British Business Bank

Making business finance work for you

british-business-bank.co.uk

We know that understanding the many different types of financial product in the marketplace and how they could support your business can be difficult.

Our **Making business finance work for you** guide is designed to help you make an informed choice about accessing the right type of finance for your business.

In this guide we've highlighted the seven most common challenges your business might face, and the types of finance that could help you meet them.

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1

Starting a business

Starting a new business often requires capital – money that is used to help research your business idea, create a prototype product, or purchase equipment or machinery that your new business will use.

Starting a new venture can be thrilling – yet also financially challenging for new business owners.

Often, the first hurdle that budding entrepreneurs face is securing the necessary funds to breathe life into their business dream.

There are many reasons a start-up requires initial funding, such as:

- **Research and development:** understanding the market and potential customers is important. Funding can be used for conducting market studies, surveys, and tests that offer insights into the viability of your business idea
- **Prototyping:** for product-based businesses, creating an initial version or prototype can require significant resources, from materials to machinery or even software development tools
- **Inventory and stock:** retailers and manufacturers might need initial capital to purchase stock or raw materials, ensuring they're ready to meet customer demand
- **Operational expenses:** rent for a physical location, utilities, initial salaries for essential staff, and setting up a functional workspace can require a substantial upfront investment
- **Marketing and branding:** building awareness can be important for any new business, such as funding marketing campaigns, creating a brand identity, and establishing an online presence
- **Licences and insurance:** complying with regulations can mean securing certain licenses or buying required insurance, such as food safety or public liability insurance
- **Contingency:** a financial safety net can be invaluable during unforeseen challenges when starting up to ensure that you don't run out of cash.

Many new business owners use their personal savings or money provided by friends or family.

You might also investigate additional sources of funding, and this is generally known as **pre-seed capital.**

Pre-seed capital

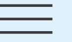
Pre-seed capital is the earliest stage of funding needed to start a business.

It is provided to business owners looking to expand on an initial business idea or concept.

It is often used for activities such as conducting market research and creating prototypes or minimum viable products (MVPs).

Pre-seed funding often comes from a business owner's personal savings as well as from friends or family members.

Find out more about pre-seed capital.



There are different sources of pre-seed capital that you can explore when seeking funding for your start-up business, including **angel investment, business loans** and **crowdfunding**.

Angel investment

Business loans

Crowdfunding

Start Up Loan

This is a government-backed, low-interest personal loan to help start or grow a business.

Eligible UK-based founders starting a new business or those trading for no more than 36 months can borrow up to £25,000, with a fixed interest rate of 6% per annum.

There is a range of pre and post loan support on offer including Learn with Start Up Loans and our Business Guidance encyclopaedia whilst successful applicants also receive 12 months of free mentoring.

Business owners who have already secured a Start Up Loan and have been trading for no more than five years may be eligible for a second loan.

You also have the opportunity to tranche your loan, drawing down part of your loan first, and then the rest later if you need it.

Find out more about a Start Up Loan.

Worth knowing

Start Up Loans offers a government-backed low-interest personal loan of up to

£25,000

to help founders start or grow a business.

Debt finance

This involves a business borrowing an amount of money or purchasing an asset with finance that is paid back with interest over an agreed period of time.

Common forms of debt finance include:

Loans

Business loans are usually offered by a range of providers – from high street banks to specialist business lenders – and may be **secured** or **unsecured**.

– **Secured loans** use assets your business owns – such as property or machinery and stock as security

– **Unsecured loans** can be borrowed without using any assets as security. As a result, unsecured loans typically have higher interest rates than secured loans as they are more risky than secured lending.

Lenders typically look for businesses with a trading history and a proven track record.

This means that early-stage start-ups may struggle to get a loan.

If that's the case a founder may want to consider a Start Up Loan which can cater to those who have been turned down for finance elsewhere.

There are also some lenders, such as Community Development Finance Institutions (CDFIs), that consider applications from businesses with limited assets, trading histories or track records.

Find out more about business loans.

Overdrafts

An overdraft is a line of credit on your business bank account that provides access to more short-term funding than your business's own capital.

