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## Securing funding in a downturn

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There is no doubt that the financial downturn is hitting UK businesses hard, with economic conditions the worst in half a century. For those who rely on funding from high street banks the challenge is even tougher as they increase their charges for overdrafts and commercial loans, or withdraw facilities altogether.

Reduced lending from banks has the knock on effect of forcing larger firms to take even longer to pay smaller suppliers. It now takes on average 88\* days for businesses to pay an invoice, with industry analysts predicting that this could rise to more than 100 days during 2009. Those businesses who have large amounts of stock tied up in their sales ledger face a critical shortage of funds to pay for staff, overheads and creditors. This financial dilemma is felt most by small enterprises that traditionally operate on the tightest of margins.

**It now takes on average 88\* days for businesses to pay an invoice, with industry analysts predicting that this could rise to more than 100 days during 2009.**

Many businesses have now begun to review their financial arrangements and consider alternative forms of funding that will help them survive. Invoice finance is one alternative which is increasingly attractive in the current tough economic climate. The central premise of invoice finance is that it allows companies, by assigning their unpaid invoices, to raise cash quickly and easily against their sales ledger. It affords businesses a greater degree of flexibility and control over their cash flow and can be a crucial tool for growing companies. ►

\* Experian Invoice Payment Report (October 2008)

As funding is directly related to the company sales ledger, businesses can grow without giving up valuable equity or having to pledge other assets as security.

When working with a provider of invoice finance, a business can also benefit from credit management and bad debt protection services. For example, if a business uses a factoring service the provider will manage their sales ledger and chase any debt in a timely, expert manner. In addition, if a company takes up a bad debt protection service from an invoice finance provider then they benefit from having their debtors assessed and advice given on which ones can be protected (underwritten) or which have to be avoided. Overall this will help a business manage and reduce their exposure to bad debt, as well as pay out should they fall victim.

In the current financial conditions, businesses face higher loan costs from traditional sources and a dearth of available liquidity. Invoice finance provides a genuine alternative, providing a flexible way not only to survive the current downturn but also deliver a real and lasting competitive advantage going forward.

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### ***Ask the expert – David Paget***

David Paget is the Regional Sales Director of Close Invoice Finance for the North East region. With more than 27 years' experience in finance and banking and 20 years served in the invoice finance industry David has extensive operational experience and an ACIB. David holds a key role in establishing Close Invoice Finance as the number one invoice financier in the North East, working with businesses to improve their cash flow.

For further information on Close Invoice Finance and our portfolio of products, contact us on 0800 220 257 or [info@closeinvoice.co.uk](mailto:info@closeinvoice.co.uk). [www.closeinvoice.co.uk](http://www.closeinvoice.co.uk) ●

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