

Loan Fact Sheet



Supporting your organisation through a range of issues

Loans can be an important source of cash for third sector organisations. As part of an organisation's strategic planning, ensuring you have good financial planning and cash-flow management systems in place is crucial. Loans can form part of your organisation's plans and are worth considering if any of the following apply:

- Your organisation is obtaining more contracts which are paid in arrears
- Your customers are taking longer to pay or you have short-term cash-flow issues
- Your money is tied up in developing new products or services
- You need to invest in capital items such as IT or buildings

Things to consider

- Is your business planning robust and can you demonstrate to a potential lender how you plan to repay the loan?
- Have you got a contingency plan - if things don't work out as planned can you meet the monthly repayments? There is no point in taking out a loan to solve cash-flow problems only to end up with more cash-flow problems.
- Does your organisation's governing document allow you to take out loans?
- If you are un-incorporated do your trustees understand that they could be personally liable if loan repayments cannot be met?

Before you commit

Loans are not suitable for every third sector organisation, so you should consider whether they are right for your organisation. If you think a loan might be appropriate for your organisation do your homework and research a range of loan providers so you are getting the best value for money.

- Compare arrangement fees, check for hidden charges, interest rates and whether any security will be required against the loan.
- Does the loan agreement offer flexibility in terms of early repayment, payment holidays and deferral of repayments?

Sources of loan finance

- **Venturesome** - www.cafonline.org
- **Charity bank** - www.charitybank.org
- **Future Builders** - www.futurebuilders-england.org.uk
- **BIGInvest** - www.biginvest.co.uk
- **Adventure Capital Fund** - www.adventurecapitalfund.org.uk
- **Tridos Bank** - www.tridos.co.uk
- **Co-operative Bank** - www.co-operativebank.co.uk
- **Community Development Finance Association** contains a list of Community Development Finance Institutions (CDFIs) operating at a regional level that offer loan finance - www.cdfa.org.uk
- **The Social Enterprise Loan Fund** - www.tself.org.uk
- **Islamic Bank of Britain** provides loans that comply with Islamic sharia law - www.islamic-bank.com

Loan Finance toolkits

- **Compare loan quotes** - www.simplybusiness.co.uk
- Toolkit to see if you are eligible for a **Government guaranteed loan schemes**. Also **Solutions for Business** which offers loans of up to £50,000 if you have been refused bank finance - www.businesslink.gov.uk

For help and support with all areas of financial management, including considering if loan finance is suitable for your organisation, and preparing cash-flow forecasts & budgets to support loan applications contact:

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