Unlike loans which have a fixed repayment fee, you only pay interest on the amount you're overdrawn.

However, the bank will usually charge a fee for arranging the overdraft, and if you're late or miss a repayment, you'll be charged a fee that could affect your credit rating.

Overdrafts generally have a higher interest rate than business loans.

Find out more about overdrafts.

Equity Finance

Angel investment

Angel investors are often established entrepreneurs or people with extensive business experience who use their own money in exchange for an equity stake in your business.

This means that in exchange for investing their money in your start-up, they will own a percentage of your business.

As well as funding, angel investors can provide valuable business guidance and access to a network of connections that may also prove very valuable.

It's typical for an angel investor to want some input into the business's decision making so a founder should be prepared for this.

The Seed Enterprise Investment Scheme (SEIS) offers tax relief incentives to angel investors to encourage investing in smaller businesses.

The Finance Hub has a checklist of the steps you might want to consider in order to prepare your business for angel investment and learn more about angel investors and their potential benefits for your start-up.

Equity crowdfunding

This involves listing your business on an online platform that allows investors and members of the public to buy shares in your business.

There are various equity crowdfunding platforms.

They allow you to reach people who might otherwise not have known about your business, but there's no guarantee of success and platforms often charge a success and listing fee.

The Enterprise Investment Scheme and Seed Enterprise Investment Scheme (SEIS) offer tax relief incentives to crowdfunding investors.

Find out more about equity crowdfunding.

Mezzanine finance

This is a hybrid form of funding that blends debt and equity finance.

A funder offers a business a loan which the business agrees to repay with interest.

However, should the business be unable to meet the repayments, the debt could be converted into shares in the company.

It's generally used for larger funds than those required by a smaller start-up business.

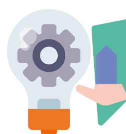
Find out more about mezzanine finance.

2

Research and development

Research and development (R&D) is when a business develops innovative products, services, or processes.

For many start-ups, particularly those in technology-driven or innovative sectors, R&D plays a central role in their business idea with funding used for a range of initial R&D activities such as:

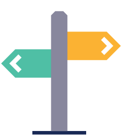


Idea validation
R&D allows entrepreneurs to test the feasibility of their business idea. It can ensure that the product or service fills a genuine market gap and meets customer expectations

Specialised skills
R&D may need the expertise of professionals who possess specialist skills, and salaries can be costly

Tooling and technologies
developing an innovative product can mean investing in new technologies, tools, or methodologies

Intellectual property
protecting innovations through patents, trademarks, or copyrights can involve significant legal costs



Prototyping and testing
before a product hits the market, it may undergo several iterations, and funding can support the creation of prototypes and testing to refine the final product

Market research
understanding customer needs can involve market research, surveys, and potentially even focus group studies

Funding is usually needed for R&D activities; with a range of specialist funding such as grants that are designed to help with R&D costs.

R&D grants

This is money used to fund R&D projects that doesn't have to be paid back.

The grants can fund activities such as getting help from experts and accessing specialist equipment to create product prototypes.

The government provides R&D grants through UK Research and Innovation, which brings together seven research councils, Research England, and business-led innovation agency Innovate UK.

R&D grant schemes can be very competitive, and applying can be complicated.

Innovative companies in all industries can in theory benefit from R&D grants, but businesses in sectors such as technology and scientific research may be most likely to be successful with applications.

Find out more about R&D grants.

R&D tax relief

Businesses with a project that meets the standard definition of R&D may be able to claim a reduction in their Corporation Tax bill.

The type of R&D tax relief you can claim depends on the size of your business and whether the project has been subcontracted to you or not.

Smaller businesses may be able to claim small and medium-sized enterprise (SME) R&D tax relief, while larger companies and SMEs subcontracted to do R&D work by a large company may be able to claim R&D expenditure credit (RDEC).

Find out more about claiming research and development tax relief.

Asset finance

This allows a business to acquire assets without putting additional pressure on cash flow or needing to raise a significant amount of working capital before purchase, but the finance is secured on the asset, therefore if you are unable to meet the repayments the asset could be taken back by the lender.

See the 'purchasing a major asset' section for full details.

