

Invoice Finance with Sales Ledger Management Product Guide

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HSBC UK |

Opening up a world of opportunity

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The basics

Our Invoice Finance with Sales Ledger Management product provides funding when we agree to purchase your debts (apart from excluded debts). Subject to the purchase terms set out in the Agreement with you, we'll advance a percentage of the debt's value to you (typically 80-90%). The remaining balance (minus our charges) will be available to you after we've received the payment from your customer.

The availability of this funding could improve your cash flow. This is because you won't have to wait for your invoices to be paid before you can access cash for business reinvestment.

Invoice Finance with Sales Ledger Management is a disclosed facility. This means your customers will be aware that we've purchased the debt and will have to pay us to settle it. This is typically disclosed by you on each invoice that you submit to your customers.

We'll communicate with 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.

Fees and charges apply which are payable by you.



How Invoice Finance with Sales Ledger Management works

Here's how the process works:

- 1.** You notify debts (evidenced by your invoices) and credit notes to us.
- 2.** We'll update the funding available to draw against when we're notified of debts and credit notes, we receive payments, or you draw against your availability.

3. In collecting the debts direct from your customers, we'll work with you to seek to achieve prompt payment within the terms you have agreed with your customers.
4. Your customers will receive a monthly statement of outstanding debts due to be paid to us, as detailed in the Agreement.

The funding we make available to you will consider retentions we may apply, and the charges and fees due to us under the Agreement. These are payable by you.

It's important that you notify debts invoiced and any credit notes promptly to us and ensure the data you provide is accurate. We can explain the electronic processes available to you to help you achieve this.

We'll need specific information when you provide us with details of your customers. This information includes the 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.

We'll 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.

We may conduct surveys to make sure the facility is running satisfactorily and to check that the data we're receiving about your debts is accurate and complete. There may be a charge for this.

We aim to communicate with you openly and transparently. We'll provide you with telephone contact points and access to our Receivables Finance on HSBCnet internet platform to send and receive relevant messages.



Debt collection

Our usual collections process in relation to your customers can be outlined as follows:

- 1.** We'll send letters to the customer for late payment: first reminder, final demand and notification of legal action.
- 2.** We'll contact the customer by telephone 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're expecting will be settled on time.
- 3.** We'll work with you to try to promptly resolve disputes or queries in relation to debts we're seeking to obtain payment on.



Legal action

If a debt remains unpaid due to a dispute or non-payment, we'll take any legal action that we consider appropriate. However, low value debts may be considered uneconomic to pursue formal legal action and/or we may reassign the debt to you and adjust the funds available to you.

We'll usually let you know before we start formal legal action to recover a debt. Once legal action starts, we'll update you on progress. You're liable for any legal costs we don't collect from the customer, although this liability may be limited if you have credit protection, and the debt is successfully proven.



What you need to know

There are certain types of debt where you won't have to notify us:

- Excluded debt – debts that are excluded from the Agreement. These debts broadly relate to countries or customers subject to sanctions by HM Treasury or the US Treasury's Office.
- Non-notifiable debt – debts that we'll purchase under the Agreement, but you don't need to notify us unless asked.
- Non-notifiable debts are defined in the Agreement with you. They include (amongst others) debts payable by a customer:
 - That you're closely associated with (eg same or similar ownership).
 - That you owe debts to.
 - In cash.
 - On sale or return terms.

You'll need to keep relevant records to prove the debts and show these to us if asked. The records typically include relevant contractual terms, purchase orders and acknowledgements, invoices, signed delivery notes or time sheets, and other documents which evidence the debt due.

If you become aware of any dispute or query in relation to a debt you've notified to us, you must inform us promptly.



Changes to availability

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 isn't limited to:

- Disputed debts (until such dispute is resolved or determined in our favour by a court) as they will be ineligible for prepayment.
- Materially overdue debts (usually 60 days past due date) unless you have credit protection, and the relevant debt is protected.

Your availability may be reduced or withdrawn altogether in certain circumstances, such as breaching the Agreement.

Your customers shouldn't pay you directly. You shouldn't 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.

We'll set specific funding limits for your customers. This 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'll provide a funding limit unless we're aware of adverse information about a customer. We may, by notice, change the funding limit.

We'll also set an overall facility limit.



Providing security

Security is often needed to cover scenarios where a business becomes unable to repay all the finance that's been provided to it. It's also taken to protect our interest in any assets we've purchased or which have been pledged to us as security. If a personal guarantee is provided, it means the individual who's entered into the guarantee has assumed personal liability for the debts of the business.

The security we require 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 (usually given by director(s)).
- Fixed charge over debts which aren't effectively transferred to us as needed in the agreement.
- Floating charge over all assets.

It's important you read and understand the Agreement between us, including what constitutes a termination event.

A termination event may happen if you fail to comply with the terms of our Agreement. A termination event will give us rights impacting on the facility. For example, these include: restricted access to funding, a requirement for you to repurchase debts from us or steps to recover funds against any security that's been provided.



What are the costs?

You may need to pay an initial arrangement fee. Every other fee or charge relevant to your Agreement with us will be clearly set out in the Agreement and will usually be debited against the funds available to you.

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 but may inform the value of the minimum annual charge.

For certain types of security that may be needed, it might be necessary for you to consider taking independent legal advice. This will be at your own cost.

There are no extra costs for the following:

- Sterling drawdown to an HSBC business account in the UK.
- Customer credit limit reviews.
- The notification of credit notes.

To access your account with us, you'll need to use HSBCnet. This is the HSBC global internet banking system.

If you're not currently an HSBCnet user, you'll need to enter into an Agreement to obtain this.

If you're a current HSBCnet user without access to an account with us, you'll need to modify your existing Agreement.

In both instances, you'll incur additional fees to access HSBCnet. The level of fees you need to pay are dependent upon how many HSBC accounts and users you have. Further details on HSBCnet can be found at [hsbcnet.com](https://www.hsbcnet.com).



Requesting a variation to the Agreement

Variations to the Agreement may be subject to agreeing to a fee for providing the variation, overpayment, or agreeing to early exit during the minimum term.

Following a termination of the Agreement, we'll continue to collect repayment of the debts, and won't charge you an additional fee for this. However, we may seek to recover identifiable costs of recovery from you.

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 in the following document on the UK Finance website ukfinance.org.uk/system/files/IFABL-Guide-2021_FINAL_0.pdf

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