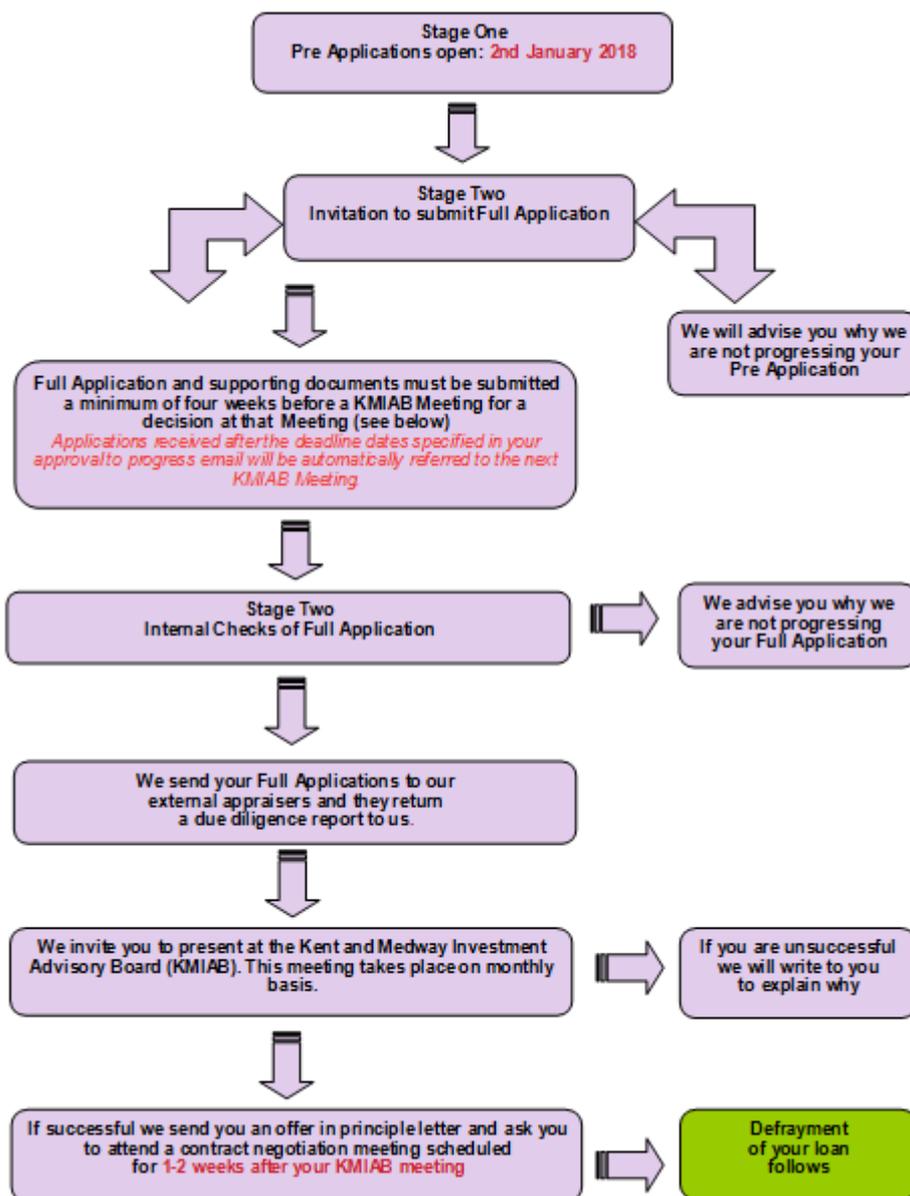
- Fisheries and aquaculture
- Primary production of agricultural products
- Processing and marketing of agricultural products
- Coal
- Steel production
- Shipbuilding
- Synthetic fibres
- Organisations engaged in political activity or lobbying at any level or activity of an exclusively religious nature.
- Hospital, medical services and publicly and privately owned nursing homes, or care related hostel or residential activities
- Defence sector activities
- Schools (inc. State, Free Schools and Private)
- Professional services e.g. accountants, legal, financial, insurance
- Tourism and leisure activities (except in the designated Assisted Areas see **Appendix 6**)
- Road haulage, distribution and warehousing
- Energy generation
- Franchises

We also acknowledge that for some investment proposals it may be difficult to easily define which sector they fall within. Therefore please submit a pre-application form so that the KMBF Programme Management Team (for contact details see **Section 12**) can assess eligibility.