Find out more about asset finance.

Overdraft / working capital credit

An overdraft is a line of credit on your business bank account that provides more cash than your business has as its own capital.

See the 'starting a business' section for full details.

Find out more about overdrafts.

Working capital credit (also known as a working credit revolver) is a line of credit where the available amount for borrowing is linked to a business's balance sheet.

It is usually secured funding.

Find out more about working capital credit.

Worth knowing

Innovate UK is the UK's national innovation agency that provides funding to help businesses grow through the development and commercialisation of new products, processes, and services.

3

Importing and exporting goods and services

Businesses selling goods or services overseas face risks when it comes to cash flow and receiving payment from buyers.

While the global market could offer immense potential, navigating the intricacies of importing and exporting can be a complex and expensive venture.

Proper funding can help ensure that your business can handle the logistical and regulatory challenges, as well as lay the foundation for overseas expansion such as:

- **Initial stocking:** importing often involves buying in bulk to achieve economies of scale
- **Customs duties and taxes:** importing goods can attract customs duties and taxes, and costs can vary by country and product
- **Shipping costs:** transporting goods across borders, be it by sea, air, or land, incurs significant costs, especially when dealing with large quantities or delicate items
- **Compliance:** different countries have diverse regulations concerning product standards, safety, and quality, which can be costly to ensure compliance
- **Insurance:** the international transit of goods carries risks such as damage, theft, or loss, making insurance an essential cost
- **Local representation:** establishing local offices, warehouses, or hiring representatives in the target country can streamline operations but may require financial outlay
- **Currency fluctuations:** currency value can fluctuate, potentially impacting profits – having a buffer can help navigate these financial ebbs and flows.

There are various finance products that can support exporting goods and services.

Trade (or export) finance

Trade finance provides guarantees and advance payments.

Products include:

- **Letters of credit:** a legally binding guarantee from a bank that a seller of goods will receive payment from a buyer if the goods or services are delivered on time
- **Export credit insurance:** an insurance policy that protects an exporter from not receiving payment from the buyer
- **Bonds:** this provides a guarantee to the importer should the exporter not meet the obligations of the contract
- **Supply chain finance:** this type of finance helps businesses manage their working capital. It involves a supplier receiving early payment of an invoice by a finance company. The business that has purchased the goods or service then pays the funder once the invoice is due. Find out more about supply chain finance
- **UK Export Finance (UKEF) General Export Facility:** UKEF is the UK government's export credit agency – find out more about UKEF. The General Export Facility (GEF) provides partial guarantees to banks to help UK exporters gain access to trade finance facilities. This allows businesses to unlock working capital to support business growth without the need for a specific export contract. Businesses can use the funding to cover everyday costs linked to exporting. GEF allows exporters to access cash facilities such as trade loans, and contingent obligation facilities such as bonding and letter of credit lines
- **UKEF Bond Support Scheme:** if your business wins an export contract, you might need to provide a bond. A bond can often be provided by the exporter's bank, although collateral is usually required which can put pressure on the exporter's cash flow or working capital. To deal with this, the UKEF Bond Support Scheme provides a guarantee of up to 80% of the value of the bond.

Find out more about trade finance.

Worth knowing

Established in 1919 as the world's first export credit agency, UK Export Finance helps exporters access finance and insurance to support their business.

Protecting cash flow and working capital

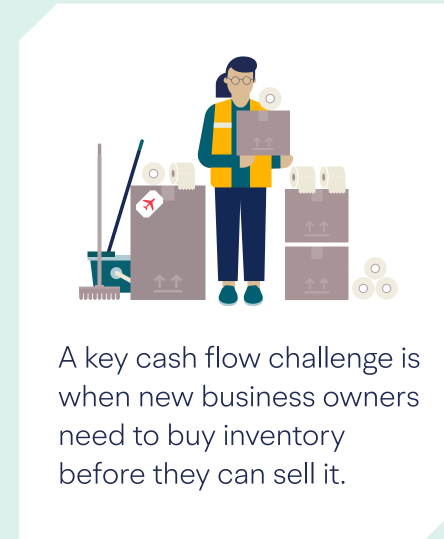
Cash flow can be unpredictable for small companies.

