

7 Ways to Get the Best from Your Bank

When considering whether to provide finance to a customer, banks generally look at the following 7 areas. As a bank customer, it's important to be aware of these issues and to be well-prepared when dealing with your bank.

1. Customers

- Are the individuals known to the bank?
- How long have they been in business?
- Do the business owners know their trade?
- What past records do they have in the business?
- What past record do they have with the bank?

2. Amount

- Is enough finance being requested? This is crucial.
- How is the finance to be used?
- Have estimates for expenditure been obtained?
- What is the position, if applicable, relating to planning regulations?
- Cash flow forecasts need to show the effect of the funds being provided. Will the increased finance result in increased business? If so, is there a knock-on increase in the amount of working capital needed?

3. Repayment

- Capital goods can normally be geared to the life of the asset - buildings up to 20 years.
- Banks normally prefer to lend on term loan with the repayments to include interest and capital.
- A short moratorium (non-payment of capital) can sometimes be arranged.
- Payments can be geared to seasonal trading where appropriate.

4. Security

The bank will seek to ensure that the business is viable based on its own profitability and that the security is only being used as a backup.

- Acceptable security, such as freehold property, shares, life policies, bonds and guarantees are normally regarded by the banks as tangible security.
- Invoice factoring can be undertaken through a specialist factoring organisation.
- Having a floating charge on all other assets is only applicable to limited companies.

5. Remuneration of the bank

- Banks are prepared under certain circumstances to make special concessions on interest rates and commitment fees.
- Bank managers may make an initial charge for lending finance and also charge a market rate over the bank's minimum lending rate.

6. General

We recommend that you tell your bank manager what is required and make sure you put a proper proposition to him.

Remember that you are the customer. Banks are in business and make a very comfortable profit from lending money. So it's important that you take a positive attitude when requesting finance from your bank manager.

Take particular care in respect of the following:

- Make sure that you have requested adequate finance from your bank to support your proposition.
- In writing, show your bank manager that the finance is required and that your request is set at the correct level.
- Your bank manager will expect to see up-to-date accounts. Please ensure that your accountant has adequate time to do the work properly.
- Where it applies, ensure that profit forecasts are available.
- Make sure that you have cash flow projections available to show your ability to repay the loan and interest.
- Your bank will often take a more positive view of your request for finance if you offer to send them regular information on your business trading.

7. DOs And DON'Ts

- Do talk to your bank regularly and keep them informed.
 - If the time comes that you do need help, the bank will be much more sympathetic if they know you well.
- Do understand the range of services your bank offers.
- Do control your working capital. If you do, you can manage the business on less cash.
- Do monitor cash - both current and future.
- Do ensure you have good internal information systems so that you always know where you are financially.
 - Good systems and information equals good control equals profitability.
- Do understand where you're going. You need a strategy and a plan of how to achieve it.
- Do use your plans and financial information to monitor your progress.
- Don't economise on having a good accounts team with up-to-date computer systems to give you financial control.

Call Now

Please call Noel Murphy today on **021 431 0266** if you would like further information on getting the best from your bank or a free consultation.

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