

A GUIDE TO INVOICE DISCOUNTING – WELCOME!



We are pleased to welcome you as a client of Skipton Business Finance and very much look forward to a long and happy relationship!

As part of Skipton Building Society, our ethos is very much focused on understanding the individual business requirements of each of our clients to create a partnership approach.

We want you to have a full understanding of how your facility operates and how availability of funds is calculated. We want you to be confident in our decision-making process and that we will not make promises that we cannot keep.

We will ensure you can speak with decision-makers and problem-solvers on your account.

This manual briefly introduces our procedures in relation to the different variations of the Invoice Discounting product we provide. Please also refer to our client site to review other guidance (specifically the manual relating to using our on-line system) and useful information.

FACILITIES OFFERED (the type of facility being offered will be noted in your legal agreement)



Invoice Discounting

We mirror the **total balance** of your assigned sales ledger. We call this a bulk facility as we do not mirror each customer account and invoice.

At commencement we agree a starting total of the sales ledger that is entered onto our system.

This value will change in line with the total of your sales ledger when customer receipts are received; invoices are raised and any other adjustments to your sales ledger.

At the end of each month we ask for an information pack and a reconciliation exercise to confirm our facility remains in sync with the balance of your sales ledger.

At all times the balance on our system should mirror the balance of your assigned sales ledger.

This facility can be **disclosed** or **confidential**.

All customer receipts should be paid into a Skipton Business Finance bank account which has been set up in your name. We call this account the **trust account** and we will advise you of the details.

FACILITIES OFFERED (the type of facility being offered will be noted in your legal agreement)



If the facility is **disclosed** you are required to add the following “assignment stamp” onto your invoices and credit notes.

The debt arising hereunder has been absolutely assigned to Skipton Business Finance Limited. Your cheque should therefore be made payable to Skipton Business Finance Limited but should be sent to ourselves acting as their authorised collection agent.

If there is a dispute on this invoice or a valid reason for non payment you must notify Skipton Business Finance Limited within 2 working days.

Registered Office: The Bailey, Skipton, North Yorkshire, BD23 1DN
Registered in England - Number 4171724

You are required to advise your customers of the new Skipton Business Finance provided bank details whether the facility is **confidential** or **disclosed**.

INVOICES



The following invoices should **not be notified** to ourselves: –

- Cash invoices (including invoices for deposits)
- Invoices to private individuals
- Invoices in currencies other than £ sterling
- Illegible or incomplete invoices
- Duplicated invoice reference number
- Invoices for products or services not covered by your agreement
- Pro-forma invoices
- Any invoices to associated / linked companies
- Invoices for service or goods not yet delivered. It is a serious breach of our facility should invoices be assigned before goods / services are delivered and additional administration fees may apply in these circumstances

If you are at all unclear whether the invoice should be assigned, please contact your dedicated Manager to discuss.

Sounding Exercise

All invoices should always be supported by evidence the goods have been delivered or the service fulfilled.

As part of our standard procedures, we will routinely validate a selection of invoices. The invoice batch will be randomly selected, and we will contact you to provide a copy of the corresponding day book and any invoice(s) and supporting documentation that we may select.

It is our aim to ensure these verification exercises are completed within 24 hours of receipt of the necessary paperwork. Until the sounding exercise is complete funding will not be available on the invoice.

MONTH END REPORTING



At each month-end you are required to send us the following information by the 10th working day of the 'new' month.

- Completed Sales Ledger Control Account form – this must balance to your Sales ledger at the end of the month.
- Summary Sales ledger
- Detailed Sales ledger
- Summary Purchase ledger
- Copy bank statements / alternatively we can provide a link to our open banking software which will allow remote extraction of this

If we do not receive the above information in the require timescales additional retentions and costs may be applied to your facility. Please advise your Manager at the earliest opportunity if you cannot provide this information in the timescales required.

We strongly recommend that you update the SLCA on a daily basis and check the entries against our daily output. Our SLCA form is an excel document which will highlight discrepancies between the ledgers.

It is your responsibility to investigate and explain such differences the following day to ensure that your cashflow remains uninterrupted.

It is essential that you advise us immediately (i.e. throughout the month concerned) of all adjustments that you make to your sales ledger. On receipt of this information, we will then process an identical adjustment to your Sales Ledger Control Account (SLCA).

MONTH END REPORTING cont . .



Here are some tips for accurate reconciliation;

Remember you are reconciling your discounted sales ledger to SBF. There may well be customer accounts that are not assigned to ourselves (typically intercompany invoices or a cash sales account). You will need to account for these as part of the reconciliation process.

Our sales ledger (balance will show on the on-line system) should be a duplicate of the entries you have posted to your sales ledger; assigned to ourselves and noted on the SLCA form.

It's always worth checking that the invoice / credit note schedule you have notified to us has been processed (you can see the entry on the Client Statement on the on-line system).

Check periodically through the month that the balance brought forward on the SLCA form matches the balance on your up-to-date sales ledger and our system.

BACS payments will be made to the trust account – remember you should only post these receipts to your sales ledger once you have seen the payment be processed on our on-line system. Please do not post from the Remittance Advice which will be sent to yourself.

DEBTOR PAYMENTS / COLLECTIONS



When collecting a debt, occasionally there may be no alternative other than legal action.

We will normally seek your confirmation prior to undertaking this course of action.

Skipton Business Finance uses an industry recognised legal practice to recover debt that requires legal action. They aim to:-

- Recover the amount owed plus any interest and costs where-ever possible
- Use the most cost-effective approach
- Seek to recover the debt in the fastest possible timescale

The type of legal action will differ depending on the type of debt and the amount and we will discuss this fully with you if this action is necessary.

