

Invoice Discounting Product Guide

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HSBC UK

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Contents

The basics	3
How Invoice Discounting works	3
What you need to know	5
Changes to availability	5
Providing security	6
Invoice Discounting costs	7
Requesting a variation to the Agreement	8
Using the Invoice Discounting facility	8
Integrated Data Solutions (IDS)	9
How IDS works	9



The basics

Invoice Discounting provides funding where we make an agreement 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 80-95%). The remaining balance will be available to you after we've received the payment from your customer.

Making this funding available to you can 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 Discounting is an undisclosed facility. This means your customers aren't ordinarily aware of our involvement under this arrangement. Customers will continue to pay you, although payments will be made into a designated account. You become our collection agent for the debts we've purchased from you under this arrangement.

Fees and charges apply which are payable by you.



How Invoice Discounting works

Invoice Discounting releases cash from your invoices. Here's how it works:

- 1.** You provide the goods/services to your customers and invoice them as usual.
- 2.** Where available, our digital software integrates with your accounting system and automatically uploads invoices and credit notes (see Integrated Data Solutions (IDS) section).

3. 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.
4. The funding we make available will reflect the relevant amounts we keep (along with any fees and charges due to us) which are payable by you under the Agreement.

As you'll be collecting the debts as our agent and keeping control of your sales ledger, we'll need you to do some administration. We'll need:

- A monthly reconciliation.
- An aged debtor report in a form agreed with us (if not using our IDS platform).

Once we've received them, we'll take the reports into account and make adjustments to availability. Changes to availability may be delayed if we have queries that need to be resolved.

We may conduct surveys on these facilities to make sure they're running satisfactorily and to check that the data we're receiving about your debts is accurate and complete. This may include a need for one of our surveyors to visit you. 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 internet platform to send and receive relevant messages.



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.
- Non-notifiable debt – debts that we'll purchase under the Agreement, but you won't need to notify us unless asked.

Non-notifiable and excluded debts will be defined in the Agreement.

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

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.

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.

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



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.

Invoice Discounting costs

Our service charge is calculated taking account of predicted annual turnover. The service charge may be subject to a minimum annual charge.

Fees and charges relevant to your Agreement with us will be clearly set out in the Agreement. They will usually be debited against the funds available to you.

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.

If things go wrong and we have to collect out the debts following a termination of the Agreement and/or you become insolvent, we won't charge you a collect out fee. However, we may seek to recover identifiable costs of recovery from you.



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.

Variations can include:

- An increase to the overall facility limit.
- Overpayments being made to you (ie that we extend additional availability to you in excess of what you are otherwise entitled to under the agreement).
- Early termination of the agreement.



Using the Invoice Discounting facility

There are two delivery channels available for Invoice Discounting. Both determine how data is exchanged between you and us to operate the facility.

You have the option to choose one of the following methods of working with us:

- Using Integrated Data Solutions (IDS), our automated digital platform for extracting needed data from your accounting software.
- Not using IDS, where the necessary data is submitted manually by you as and when needed – this may be the appropriate solution if your accounting software is not compatible with IDS.



Integrated Data Solutions (IDS)

IDS is a secure digital connection which extracts the information needed by us from your accounts software to operate the Invoice Discounting facility. You can use one of our standard connectors that work alongside more than 20 popular accounting packages, or our Universal Adaptor (CSV) for other bespoke solutions which we'll work with you to implement.

Our IDS software has no additional charge. We'll provide support to install and configure the software if needed.



How IDS works

- 1.** You'll download and install a small piece of encrypted software provided by HSBC.
- 2.** You'll then configure it to extract sales invoices and credit notes data at specified times, directly from your accounting software.
- 3.** You'll choose from either daily or weekly adjustments to your facility and send us further data extracts.
- 4.** The IDS software automatically extracts your sales ledger data (sales invoices, credit notes and customer payments) which are received by HSBC within 60 minutes from the time an extract is made.

If sales invoices are extracted by 5:00pm and aren't subject to audit checks, we'll aim to update the funding available to you the same working day.

For export currency transactions and same day drawdown of funds, extracts should be configured to happen by 2:00pm. Your funds should be made available before 3:00pm.

As you're collecting the debts as our agent and keeping control of your sales ledger, we'll need you to provide a monthly reconciliation in a form agreed with us. However, since daily funding updates can be made to the facility, you won't need to provide a monthly aged debtors report unless we request it.

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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