

A practical guide



Make it happen

 **RBS**
The Royal Bank of Scotland

New initiatives to help your business

At RBS we are committed to helping our customers at this difficult time. We have already pledged to maintain your business overdraft and promised not to change the pricing on your overdraft until at least the end of 2009.

To further support this we have launched a number of new initiatives:

An additional £3 billion of lending – available to support small and medium sized businesses through our Regional SME Funds.

And following the launch of the Enterprise Finance Guarantee by the Government on 14 January 2009, we can now lend to customers for whom traditional bank lending would not have been available.

A new telephone advice service, Business Lifeline is available for customers to tap into the knowledge of a dedicated team of experienced banking staff.

With so many new initiatives – as well as our existing package of support, products and services – we felt our customers could benefit from a concise summary of the solutions we now offer to help their businesses. That is why we produced this guide.

These initiatives are to help you – so if you would like to find out more, please contact your Relationship Manager or visit your local RBS branch.

For further information, please refer to the not-so-small print on pages 8 and 9.

More money to help more customers

We're making £3 billion of additional funds available this year for small and medium sized businesses – which means more money to help more of our customers. Through our SME Regional Funds we have made £250 million additional lending available in each region of England, and in Wales and Scotland. This additional support, gives our customers a choice of funding solutions.

- **Our lowest ever loan rate to make borrowing more affordable:** We have reduced the rates on our small business loans. What's more, the loan is unsecured and is free from any fees (available for a limited period only).
- **Interest-only loans to help free up your cash flow in the next two years:** In the first two years with our Trading Business Loan you pay interest only. This five-year loan can be fixed or variable and after the first two years, repayments increase to repay the loan.
- **Reduced margins on business term loans and more funding to help businesses raise finance at the right price:** We have secured £250 million from the European Investment Bank which we are making available to customers looking to borrow over £25,000, at a reduced interest margin compared to standard term loans.
- **Invoice Finance with bad debt protection and support to manage payments from customers:** If any of your customers become formally insolvent bad debt protection may protect from loss of any unpaid invoices.
- **Asset Finance to unlock the value of the assets in your business:** Asset finance can help you to work your capital harder. You can lease the asset for a period to match any underlying contract or expected usage.

In addition to this £3 billion, we are offering:

Funding for businesses for whom traditional bank lending would not otherwise be available:

We have agreed with the Government to make additional funding available to our customers under the Enterprise Finance Guarantee scheme, which provides the Bank with a partial guarantee from the Government. It means we are now able to offer qualifying businesses loans of up to £1 million, which can be used for a wide variety of purposes – including working capital. Loans are available to most businesses (except those in the agriculture, coal and steel sectors).

For further information, please refer to the not-so-small print on pages 8 and 9.

Directors' guarantee may be required for limited companies.

**YOUR HOME OR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT
KEEP UP REPAYMENTS ON YOUR MORTGAGE**

Helping you get paid and keep cash flowing

Debtor payment to protect your business if a customer goes under: If any of your customers become formally insolvent during these difficult times our Invoice Finance service with bad debt protection (for a service fee) may protect from loss on any unpaid invoices, up to pre-approved limits.

Help in setting credit limits for customers, getting paid on time and cash flow: It's frustrating and worrying when customers pay late. Late payment and non-payment are growing problems for businesses. Through our Invoice Finance service we can help your business by:

Improving your cash flow: Our Invoice Finance services could help ease cash flow problems by paying you around 80% of the invoice amount as soon as you supply us with the invoice. The remainder, less a fee, is paid when we get paid.

Chasing payments (something you may not be comfortable doing yourself): At a time when many businesses are taking much longer to pay invoices our team of credit controllers will speak to your debtors and customers and obtain payment on your behalf. This can bring cash into your business many weeks sooner and also save you money on credit control costs (this service is for factoring clients only).



Unlocking the value of the assets in your business

Help in financing new equipment – without you having to tie up valuable capital or use your overdraft: Many businesses are reluctant to invest in new equipment, whether it is a piece of machinery or a new vehicle. However, investment is often essential if your business is to remain competitive. Asset finance can help you to work your capital harder, but it is particularly important to ensure you choose the correct type of finance most suited to your needs.

Asset finance: Uses the asset itself as security.

Make your assets work for you: You can lease the asset for a period to match any underlying contract or expected usage. Options at the end of the term may include returning the asset without any further cost or continuing to use it for a reduced rental amount.

Payments can be tailored to your business: This means you can budget with certainty and pay for the asset as it is used or generates income, for example, higher payments in your busy periods and lower ones when your business is quiet.

Help in releasing cash locked in your business assets: Asset finance is not just about acquiring additional equipment, machinery or vehicles – it may also be possible to unlock the capital in assets you already own. This money can then be put to use as working capital in your business.

