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Press Article

Invoice finance has become the phrase that pays for increasing numbers of UK companies. David Thomson, Chief Executive at Close Invoice Finance looks at how the marketplace is evolving.

The market popularity of invoice finance is surging. According to latest figures from the Asset Based Finance Association [ABFA], over 40,000 UK companies are now reaping its benefits. This is astonishing when you consider that in the mid-1990s, the corresponding figure stood at less than 10,000.

With market growth, of course, comes increasing competition. As a result, leading cashflow specialists such as ourselves are constantly pushing boundaries and looking for new and innovative ways of servicing our clients.

This includes internet-based systems such as our recently-launched IDeal service, which integrates securely with all available accounting packages to offer a paperless, cost-effective and labour-saving alternative to traditional funding.

Consequently, IDeal is becoming an award-winning front-runner in a marketplace which is seeing increasing availability of a broadening variety of financing options.

But whilst there is now more opportunity than ever before for business owners to access one of the largest assets in the balance sheet – the debtors – it has led to some confusion about the differing forms of funding available. ►

The following explanation should help make things a little clearer.

Invoice financing allows a business to access the money it needs – having first met certain criteria – without the company having to provide the belt and braces security that the banks often require.

The overriding benefit is that it overcomes the problem of the gap between invoice issue and customer payment. Furthermore, it eradicates the challenges caused by late payment.

Invoice financing is closely related to the debtor book and can also be less costly and more convenient than a bank overdraft. It generally splits into two areas: factoring and invoice discounting.

Factoring primarily provides immediate access to funds against outstanding invoices and allows a business to hand over the responsibility for the sales ledger, credit control and credit checking to a factoring specialist for an appropriate fee. This is generally a percentage of the invoices.

Invoice discounting, on the other hand, provides all the funding benefits of factoring, but the business retains control of its own sales ledger and credit control functions. This method of financing can be run on a completely confidential basis, leaving customers of clients using the facility totally unaware of the funding arrangements in place.

However, it is not just the market for invoice financing which is expanding to feed growing businesses - asset financing is becoming an increasingly popular option.

By making use of hire purchase or leasing agreements a business can refinance its existing assets to ensure it has sufficient funds for a takeover. Such assets might include machinery, machine tools, commercial vehicles and trailers, and contractors' plant.

The fact that the industry's Factors and Discounters Association (FDA) has recently changed its name to the Asset Based Finance Association (ABFA) demonstrates the increasing choice and financial support available to UK businesses, covering factoring and invoice discounting as well as asset-based lending.

As the market develops further, so will a growing array of effective funding tools, helping companies of all sizes become more flexible, more profitable and more able to innovate and grow.

For further information on Close Invoice Finance and our portfolio of products and services, call us on 0800 220 257 or info@closeinvoice.co.uk.
www.closeinvoice.co.uk ●

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