Unforeseen costs, seasonal fluctuations, and wider economic challenges can all impact business growth.

A well-funded business may be better able to withstand market challenges, seize growth opportunities, operate on a sound financial footing, and be better placed to withstand issues such as:

- **Operational consistency:** day-to-day operations, from paying wages to settling utility bills, can require funds
- **Needing a cash buffer:** invoiced payments, especially in B2B transactions, can sometimes face delays
- **Seasonal fluctuations:** funding may help in navigating seasonal periods when revenues might be lower than usual
- **Inventory management:** retailers and manufacturers may need funds to stock up on inventory
- **Opportunistic investments:** – access to funds allows businesses to capitalise on opportunities such as a bulk discount without impacting cash flow
- **Debt management:** funding can help ensure that outstanding debts or financial obligations are managed promptly
- **Expansion:** whether it's opening a new branch or launching a fresh marketing campaign, additional funds help ensure that growth opportunities can be seized without jeopardising the existing cash flow
- **Unforeseen expenditures:** unexpected expenses, such as equipment breakdowns can arise.

Inventory financing



A key cash flow challenge is when new business owners need to buy inventory before they can sell it.

Finance products that could support inventory financing include:

Purchase order finance

Small businesses can sometimes struggle to fulfil a large order from a customer because they don't yet have the funds to pay their supplier.

This is where purchase order financing (PO financing) could help.

The typical process for PO financing is that once a business has been approved by a finance provider, they receive the money and use it to pay their supplier.

Once the order has been delivered to the end customer and an invoice has been sent, the finance provider collects payment from the customer, deducts its fees, and sends the remaining amount to the business that has delivered the order.

Unlike other types of funding, PO financing is available to businesses of all sizes including new and growing start-ups and smaller businesses.

Even businesses with a low credit score or limited credit history may be able to access PO financing because an approval decision is typically based on the creditworthiness of the end customer.

However, PO financing can be an expensive funding option because providers typically charge a monthly fee of between 1.8% and 6%.

The longer your customer takes to pay the invoice, the more fees you will pay.

Find out more about purchase order finance.

Overdraft facilities or revolving credit

These are flexible, short-term funding options that enable businesses to withdraw credit when required.

An **overdraft** is a line of credit on your business bank account that provides additional cash to the business as required.

An overdraft charges interest only on the amount by which you're overdrawn, unlike loans which have fixed repayments and interest whether or not you use it.

Flexibility is a key advantage of overdrafts, and they are typically quick and easy to arrange.

However, overdrafts generally have higher interest rates than loans, and if you miss a payment, you might be charged a fee which can affect your credit rating.

Revolving credit is similar to an overdraft, but it is not linked to your bank account.

This means you can access it from multiple lenders.

Like overdrafts, flexibility is a benefit, but revolving credit also involves higher interest rates and fees than loans, and you may need to give a personal guarantee to access it.

Find out more about overdraft facilities and revolving credit.

Supply chain finance

This type of finance helps businesses manage their working capital. It involves a supplier receiving early payment of an invoice by a finance company. The business that has purchased the goods or service then pays the funder once the invoice is due.

Find out more about supply chain finance.

Making business finance work for you

Asset financing

This allows a business to acquire assets, replace old equipment, or expand operations without putting additional pressure on cash flow or needing to raise a significant amount of working capital before purchase.

To access the funding, a business uses assets on its balance sheet as collateral to fund a purchase.

Asset finance options include:

Finance lease

A finance provider purchases the asset and leases it to a business. The lessee makes monthly repayments. The lessee is also accountable for insuring and maintaining the asset.

Contract hire

This method is often used by businesses purchasing a fleet of vehicles. It provides access to the asset in return for fixed rental payments over a set period. The provider is responsible for sourcing and maintaining the vehicles.

Asset finance is generally flexible and quick to arrange, but you may face charges if you default on payments or decide to pay off the loan early.

Additionally, the lender may seize the asset you've put up as security and sell it if you fail to make payments.

Operating lease

A business leases an asset over a specified timeframe. They can potentially upgrade to a more advanced model within the rental period. The finance provider is accountable for maintaining the asset.