Kent and Medway Business Fund

Guidance Notes (January 2018)

7. KMBF application process



8. How to apply

The KMBF pre-application is a key part of the application process and is undertaken to determine:

- The eligibility of your organisation and your investment proposal.
- Whether your investment proposal can proceed to the KMBF full application stage.
- Whether there are sufficient funds available to support your investment proposal.

Kent and Medway Business Fund

Guidance Notes (January 2018)

Receipt of a KMBF pre-application form will be acknowledged within three working days and you will receive notification of a decision to progress a fully completed pre-application within a further five working days (see **Section 9**). Please note that once you have been approved to progress to full application, you will be expected to submit your full application by the dates specified in your approval to progress email. Unsuccessful applications will be provided with feedback and given the opportunity to re-apply to a later bidding round if they are eligible.

9. Full application & appraisal

A link to the on-line KMBF full application form will only be provided once the pre-application has been approved and the investment proposal is deemed eligible to continue to the next stage.

Applicants will be required to submit their full applications and supporting documents a minimum of four weeks before the date of a KMIAB in order for their bid to be checked and appraised for a decision at that meeting e.g. for a decision at the February KMIAB Meeting, applicants will be required to submit their full applications and supporting documents by the 15th January 2018. Applicants will be provided with the dates of upcoming KMIAB Meetings in their approval to progress email.

On-line Full Application Form - Please complete, print out date and then sign. This document can then either be posted or emailed to the KMBF Programme Management Team.

Supporting Documents - These documents can be submitted electronically in a zipped folder to kmbf@kent.gov.uk. This folder should include:

- An up-to-date business plan;
- A completed copy of your Project Profile (excel spreadsheet – template provided);
- Up to 3 years' statutory audited, unaudited or draft accounts (for existing businesses);
- Your last 3 months' management accounts and aged debtor/creditor list (for existing businesses);
- At least 2 years projected balance sheet, profit and loss and cash flow (in a monthly format, to include forecasted loan repayments);
- Your last 6 months bank statements;
- A completed De Minimis Declaration – template provided;
- Detailed CVs for the company directors, management team and, if applicable, key project staff;
- Confirmation of offers of financial support e.g. match funding– see **Appendix 4**.
- A copy of your Equal Opportunities Policy.

If relevant:

- A copy of any planning approval or licence;

Kent and Medway Business Fund

Guidance Notes (January 2018)

- In the case of a not-for-profit business please enclose a copy of the relevant clauses from your memorandum and articles of association, rules or governing documents, which relate to how the organisation distributes profits.

On receipt of this documentation the KMBF Programme Management Team will undertake a key criteria check to ensure conformance.

Please note that by submitting a KMBF application your organisation is agreeing to KCC seeking necessary credit references or reports. All proposals and supporting documents must be the property of the applicant and must not infringe any existing patent or copyright and all applications will be deemed as commercial and in confidence.

All full applications will be appraised within the timeline indicated in **Section 7**. Please note we required a completed on-line application and all the supporting documents requested to be provided before appraisal takes place. The process for undertaking an appraisal of an investment proposal is proportionate to the level of funding requested.

The independent appraisal team appointed by KCC may need to raise questions with applicants to clarify issues or request additional information. The independent appraisers will make recommendations to the Kent and Medway Investment Advisory Board (KMIAB). Applicants will be invited to attend a KMIAB meeting to make a presentation related to their application. Final decisions on awarding or withholding investment will be at the discretion of KCC.

If your application is successful, you will be informed of the decision by telephone normally with 3 working days of the KMIAB meeting and also be provided with an offer letter detailing the level of finance and the conditions associated with the funding. This will constitute part of the contract with KCC as the Accountable Body for the KMBF. If your investment proposal is unsuccessful, then your letter will provide information on the reasons for this decision.