We will keep you informed on an ongoing basis of any legal action being taken.

The cost of the legal action will be borne by your business, and an estimate and details of the potential costs can be provided prior to any action being undertaken.

equus

BACS RECEIPTS



At the start of your facility please advise your customers of the change of bank details so that going forward they make payment direct into the Trust Account that we have set up in your name.

Any time you receive a debtor payment directly into your own bank account, **you must immediately forward the funds into the Trust Account** and advise your customer to amend their bank details.

All payments received into the Trust Account will be credited to your account with us. You will be able to view who has paid via our online system.

You should only post the payments to your own sales ledger once you can see we have credited them to your account, not from the remittance advices you receive from your customers.

PAYMENTS



Your business can request payments from Skipton Business Finance via the on-line system. Skipton Business Finance will make the payment in one of two ways:

- Our standard method of payment is by BACS into your bank account with funds received on the third working day. There are no additional fees for payments via this method.
- We also offer a CHAPS / Telegraphic Transfer facility. This method incurs additional charges including an administration fee and an additional discount charge. Funds will be received on the same working day as requested.

Payment requests for processing that day must be received using the online facility **no later than 11:30am**. Requests received after 11:30am will be processed the following working day.

CHANGE OF BANK DETAILS

Please advise Skipton Business Finance as early as possible of any changes to your bank account details. Typically, we will require a formal letter from a Director asking us to amend our bank details and a copy of a relevant statement/ paying in slip / cheque etc. To assist fraud prevention, we may also request details of the relevant Bank Manager in order to confirm the bank details.

Advance notice is required in order that payments to your business will not be interrupted. If either the incoming or outgoing bank has a debenture or charge encompassing the book debt registered over your business, we may well require additional documentation.

COLLECTIONS TARGET



With the Invoice Discounting (ID) facility, you retain responsibility for the credit control of your sales ledger which includes telephone chasing, providing statements and letters to your customers.

We stipulate a collections target on the account and this is known as the '**Trigger Figure**'.

This is detailed within our legal agreement. An average for collections is set and this is translated into a monetary collections target to be achieved each month. You will be able to see the average debt turn and collections on our on-line system.

If you do not achieve the requisite amount of collections in any one month your initial Prepayment Percentage may be reduced. Therefore it is vital that you make your **Relationship Manager** aware of any issues on the ledger in order for us to ensure there is minimal disruption to your facility.

FUNDING DISAPPROVED



There are various elements of the sales ledger that we do not provide funding against and this is known as '**Funding Disapproved**' or '**Month End Retentions**'. We calculate this at the start of our facility and when the month end reporting is received. A breakdown of this balance is shown on the on-line system.

Overdues – We fund invoices for a specific period of time referred to in your legal agreement as the recourse period. Typically on a standard Sales Ledger package this is the value of the 'older' column.

Contra – Otherwise known as two-way trading. When a debtor from your aged debtor analysis also appears as a creditor on your purchase ledger we will hold a reserve of the lower balance.

Disputes – If we are made aware of a dispute on any debtor account.

Excess Funding Limit – If the value of the debt outstanding on the customer account exceeds the funding limit the excess will be disapproved for funding.

Excess Concentration Limit – Your legal agreement will detail the % of the Sales Ledger any single customer can represent.

Sounding – Invoice / credit note batches may be randomly selected for our validation exercise. Typically we will ask for a copy of an invoice together with any supporting documents (Purchase order / proof the goods or services have been delivered or fulfilled).

CHARGES



Skipton Business Finance effectively has three types of charges:

Administration Charge - this covers the administration of your facility which includes:

- Processing schedules
- Sales Ledger Control Account reconciliation
- Account Management

The administration charge is normally defined as a percentage of the gross value (including VAT) of the invoices processed. This charge is subject to VAT. Skipton Business Finance debit the administration charge from your Current Account when processing invoice schedules and the charge will appear on your Client Statement which is available from our on-line system. The minimum monthly charge is detailed in your legal agreement and you will see this fee debited (if appropriate) on the last working day of the month.

Discount Charge - this can be likened to an 'interest' charge. It is based on the level of funds advanced to your business and is charged on the last working day of the month. Please refer to the legal agreement for full details of this charge.

Additional Charges - There will be additional charges for services such as the early processing of invoices for payment on the day we receive them, for overpayments or for changes to the Terms and Conditions of the Agreement. A fee of up to £35+VAT handling charge will also apply to all client payments made by CHAPS plus additional days discount on the value of the payment. These additional charges will relate to the amount of administration involved, examples are detailed on the following page.

CHARGES



Early Processing / Overpayments

Same day processing and payment against invoices and / or cash received.

Up to 3% of payment value. Minimum charge £95

Overpayments (other than those negotiated prior to commencement)

Up to 3% of overpayment value initially and per month. Minimum charge £95. In addition, discount will be applied at the standard rate as outlined in your legal agreement.

Permanent Facility Reviews

Facility parameter increases eg: Facility Limits / Initial Payment Percentage / Concentration Limits etc

Up to 3% of increase. Minimum charge £250

Administrative Management Support

For administrative support to clients beyond normal operational activities

£500 per day

For exceptional management time

By arrangement

Non-standard audit visit

£500 per visit

Legal Documentation

Charge / Debenture registration on (standard documentation)

Companies House fee + SBF charge

Other legal fees

As incurred