Asset refinancing

This frees up cash by using assets in your business that you already own (such as machinery, equipment, and vehicles) as security.

Basically, you transfer ownership of the asset to the lender but keep using the asset, paying the lender back monthly.

When you have repaid the sum lent by the lender you take ownership of the asset.

This is why asset refinance is sometimes called a 'sale and leaseback agreement'.

Interest charges for asset refinancing tend to be less than other options, and an adverse credit score isn't usually a problem.

However, your asset will be at risk if you can't keep up repayments and it will be more expensive than using your own cash reserves.

Find out more about asset refinancing.

Late payment

An estimated £23.4 billion in late invoices is owed to UK businesses. It's a perennial problem that can have a significant negative impact on cash flow.

Finance that could help with late payments includes:

Invoice finance

Tap into the value of unpaid invoices by using them as security against lending.

With invoice factoring, the lending provider offers up to 90% of the value of an invoice and collects payment from the customer before paying the lendee business the remaining balance minus a fee.

Invoice discounting is similar to factoring, but you keep control of customer payments.

If you use the funding, you pay a fee and a discount charge (like interest).

Invoice finance is usually only available for established businesses that trade with other businesses.

If it takes more than 90 days for customers to pay invoices, providers may not approve your application because they will have to wait too long to receive their money.

This checklist could help you decide whether invoice finance is suitable for your business.

Find out more about invoice finance.

Working capital loans

A working capital loan can provide an injection of funding to manage cash flow challenges.

Secured loans require collateral so the amount you could borrow depends on the assets you can provide as security.

Unsecured loans are also available, but you'll likely have to give a personal guarantee and will need a good credit rating.

Find out more about working capital loans.

Other finance solutions that can protect cash flow and working capital:

Buy Now Pay Later (BNPL)

These schemes allow customers to delay full payment for products or services which can encourage them to make a purchase they might otherwise not have made.

If a customer misses a payment, they are charged interest and may also incur a late payment fee.

Businesses are charged a fee for each completed transaction.

This is usually between 2% and 8% of the total amount.

Find out more about BNPL.

Merchant cash advance

A merchant cash advance (MCA) is for businesses that accept debit and credit card payments.

Lenders provide a business with a sum of money, which it then repays using a percentage of card transaction sales, plus fees.

MCAs have an advantage over traditional loans in that they can be accessed without needing to provide assets for security, such as property or inventory.

However, MCA fees and interest rates tend to be higher, and if payments aren't met, businesses can be at risk of being unable to service their debt.

Find out more about merchant cash advance.

Grants

This is funding provided by public sector and private organisations that doesn't have to be paid back.

Grant schemes are usually focused on factors such as a specific business activity, stage of business, sector, founder demographic and location.

Some grants can be used to deal with cash flow challenges.

Grant schemes vary in how much money you could receive.

For some, you'll receive the full amount, whereas for others you need to match a proportion of the value of your grant before you receive it.

Application processes can be long and time-consuming, and there is no one-size-fits-all approach.

Before applying, it is advisable to speak to the grant provider to find out what's involved and whether you're eligible.

Sources of grants include the government's finance finder, the find a grant service, and the websites of local councils.

Find out more about grants.

Worth knowing

An estimated £23.4 billion in late invoices is owed to UK businesses, but there are finance solutions that can help companies tackle the cash flow challenges.

5

Debt consolidation

If you have multiple loans or lines of credit, you may decide to consolidate the debts into a single, more manageable loan.

You could combine loans from several different providers into a single debt from one lender.

This process could result in a reduction in monthly repayments, and if your credit score has improved since applying for finance, you might also be able to obtain a lower interest rate.

On the other hand, debt consolidation can involve extra fees, and you may end up paying a higher interest rate if your credit score is too low.

In addition, missing repayments on a debt consolidation loan could significantly lower your credit score, and you may be charged additional fees.

The types of loans that can be consolidated include:

Worth knowing

If you have multiple loans, you might be able to consolidate the debts into a single, more manageable loan. This could result in lower repayments and lower interest.