Payment of funding is dependent upon agreed investment and/or employment milestones being achieved by the recipient (to be set out in the offer letter).

- Suitable milestones will be identified from the information contained in your business plan; these will then be monitored during the lifetime of the investment period and three years beyond the final payment to ensure that the conditions of the finance offer have been met.
- Any award of finance under the KMBF may become repayable in its entirety if the investment should move outside the eligible area within three years of the award of funding.
- Please note if you do receive funding we will be monitoring your business against performance targets, for example jobs created, income and expenditure.

Kent and Medway Business Fund

Guidance Notes (January 2018)

10. Guidance on the content of the business plan

Please note that your business plan should not be submitted until after your pre-application form has been submitted and assessed. Your business plan should be prepared and submitted alongside a signed copy of the full application form and other supporting documents requested.

Your business plan is an essential part of the application process and you must submit a **copy** of this document along with copies of your full application form and other supporting documentation (see **Section 9** above). Your business plan will remain “commercial in confidence”. Feel free to “cut and paste” from the plan to the form, marking with a reference. Further information is contained in **Appendix 7** for applicants preparing a business plan, in addition a simple business plan template has also been prepared.

11. This guidance

Copies of this guidance are available in an alternative format on request.

12. Contact for further Information

KMBF Programme Management Team

Kent County Council
2nd Floor, Invicta House, County Hall
Maidstone
ME14 1XX

Email: kmbf@kent.gov.uk

<http://www.kent.gov.uk/business/business-loans-and-funding/kent-and-medway-business-fund>

Kent and Medway Business Fund

Guidance Notes (January 2018)

Glossary

| | |
|--------------------------------|--|
| Additionality | Applicants must describe the additionality of their project and the ways in which this will be achieved. For example, demonstrate the reasons why KMBF funding is necessary to enable the proposal to succeed? Provide the reasons why the project would not go ahead without KMBF support. |
| Convertible Loan | These are offered alongside conventional repayable loans and equity investments. Convertible loans allow the KMBF to convert its loan into equity (i.e. shares) on pre-agreed terms at a specific date. |
| Equity | Applicants who request the option of equity finance either at the pre-application or full application stage will be assessed for their suitability for equity investment as this form of finance is not suitable for every business. Should your business be identified as being suitable for equity investment this option will be discussed with you during the appraisal/decision-making process. |
| Innovation | Applicants must describe the innovation of their project and the ways in which this will be achieved. For example, explain how your application will be innovative to the KMBF eligible area? How the application will be innovative in terms of your business type or sector? |
| Jobs created | A job that must last for three years from the receipt of funding. |
| Jobs safeguarded | A job that would otherwise have ceased to exist within 15 months of receipt of funding. |
| Loans | KMBF loans are offered at 0% interest to eligible businesses. |
| Not for profit business | Either: <ul style="list-style-type: none"> • Charities • Community Interest Companies • Companies limited by guarantee • Industrial & Provident Societies |
| Personal Guarantee | This is a stand-alone guarantee required on a loan and is effectively an unsecured promise from an applicant to make loan payments when the business is not able to do so. |
| SME | The EU defines Small and Medium Sized Enterprises (SMEs) as: <ul style="list-style-type: none"> • Employing less than 250 people • Having a balance sheet that is less than €43 million • Annual turnover less than €50 million pa. |

Appendix 1 – Allocation of Funding

Please note the overall budget for the KMBF is allocated between three areas: East Kent (Expansion East Kent), North Kent & Medway (Tiger) and West Kent (Escalate). The allocation for each of these three respective areas is based on the level of loan repayments from the investments of the former RGF schemes (Expansion East Kent, Escalate and Tiger). Therefore, for example, if you are located or seeking to locate in Canterbury, the funding available for your proposal will be sourced from the East Kent allocation.

- **East Kent** – Ashford, Canterbury, Dover, Shepway and Thanet.
- **North Kent & Medway** – Dartford, Gravesham, Medway and Swale
- **West Kent** – Maidstone, Sevenoaks, Tonbridge and Tunbridge Wells.

