

Invoice Finance with Sales Ledger Management

Product Guide

March 2022

Invoice Finance with Sales Ledger Management

The basics

Our finance product is provided to you where we agree to purchase your debts (apart from excluded debts) and will, subject to the terms of the purchase set out in our agreement with you, make a prepayment available to you of a percentage of the value of the debt (typically 80-90%). The remaining balance, less our charges, is available to you after we have received the payment from your customer.

The availability of this funding could improve your cash flow as you will not have to wait for your invoices to be paid and could have cash available to reinvest in your business. Fees and charges apply, which are payable by you.

Invoice Finance with Sales Ledger Management is a disclosed facility. By this we mean that your customers will be aware that we have purchased the debt and that the customer has to pay us to settle the debt. This is typically disclosed by you on each and every invoice that you submit to your customers. We will speak to your customers and collect your debts as part of our credit management service which forms part of the Invoice Finance with Sales Ledger Management facility

How Invoice Finance with Sales Ledger Management works

- ◆ You notify debts (evidenced by your invoices) and credit notes to us
- ◆ Every time debts and any credit notes are notified to us, payments are received by us or you draw against your availability, we will update the funding available to you to draw against.
- ◆ The funding we make available to you will take into account relevant amounts we retain and charges and fees due to us under the agreement which are payable by you.
- ◆ It is important that you notify debts invoiced and any credit notes promptly to us and ensure that the data you provide is accurate. We can explain the electronic processes available to you to enable you to achieve this.
- ◆ When you provide us with details of your customers, we will need the following information from you: correct trading style name, full legal entity name (company, partnership or sole trader), company registration number or charity number if applicable, full address and landline telephone number.
- ◆ In collecting the debts direct from your customers, we will work with you to seek to achieve prompt payment within the terms you have agreed with your customers.
- ◆ Your customers will receive a monthly statement of outstanding debts due to be paid to us, as detailed in the agreement between us.
- ◆ We may need to conduct surveys to ensure the facility is running satisfactorily and that the data we are receiving in respect of your debts is accurate and complete. This may be chargeable.
- ◆ We will verify a sample of debts at our discretion. Sampling debts will be undertaken by contacting your customers and requesting confirmation that a debt is due and payable and will be paid at its due date without query or dispute.
- ◆ Our usual collections process in relation to your customers can be outlined as follows:
 - Letters sent to the customer for late payment: first reminder, final demand and notification of legal action
 - Telephone contact to seek payment and/or understand reasons for delay in payment

- Your largest customers will usually be contacted regularly to ensure payments will be received and that the debts we are expecting to be paid will be settled on time
 - We will work with you to try to promptly resolve disputes or queries in relation to debts we are seeking to obtain payment on
 - If a debt remains unpaid due to a dispute or non-payment, we will take any legal action that we consider appropriate (low value debts may be considered uneconomic to pursue formal legal action on) and/or we may reassign the debt to you and adjust the funds available to you
 - We will usually let you know before we start formal legal action to recover a debt. Once legal action starts, we will update you on progress. You are liable for any legal costs we do not collect from the customer, although this liability may be limited if you have credit protection and the debt is successfully proven.
- ◆ We aim to communicate with you openly and transparently, and you will have telephone contact points within our business and access to our RF on HSBCnet internet platform to send and receive relevant messages.

What you need to know

- ◆ Certain types of debt are excluded from our agreement with you and should not be notified. Excluded debts are defined in the agreement between you and us but broadly relate to countries or customers subject to sanctions by HM Treasury or the US Treasury's Office.
- ◆ Certain types of debt are non-notifiable debts meaning that, whilst we purchase these debts under the agreement, these should not be notified to us unless we tell you to. This is defined in the agreement with you but includes (amongst others) debts payable by a customer: that you are closely associated with (e.g. same or similar ownership), that you owe debts to, in cash, where you deliver direct to a customer's end customer and the customer you trade with is located abroad, on sale or return terms etc.
- ◆ You will need to retain relevant records to prove the debts and make these available to us if requested. This typically includes relevant contractual terms, purchase orders and acknowledgements, invoices, signed delivery notes or time sheets and other documents which evidence the debt due.
- ◆ You must inform us promptly if you become aware of any dispute or query in relation to a debt you have notified to us.
- ◆ Changes to availability may be delayed if we have queries that need to be resolved.
- ◆ We may need to apply retentions to limit availability in certain circumstances. This will include, but is not limited to, (a) debts that are disputed (until such dispute is resolved or determined in our favour by a court) as they will be ineligible for prepayment whilst disputed, and (b) materially overdue debts (usually 60 days past due) unless you have credit protection and the relevant debt is protected.
- ◆ Your availability may be reduced or withdrawn altogether in certain circumstances which will include a breach by you of the agreement between us.
- ◆ Your customers should not pay you directly, and you should not bank payments received direct from customers in relation to debts notified to us.
- ◆ Your customers (or you) should forward any relevant remittance advices to us to ensure we can reconcile the sales ledger information.