Secured loans

For this type of loan, you'll need to offer collateral, such as property, vehicle, land, machinery or another major asset that your business owns, as security against the amount you want to borrow.

Due to the lower risk for the lender, secured loans are generally cheaper than unsecured loans.

However, applications for secured loans can take longer to be approved, and if you fail to meet the monthly repayments, the lender can reclaim their debt from the asset you've put forward as security.

Find out more about secured loans.

Commercial mortgages

This is a loan that involves paying a deposit followed by monthly repayments with variable or fixed interest rates.

Commercial mortgages usually run for between one and 30 years.

The types of commercial mortgages are:

owner-occupied mortgages – for businesses buying a property for commercial purposes

commercial buy-to-let mortgages – for businesses intending to rent the property to another business.

To get a commercial mortgage, businesses usually need to provide accounts for at least the past three years and projected trading figures for the future.

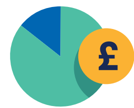
Find out more about commercial mortgages.

6

Purchasing a major asset

If a small business is looking to acquire another business or invest in a large asset, such as specialist plant or machinery, an injection of capital may be required.

Whether it's for scalability, efficiency, or strategic expansion, the right assets can accelerate a start-up's growth, making external funding a bridge to greater potential and success. Funding can be used for challenges such as:



Upfront costs: major assets can be significant investments and may be beyond the immediate financial capacity of a new business

Scalability: investing in a major asset can enable your start-up to scale operations, produce at higher capacities, or deliver services more efficiently

ROI: although the initial cost of acquiring a significant asset is high, it can yield returns over an extended period

Efficiency: some assets, like advanced machinery or technology, can optimise operations, reduce labour, and increase production rates

Bridging loans

A loan that can be used to "bridge" a gap in a business's finances and provide quick access to capital.

Due to their short-term loan period and higher rates of interest compared to other forms of finance, bridging loans are typically used for major business purchases.

Find out more about bridging loans.

Commercial fleet finance

This is used to fund the purchase of a fleet of vehicles.

The main options are:

- **Contract hire:** Provides access to vehicles in return for fixed rental payments over a set period
- **Finance lease:** The total cost is paid in monthly instalments or via lower monthly instalments with a final payment at the end of the lease based on the vehicle's expected resale value
- **Hire purchase:** A vehicle is purchased by making fixed payments and interest during a specified period.

Find out more about commercial fleet finance.

Finance options include:

Asset finance

This allows a business to acquire assets without putting additional pressure on cashflow or needing to raise a significant amount of working capital.

Products vary, but it generally involves leasing an asset and making monthly payments.

Find out more about asset finance.

Mezzanine finance

A hybrid form of funding that blends debt and equity finance.

A business agrees to repay the loan with interest, but the debt could convert into shares in the company if it is unable to meet the repayments.

Find out more about mezzanine finance.

Commercial mortgages

A loan that involves paying a deposit followed by monthly repayments with variable or fixed interest rates.

Find out more about commercial mortgages.

Secured loans

For this type of loan, collateral, such as property, vehicles and machinery, is needed as security against the amount borrowed.

Find out more about secured loans.

Leasing and hire purchase

Leasing allows a business to use an asset in exchange for rental payments, while hire purchase involves an asset being purchased outright by making fixed payments and interest.

Success rates are high for applications, but if you default on payments, the lender may recover the asset, which could harm your credit rating.

Find out more about leasing and hire purchase.

Grants

This is funding that doesn't have to be paid back. Some grants provide funding for businesses to purchase equipment.

See the 'scaling and growing a business' section for more details.

Find out more about grants.

Worth knowing

Purchasing a fleet of vehicles could help a business grow, but companies may lack the funding to do it. That's where fleet financing comes in.

7

Scaling and growing a business

Whether it's opening a new location, expanding product lines, or increasing production capacity, growth requires capital.

