

# Don't get burned by quick finance

By Number Eight managing director David Grosse

**T**he peak summer holiday period – when we get to spend some quality time with friends and family, or just unwind by ourselves in a place far away from the office – can be a great opportunity for reflection.

For every business owner, at any one time there are likely to be several mental lists floating around in an already full-to-bursting head space. And I bet that for a number of people, sitting at the top of one of those lists will be uncertainty over finance and how to fund the business for what's around the corner.

## The online revolution

If you're lucky enough to be working on your suntan sat on the beach, and you're contemplating getting a new kitchen, car, trainers or just some of those new dimmable halogen light bulbs, where will you go to get what you want? These days it's unlikely to be the high street. The chances are that your phone or tablet will be deployed for an online search and purchase.

As consumers, we are becoming more and more au fait with the digital world and feel very comfortable buying goods online. Many of us prefer this route thanks to its speed and ease of use, and our confidence in this faceless purchasing experience is at an all-time high.

But as you look out at the waves, and your mind turns back to your business and finance, with your phone still in your hand, what is likely to be your next move?

You will probably resort to the same consumer mindset; to think of something relevant and type it into a search engine, and shazam! If you use phrases like "business finance", "business loan" or "business funding" – or indeed any of the 20 top key search words that Google has identified for this sector – you will quickly be faced with a list of alternative lenders and online brokers.

However, unlike the consumer experience, here you will be entering a very different space. One that is unlikely to provide you with the same level of confidence or satisfaction.

## One-click business finance – not all it's cracked up to be

One-click business finance may seem like a natural step, but in reality it far from emulates the consumer online shopping experience.

Firstly, the stakes are much higher, both financially and emotionally. Yes, the feeling of euphoria you get once you have been approved for finance online is great. But, typically, these online approvals are for a facility size less than £20,000.

In practical terms, you will probably not have heard of the lender and nor will you have the skills or understanding to uncover all the choices that may be available, if you can get past the blanket of online ad big spenders.

As a business owner you will always be looking and hoping for the best way forward. So, for decisions relating to any form of debt or equity, you simply *must* work with an experienced business finance professional.

Regardless of the type or the value of the finance required, the importance of engaging with a qualified person who understands the language and culture of the business finance world is always going to be more valuable than the speed of any online, one-click consumer-style model.

I have met with many of the individuals who are pioneering this online, faceless, fintech way of working; those within our industry who are trying to convince business owners – and the government alike – that the way to gain quick access to finance is to apply online.

While I can't disagree that speed of access to finance is important, I do believe that best-fit finance is even more crucial, and that simply



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won't be possible to achieve in such models for years to come yet – if ever.

Business finance is not a marketplace that should be compared to the likes of Amazon, Uber or Airbnb. Nor should we be asking accountants to replace the role of the estimated 50,000 bank managers that no longer exist on our high streets.

## The value of quality over quantity

Lenders have an important role to play in this current fintech maelstrom too, and need to be mindful of the current lending landscape.

Most of those I work with are aware of both the fintech lead-generating machine and the under-resourced and commission-driven bedroom brokers. Some have already started to cull those types of channels in an attempt to improve the quality of the applications they receive, seeing the value of quality over quantity.

Finding best-fit financing options is vital for any business, and it's crucial for the health of the SME community. The only way for business owners to holiday and reduce their risk of getting burned when it comes to finance is to seek out professional advisors who are mindful of the needs and circumstances of their individual business.

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