- ◆ Security is often required and may include one or more of the following:
 - personal guarantee and indemnity from director(s)/ principal(s)
 - company guarantee from your parent and/or associated companies
 - personal indemnity against breach of the agreement between you and us (usually given by director(s));
 - fixed charge over debts which fail to be effectively transferred to us as required in our agreement
 - floating charge over all assets.
- ◆ We will set specific funding limits for your customers which may limit the funds available to you if you have outstanding debts due from a customer in excess of that limit at any time. We will provide a funding limit unless we are aware of adverse information about a customer but may by notice change the funding limit.
- ◆ We will also set an overall facility limit.
- ◆ It is important that you read and understand the agreement between us including what constitutes a termination event and the potential consequences of a termination event arising.

What does it really cost?

- ◆ There are no extra costs for the following:
 - no fees for Sterling drawdown to an HSBC business account in the UK
 - no charges for customer credit limit reviews
 - no charges for the notification of credit notes
 - no re-factoring fees.
- ◆ For certain types of security that may be required, it might be necessary for you to consider taking independent legal advice at your own cost.
- ◆ Every other fee or charge relevant to your agreement with us will be clearly set out in your agreement with us and will usually be debited against the funds available to you.
- ◆ An initial arrangement fee may be payable.
- ◆ Following a termination of the agreement between us, we will continue to collect repayment of the debts, and not charge you an additional fee for this, but may seek to recover from you identifiable costs of recovery.
- ◆ If you request a variation to the agreement between us, such as an increase in the overall facility limit, an overpayment or early termination of the agreement, these variations may be subject to an additional fee.
- ◆ Our service charge is calculated taking account of predicted annual turnover. The service charge may be subject to a minimum annual charge.
- ◆ If you choose to use our credit protection service, this will be charged separately.

To access your account with us you will require access to HSBCnet, which is the HSBC global internet banking system. If you are not currently an HSBCnet user you will need to enter into an agreement to obtain this. If you are a current HSBCnet user without access to an account with us, you will need to modify your existing agreement. In both instances you will incur additional fees to access HSBCnet, which are payable by you. The level of fees you need to pay are dependent upon how many HSBC accounts and users you have. Further details of HSBCnet may be obtained at www.hsbcnet.com.

Issued by HSBC Invoice Finance (UK) Ltd. Registered in England and Wales (company number: 759657). Registered Office: 21 Farncombe Road, Worthing, West Sussex, BN11 2BW

HSBC Invoice Finance (UK) Limited is a member of UK Finance, and abides by the Invoice Finance and Asset Based Lending (IFABL) Standards Framework, the Invoice Finance and Asset Based Lending Code (2018 Edition) and the independent Complaints Process, each of which can be accessed and viewed at the UK Finance website www.ukfinance.org.uk/standardsframework/.

© Copyright HSBC Invoice Finance (UK) Limited 2022. All rights reserved. No part of this document may be reproduced, stored or transmitted in any form without the prior written permission of HSBC Invoice Finance (UK) Limited (HSBC). This document should be kept confidential and shall be used for internal business purposes only by the recipient to whom it is provided and its officers, employees and agents.

This document is issued by HSBC and is intended for reference and illustrative purposes only. It does not constitute an offer or advice for you to enter into an agreement or otherwise enter into a transaction with HSBC.

All information contained in this document (including without limitation, information about products, terms and conditions, pricing, forecasts, market influences and HSBC policy) is subject to change from time to time without any obligation on HSBC to give notice of such change to you. In the event that any information contained in this document in any way contradicts or is at variance to the terms and conditions in any agreement between you and HSBC, the terms and conditions of your agreement with HSBC shall take precedence. Please note that this document may contain hypertext links to websites operated by other members of the HSBC group. Please read the terms and conditions of the linked website.

Whilst HSBC will try to ensure that the information in this document is current, accurate and complete at the date of publication, it cannot guarantee this and therefore it makes no representation (express or implied) about the currency, accuracy or completeness of that information. HSBC cannot accept liability for any direct, indirect or consequential losses arising from the use of or the reliance on the information contained in this document by any person and such liability is excluded to the maximum extent permitted by law. You are responsible for making your own evaluation about the products referred to in this document. HSBC recommends that before you make any decision or take any action that might affect you or your business; you consult with suitably qualified professional advisers to obtain the appropriate financial, legal, accounting, tax or other advice.

AC 059177 03/22