Appendix 2 – Additional eligibility criteria

In addition to meeting the criteria in **Section 4** above, all investment proposals must fulfil the following conditions:

- **Employment** - All proposals must have a positive impact on employment in the KMBF eligible area and must, specifically, create or safeguard jobs within the business. These jobs can be either full-time or part-time. Only jobs directly employed by the business are eligible.
- **Demonstrate need** – The applicant must be able to demonstrate the need for financial support.
- **Viability** - The organisation undertaking the investment proposal must be viable, have good growth potential and be self-sustaining by the completion of the investment.
- **Private sector match funding** - The investment proposal requires support from other funding sources (see **Appendix 4** below for further details).
- **Impact** –The investment proposal is likely to have a positive impact on the economy of the KMBF eligible area.
- **Number of applications** - Applicants can only submit one application for the KMBF at any one time. The opportunity to submit further applications would be dependent on such a loan not breaching State Aid rules. Permission should be sought from the KMBF Programme Management Team (for contact details see **Section 12**) prior to any further additional submission.
- **Repayment** - We would normally expect all loans to be repaid within a period of five years with no repayment holiday. Repayment profiles involving “balloon payments” (i.e. an unusually large payment due at the end of the loan) and also seeking to repay over a period in excess of five years, will be excluded. Repayments will be by monthly Direct Debit.
- **Applicants in receipt of RGF funding** – Applicants who have received funding from the former RGF schemes (Expansion East Kent, Tiger and Escalate) will only be able to proceed with bids if: a) their applications remain within State Aid Rules; b) that they are up to date on their monitoring and loan repayments at the time of the submission of their pre-application.

Appendix 3 – Additional ineligible activities

KMBF cannot fund what we consider ineligible expenditure such as:

- **Stock purchases**
- **Purchase of shares of another business**
- **Goodwill**
- **Funding for working capital**
- **Non-viable investment proposals and businesses** - Due to State Aid regulations.
- **Expenditure already incurred** - Expenditure incurred before a formal offer is made by KMBF is ineligible for support. A full application for assistance must be submitted and an offer made before expenditure on an investment proposal is commenced.
- **State Aid limits** - Any offer of finance assistance would lead to State Aid limits being exceeded.
- **Limited private sector investment** - KMBF will not provide 100% funding or cover all the costs of an investment and will seek an element of private sector investment (match funding). The types of eligible private sector investments are detailed in **Appendix 4**.
- **Reputation** - Investments which would result in potential damage to KCC and its partners' image and reputation.