Asset Finance is provided by Lombard.

Help to keep imports and exports moving

Trade finance to optimise working capital and protect your cash: To help you do business profitably and securely, we can connect you to the RBS Group international network in over 50 countries for local expertise, operational coverage and dedicated client service. We can then help you find the right trade finance solution for your business.

Increased speed, visibility and control over your international trade operations:

We offer simple and secure online tools that let you do your banking on the move, at any time, and from any internet connection. Goods keep flowing and you can clear imports or ship orders efficiently and cost-effectively.

Transactional trade finance techniques can be used to provide incremental lending capacity. Purpose-designed to focus on the needs of SME customers, our team of dedicated trade specialists will work closely with you to agree the specific requirements that make sense for your business.

Which best suits your needs?

Over the last few pages we have detailed the range of funding and business solutions now available as part of our comprehensive package to help small and medium sized business. To find out which of these would best suit your business, sit down with your Relationship Manager and discuss your needs. It may be that a mix of an overdraft facility, loans, asset finance, invoice finance and international trade finance is the best solution. As a relationship bank we are here to help you look at the different options. It's important to be creative about the use of assets you already own, as well as your debtor book, as both can be used to fund your business.

Advice and more

Businesses are facing unprecedented economic challenges so as a relationship bank, we are putting extraordinary focus on the issues that matter to our customers.

Free advice from a team of experienced bankers through a new Business Lifeline: To support you, we have set up a new customer helpline – 0800 092 3087. Business Lifeline is manned by a dedicated team of experienced bankers who have worked closely with all types of businesses. They are there to discuss the issues you are facing. Very importantly, the Business Lifeline team works alongside your Relationship Manager to ensure you receive a joined-up service.

Business Status Alerts to warn you if your business could suffer as a result of the failure of another business: You can now download electronic credit reports on your business customers and suppliers and receive email alerts to changes in a selection of criteria, including credit limits, CCJs and detrimental notices that are helpful in managing your exposure to bad debt.

Help in making your money work harder for you: There has been a lot of media attention about lending to small firms, but not all businesses borrow and even among those that do, most need to set cash aside – for things like their VAT or tax bill. That is why we also offer a range of deposit accounts.

Helpful advice about personnel and legal issues through our Mentor service: Some businesses are having to make staff redundant for the first time and are finding that it can be a legal minefield. If you are looking to flex your workforce or thinking about making redundancies, it's vitally important to get specialist advice first; there are a number of actions you can take now to protect your business. Mentor is an expert Employment Law Consultancy Service, available 24/7.

Your Relationship Manager will continue to provide you with day-to-day support, taking time to understand the issues impacting your business and updating you on any new initiatives whilst continuing to provide proactive advice. If there are any other ways you feel we can help, please speak to your Relationship Manager.

The not-so-small print

So you know exactly what we are offering and how it could benefit your business, this is the information we think you should have to help you make informed decisions.

Committed overdrafts and our price promise: While we expect that most businesses will benefit from the certainty of a committed overdraft at a guaranteed rate, there will be some businesses that have such a change in their risk profile that this will not apply. We have to remain a responsible lender and for these businesses we will consider the risks associated with lending to them and set borrowing limits and pricing accordingly. The price promise only relates to the interest rate charged on your account. Standard fees apply.

Generally there may be several factors that result in a change to risk. These could include:

- Reduced profitability/losses
- A significant decrease in cash flow
- Loss of a main customer/secondary income
- An erosion in security values

Committed overdrafts are only available to businesses up to £1 million turnover and subject to the borrower not having breached terms and conditions. Normal lending criteria and credit risk assessment applies. Associated arrangement fees will arise.

Invoice Finance: This is suitable for businesses who sell to other businesses and invoice their sales, providing time to pay within their terms of trade. Even better if the sales are well-documented and are relatively clean and simple – for example no sale or return or part payments. A supplier of goods, a courier company, or manpower business may be more suited to invoice finance than a building construction company.

Asset Finance: This is most suitable when acquiring working assets such as plant, equipment and vehicles. Fixed or variable rates are available and the facility is committed for the period of the term. Structured payments are available for both leasing and hire/lease purchase facilities. Sale and leaseback facilities are subject to our market valuation and the age of your existing unencumbered assets together with normal credit risk assessment.

International Trade Finance: Trading internationally provides a great opportunity for your business, enabling you to take advantage of low cost supply sources or expand into new markets. Trade Finance can be an excellent alternative form of short-term working capital finance, providing funding or risk protection products to complete either your purchase-to-pay or order-to-cash cycle.