Types of challenges that may trigger the need for additional funding include:

- **Expansion:** whether it's opening a new branch, moving to a bigger office, or establishing warehouses, scaling operations may mean expanding physical infrastructure
- **Hiring:** recruiting skilled individuals, from top management roles to frontline staff, could be a significant expense
- **Production:** scaling might mean producing in larger quantities, necessitating more raw materials, machinery, or even a larger production facility
- **R&D:** funding can be channelled into R&D to improve products, services, or develop new offerings that meet evolving market demands
- **New markets:** tapping into new geographical areas or demographic segments may require additional research
- **Technology:** technology investments could optimise operations, improve customer experiences, and streamline processes, but may be costly
- **Risk:** as the scale of your operations increases, so does the scope of potential risks – funding can act as a safety net, helping businesses navigate unforeseen challenges.

Finance products that can cover these costs include:

Initial Public Offering (IPO)

An IPO is when a company offers a portion of its shares to the public for the first time.

An IPO is usually carried out by established businesses that can go from being privately owned by a limited number of investors to having shares available for purchase by the general public and being listed on a stock exchange.

Although IPOs are often associated with large and established businesses, younger and smaller businesses with low revenue but significant growth potential or unique intellectual property (IP) can also attract investors using this method.

In the UK, AIM is the market for IPOs by smaller, growing businesses looking to scale.

For further advice, read a guide to how to tell if your business is IPO-ready and an IPO checklist.

Find out more about IPOs.

Equity investment

This form of finance involves securing funding from external investors in return for shares in your business.

There are various levels of equity investment tailored to different stages of a business' growth. After the pre-seed and seed stages when a business first launches, companies looking to scale go through further rounds of funding known as series A, B and C.

Find out more about equity investment.

Series A

Series A funding is provided by venture capital firms, super angel investors, and institutional investors.

Angel investors are entrepreneurs or individuals with extensive business experience who invest their own money in early-stage start-ups in return for equity.

Venture capital firms use money belonging to large institutions such as pension funds, and as they require a significant return on their investment, they generally ask for a bigger stake in exchange.

Series B

Series B funding is provided by venture capitalists and private equity (PE) firms.

PE firms raise capital from institutional investors like pension funds and insurance companies which they use to form a fund and invest in businesses.

Series C

Series C funding is provided by venture capital firms, private equity firms, and corporate investors.

Scaling and growing a business continued

Grants

This is funding provided by public sector or private organisations that doesn't have to be paid back.

Grant schemes are usually focused on factors such as a specific business activity, stage of business, sector, founder demographic and location.

Grant schemes vary in how much money you receive. For some, you'll receive the full amount, whereas for others you need to match a proportion of the value of your grant before you receive it.

Application processes can be long and time-consuming, and there is no one-size-fits-all approach. Before applying, it is advisable to speak to the grant provider to find out what's involved and whether you're eligible.

Sources of grants include the government's finance finder, the find a grant service and the websites of local councils.

Find out more about grants.

Debt finance:

This involves a business borrowing an amount of money or an asset that is paid back with interest over an agreed period of time. Common forms of debt finance include:

Loans

These can be **secured**, which uses an asset (such as property) from your balance sheet as security, or **unsecured**, which can be borrowed without using any business assets as security.

For unsecured loans, you often need to provide a personal guarantee that says you'll pay back the loan personally if the business can't.

As a result, unsecured loans typically have higher interest rates than secured loans.

Overdrafts

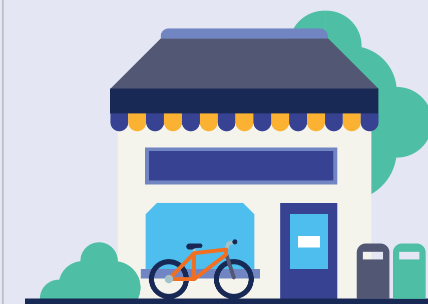
A line of credit on your business bank account that provides access to more short-term funding than your business's own capital.

Unlike loans which have a fixed repayment fee, you only pay interest on the overdrawn amount.

However, the bank may charge an arrangement fee, and if you're late or miss a repayment, you'll be charged a fee that could affect your credit rating.

Overdrafts generally have a higher interest rate than business loans.

Find out more about debt finance.



Worth knowing

For businesses looking to scale, equity investment can drive growth. After the pre-seed and seed stages when a business first launches, growing companies go through further rounds of funding known as series A, B and C.

British Business Bank

Contact

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