Appendix 4 - Match Funding

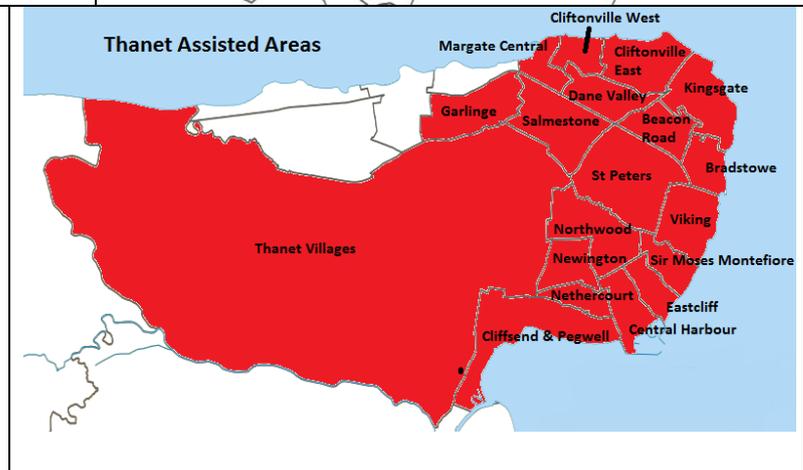
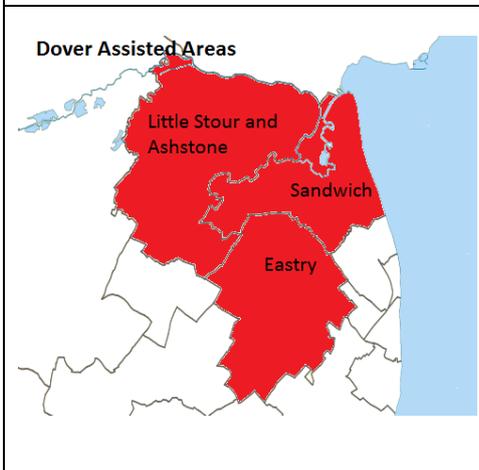
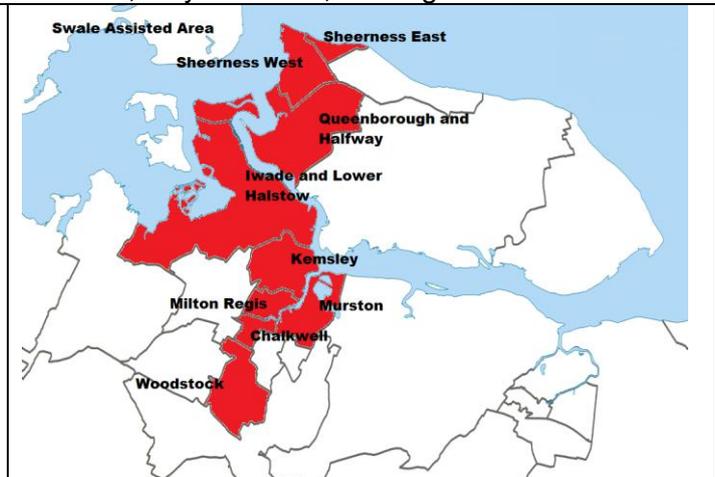
| Type of match funding | 1b <u>Minimum requirement to support funding at initial Full application stage</u> | 1c <u>Finalised paperwork required at contract stage / prior to release of any funds.</u> |
|--|---|--|
| Bank loan | <ul style="list-style-type: none"> • Copy of Heads of terms or conditional offer letter provided by the Bank. N.B this should confirm offer of funds to your Company (£ value), and be provided on Bank letterhead paperwork or similar. | <ul style="list-style-type: none"> • Copy of Bank Loan contract document duly signed / in force, confirming funds (£ value) have been provided to your Company. • N.B. if the loan contract is not new, then a copy of current business bank account statement showing that the loan provided remains available to the Company. (i.e. not already exhausted). |
| Company own funds | <ul style="list-style-type: none"> • Copy of current bank statement of Company confirming availability of funds. | <ul style="list-style-type: none"> • Refreshed copy of current business bank account statement showing that the funds (£ value) remain available to the Company. (i.e. not already exhausted) |
| Overdraft facility | <ul style="list-style-type: none"> • Copy of letter from Bank confirming overdraft facility available to Company. | <ul style="list-style-type: none"> • Copy of letter from Bank confirming overdraft facility available / together with; • Copy of current business bank account statement showing that the overdraft remains available to the Company. (i.e. not already exhausted). |
| Own funds inc. owner, partner's, director's, member's loan | <ul style="list-style-type: none"> • Copy of a current bank statement showing where monies are held confirming availability of funds. | <ul style="list-style-type: none"> • Copy of current business bank account statement showing that the funds have been provided / transferred to the Company / are available. (i.e. not already exhausted). |
| Pension funds from Company | <ul style="list-style-type: none"> • Letter of commitment from trustees of pension fund. | <ul style="list-style-type: none"> • Trustee resolution confirming funding (£ value) available to the Company. |
| Private investor/ New share capital/ New equity investors | <ul style="list-style-type: none"> • Copy of Heads of terms or conditional offer letter provided by the investor. N.B this should confirm offer of funds to your Company (£ value), and be provided on the investors letterhead paperwork or similar. | <ul style="list-style-type: none"> • Copy of current business bank account statement showing that the funding has been provided / transferred to the Company / are available. (i.e. not already exhausted). |
| Shareholder contributions | <ul style="list-style-type: none"> • Heads of terms | <ul style="list-style-type: none"> • Shareholder agreement duly signed / in force confirming funds (£ value) have been provided to your Company, or • Company bank statement showing credit values into the accounts identifying the shareholder contribution. • N.B. if the shareholder agreement is not new, then a copy of a current business bank account statement must be provided identifying the shareholder contribution and showing that these funds remain available to the Company. (i.e. not already exhausted). |
| <p>The potential use of other types of match funding can only be undertaken with the express approval of the KMBF Programme Management Team (for contact details see Section 12).</p> | | |