Case study

The business: Brooks Auto Services based in South West and Wales Region is a national vehicle recovery operator that has been a customer for 27 years.

The issue: The company lost a re-tender contract six months ago which resulted in loss of £500,000 turnover and substantial cash flow issues ensued as they retained all fleet and staff overheads in the hope of gaining a new contract in the coming months. Their main concern was to keep the business trading and win new contracts.

The solution: They met with their Relationship Manager and agreed to a total restructure of their existing bank facilities to consolidate their overdraft and loans, and to provide £100,000 extra working capital. In addition, the new loan has a two year capital repayment holiday to ease immediate cash flow. To cap this off, Lombard were able to re-finance their fleet resulting in another £4,000 saving per month.

The verdict: This is an example of a business with underlying profitability that was suddenly faced with the loss of a key contract. They treated the Bank as a business partner, and the Bank was able to see that the business was still viable and needed innovative, decisive and above all quick action to save the business, gain more contracts and stabilise in this environment.

Asset Finance is provided by Lombard.

Is it as good as it seems?

Business journalist Niki Chesworth quizzes the Bank's Peter Ibbetson (Chairman, Small Business) about the new package of measures to help small firms.

- Q.** *The overdraft price promise only applies to businesses that have not had an increase in risk. Surely every business has seen its risk increase in the current economic environment?*
- A.** This commitment will help most businesses – we estimate around four out of five – and it is only those with a significant increase in risk who could see their rate increased. A small drop in sales will not affect our commitment – only if cash flow falls materially, rates may be reviewed. We have introduced these measures to help our customers and give them certainty and we expect that most will benefit.
- Q.** *Banks have been accused of stifling the economy by failing to lend. How do you defend your position?*
- A.** We have set aside an additional £3 billion to lend to small and medium sized businesses this year. We are also offering more than just loans and overdrafts – we have a package of funding solutions which can help businesses in these difficult times.
- Q.** *You have launched a Business Lifeline so that your customers can talk to the Bank and get advice. What would you say to business owners who are worried that if they did tell you of problems you will withdraw their overdraft or increase their borrowing rate?*
- A.** We are aware of this concern. That is one of the reasons why we are offering the overdraft commitment – to give our business customers certainty about the amount they can borrow and at what rate. Also the Business Lifeline is not there for us to find out about problems so we can withdraw lending, it is there so we can help with problems.



Q. So how could someone on the end of a phonenumber help a business when they don't know anything about it?

A. The Lifeline is not there to replace Relationship Managers – they, of course, should be the first port of call, however some customers may feel more comfortable talking to someone impartial – and on the end of the phone rather than face-to-face. Our dedicated helpline staff have dealt with thousands of businesses over the years and can draw on that experience when giving advice. They also have a broad knowledge. A business may go to the Bank to talk about an overdraft, when what they could really benefit from is something else – asset finance, for example. We are also aware that trading in these challenging times is tough – so our customers may just want to ring up and talk to someone with experience who can act as a good sounding board.

Case study

The business: James Flyte, t/a Soundhaus Audio (pa system hire and event production service), Anderston, Glasgow.

The issue: James knew that his market was changing due to the economic slowdown; he decided that he had to change his marketing strategy to reflect this.

The solution: He met with his Business Relationship Manager, Scott McCulloch, who highlighted the impact that James's new strategy would have on funding running costs until new income streams materialised. A £12,000 Small Business Loan at a fixed rate of interest with no arrangement fee was agreed to be the best solution for the business. The benefits are that monthly costs are known, it costs nothing to set up and the Bank works with you to make sure that monthly repayments are affordable. In addition, there is no requirement for security, adding to the ease of access to this funding.

James's verdict: *"I imagine a lot of businesses at the moment need a bit of breathing space, even when they know what they are aiming for. You really need a bank manager who understands the impact on your cash flow to support you with your ideas."*

Where to get help

For more information about any of these products or services phone your Relationship Manager or contact us direct on the numbers below

Business Lifeline

Call 0800 092 3087

Lines are open from 8am to 8pm Monday to Friday

Lombard – Asset Finance

Call 0800 502 402

Lines are open from 9am to 5pm Monday to Friday

Invoice Finance

Call 0800 711 911

Lines are open from 9am to 5pm Monday to Friday

International Trade Finance

Call 0845 603 9387

Lines are open from 9am to 5pm Monday to Friday

Mentor Services

Call 0800 634 7005, minicom 0800 634 7008

Lines are open from 9am to 5pm Monday to Friday

Visit www.rbs.co.uk/business

Business Status Alerts

Sign up online at www.equifax.co.uk/exclusive-rbs

Invoice Finance is provided by RBS Invoice Finance.

The Royal Bank of Scotland plc.

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