

Working directly with a lender vs an Advisory-led Intermediary

The business finance market is awash with alternative/non-high street bank lenders. Depending on what article you read or believe, there is anything from 50 to 360 UK based providers of business finance. Each have a different way of working and each have a different way of underwriting.

How then does a business owner decide on the best-fit lender for their company?

Lender Relationships

Since the advent of on-line technology, most lenders prefer to work electronically. Therefore, communications can be managed via a combination of telephone, email and on-line platform-based applications. Very few will insist on a face-to-face meeting with the business owners or want to visit their place of work. You can argue about the definition of the word 'relationship' in finance, however it is still true that the most effective relationships tend to be aided by a meeting. The time invested is rewarded by higher levels of understanding, which can only ever be a good thing.

Transparency

The business finance market is still young, and shows no signs of slowing down, but the reputation of the alternative finance providers has yet to be tested. Each lender will undertake its own level of due diligence. Each lender will offer a range of products, rates, terms and fees these must be explained and understood by the potential client before committing to any form of finance. Can transparency between a lender and borrower be accomplished based on a faceless digital process alone? Arranging business finance can be pivotal and, ideally, should be discussed with an impartial advisor beforehand. Comparisons with alternatives should be made fully clear to inform best decisions.

Fees

Subject to the type of finance required, arrangement fees will be levied by the lender. These fees will either be deducted from or added to the finance facility. Fees can vary widely from 0% to 10% and can include a fee that will be forwarded to the intermediary for the work undertaken.

Cutting out the 'middleman' to 'save on fees' is a false economy. The expertise required to assess the marketplace and find the correct solution is best undertaken by those suitably qualified. Due to the potential complexity of the finance required, fees should be discussed and agreed upfront. A credible intermediary will clearly explain their fees at the beginning of the advisory process.

In Summary

The vast majority of business owners are still unclear on, and can be sceptical of, the alternative finance marketplace. It is hard work for those unfamiliar with the landscape to decipher the various options and providers available. The appointment of a credible advisory-led intermediary will save time, and ultimately money, and a useful 'relationship' can also be established for any future requirement.