Appendix 5 - Eligible Expenditure

| | |
|--|---|
| Tangible assets - This includes assets relating to land, buildings, plant, machinery and equipment. These assets can be purchased outright or by using lease finance or hire purchase. | |
| Land – Purchase & buildings – purchase | These can be funded as part of a bigger investment proposal. As a rule KMBF can fund expenditure related to an area of land or building which does not constitute more than 50% of the eligible investment. Planning permission and building warrant costs are eligible. Acquiring land or buildings may not commence before funding has been approved. |
| Land – Development/ works | These can be funded as part of a bigger investment proposal. As a rule KMBF can fund expenditure related to an area of land or building which does not constitute more than 30% of the eligible investment. Development works may not commence before funding has been approved. |
| Buildings – Construction/ Improvement | A range of costs associated with construction of new premises and/or refurbishment of existing premises, including internal sub-division of existing premises. New provision and improvement of premises must relate to buildings which have an industrial, or business use. |
| Certain professional fees | KMBF is able to fund “certain professional fees” but these are specifically orientated around the development of capital projects. We can therefore support both pre-contract professional fees, e.g. design or technical advice relating to value for money/reasonableness of cost and post-contract professional fees e.g. project management can be included. As a rule, professional fees for architectural, landscape design and engineering services can only be funded up to a maximum level of 10% of the total building costs. Up to an additional 5% may be granted for projects with a particularly intensive planning element, e.g. work on protected buildings or technically complex projects. Legal fees would only be eligible in exceptional situations. |
| Fixtures & fittings | There is no definitive list of what is an eligible fixture or fitting. The rationale is that such items are deemed as those items essential to the delivery of the project e.g. the purchase of a PC to be used to deliver a training course. In such cases, the onus is on you as the Applicant to fully justify the need for the proposed items of equipment. Each project is treated on its own merits. Additionally in the case of moveable equipment there must be an assurance that the equipment is for the sole use of the project and the benefit is maintained in the eligible area. One further issue in cases where items of equipment have been purchased, an inventory must be retained for audit purposes. |
| Equipment & machinery | Equipment and machinery must be relevant to the project. Costs related to the acquisition of equipment and machinery assets under lease are eligible provided the lease takes the form of financial leasing and contains an obligation to purchase the asset at the expiry of the term of the lease. |
| Leases | Under KMBF the cost of new leases on land or buildings can be capitalised as eligible assets. Normally we are therefore expecting to capitalise leasing costs for a maximum of 5 years; to be eligible the lease would need to have a duration of a minimum of 5 years. |
| Wage costs for new permanent employees | KMBF can contribute towards wage costs over a period of 2 years. Wage costs mean the total amount payable by the employer in respect of the employment concerned, comprising the gross wage, before tax, and includes compulsory social security contributions (Employer’s NI, SSP and SMP). Please note that jobs must be maintained for at least 3 years. So while KMBF could fund them for 2 years the Applicant would need to guarantee employment for a further 1 year. |
| Intangible assets - This includes assets acquired from third parties by the transfer of technology or knowledge. Patent rights; Licences; Know-how and Unpatented technical knowledge. | |
| Queries regarding the eligibility of various items of expenditure should be raised with the KMBF Programme Management Team (for contact details see Section 12) at the earliest opportunity. | |

Appendix 6 – List of Assisted Areas in the KMBF Eligible Area

| Local Authority | Wards |
|-----------------|--|
| Dover | Eastry; Little Stour and Ashstone; Sandwich |
| Thanet | Beacon Road; Bradstowe; Central Harbour; Cliffsend and Pegwell; Cliftonville East; Cliftonville West; Dane Valley; Eastcliff; Garlinge; Kingsgate; Margate Central; Nethercourt; Newington; Northwood; Salmestone; Sir Moses Montefiore; St. Peters; Thanet Villages; Viking |
| Swale | Chalkwell Ward; Iwade and Lower Halstow Ward; Kemsley Ward; Milton Regis Ward; Murston Ward; Queenborough and Halfway Ward; Sheerness East Ward; Sheerness West Ward; Woodstock Ward |
| Medway | Chatham Central Ward; Gillingham North Ward; Peninsula Ward; Rainham Central Ward; River Ward; Rochester South and Horsted Ward; Twydall Ward; Watling Ward |



Kent and Medway Business Fund scheme designated Assisted Areas. Assisted Areas are only located within the districts of Dover and Thanet. Assisted Areas are highlighted in **Red**
Maps Contains Ordnance Survey data © Crown copyright and database right

Appendix 7 – Business Plan Checklist

The business plan must be specific to your proposal but should also refer to how your proposal links to any other parts of your business already in place, if appropriate. We recommend that your business plan must (at least) contain details of:

- Your business name, status, address, and some details of your history.
- Your ownership and whether you are part of a group.
- If you are part of a group, details of the group, its hierarchy and its relationship with the investment proposal.
- Why you have chosen the KMBF eligible area to expand your business.
- What your business will deliver in terms of goods or services.
- What is the function of your product or service, how is it novel or innovative. Indicate sales levels in £s and as a % of turnover in the last three years (if available) and your next planned three years.
- Show which customers (if any) you expect to account for more than 10% of your sales.
- The location of the investment proposal, whether freehold/leasehold and whether improvements necessary?
- Are the premises a new-build and is new capital equipment needed?
- How you have established the demand for the goods or services.
- Who are your competitors and what proportion of the market do they command?
- How you plan to secure a significant and sustainable section of that market? Also show who your main competitors are and their share of the market?
- Details of your supply chain and which local businesses form part of that chain and indicate your dependence upon them.
- What is the time frame for delivering your proposal?
- Who will be running your business? How many people does it employ now and how many over the next five years – with a diagram of the staffing structure.
- How will the business be run? The competence of your staff will have an important influence on the success of your business therefore please remember to include copies of the full CVs for Directors, Management Team and if applicable key Project Staff.
- Which other funders you have approached, what their response was and how you are providing the necessary funding for the proposal?
- What would you do if funding from KMBF is not available?
- Please state the key milestones of your Proposal and when you expect to achieve them (this establishes when you could receive tranches of your loan).
- Please state the main risks of your Proposal and how they can be mitigated i.e. Risk, Likelihood, Impact, Mitigation (Score 1 for the lowest likelihood of risk or impact and 5 for the highest).
- Financial tables of income, both from capital providers and through the sales of the goods and services developed through KMBF support with dates and values.
- Tables detailing capital costs incurred and cash flow.

Appendix 8 –Security

Personal Guarantees

This is a stand-alone guarantee required on a loan and is effectively an unsecured promise from an applicant to make loan payments when the business is not able to do so.

Security

Security will be required on a discretionary basis for loans between £50,000-£99,999. For loans of £100,000 and over, security will automatically be required.

There are a number of requirements for this security:

- It must have real value. We will require an independent valuation of the asset used as security.
- The value must be at least equal to the loan capital and administrative charges over the term of the loan.
- The security must be a first or a second legal charge over an asset held by the applicant. The legal charge will provide KCC with certain rights over the asset used as security where the terms of the loan are not met.
- The asset used as security may be replaced during the term of the loan provided the value of the replacement asset is at least equal to the lower of the market value of the asset it has replaced.
- Where the applicant carries out a transaction which in turn reduces the value of the security, an unauthorised payments charge will apply. However, where the value of the security reduces for reasons beyond their control, this will not be deemed an unauthorised payment.
- The security does not have to be provided by the borrowing applicant, it can be provided by other parties such as family members or other companies.
- We will only permit the use of a principal private residence as security after consultation with the applicant and if no other suitable security is available.

Examples of security are:

- Commercial property.
- Intellectual property (copyright, trademarks, designs and patents).
- Personal investments such as land, cash deposits or investment portfolios.
- Plant and machinery (provided it does not depreciate in value faster than the loan is repaid).

Please note that the taking of security can be a complicated process, therefore there may be delays in the transfer of loan funds.