

BANK LOANS: -

- APPLICATION - DETAILS OF * THE BUSINESS - DESCRIPTION
- MARKETING & DISTRIB.
 - PRODUCT & PRODⁿ
 - ORGANISATION STRUCTURE
- * THE PRINCIPALS - BACKGROUND (EDUC.ⁿ, etc)
- RELATED BUS. EXPERIENCE
 - OTHER INFORMATION (C.V.)
- * PURPOSE OF BORROWING
- WORKING CAPITAL?
 - FINANCE EXPANSION?
 - INVESTMENT PROPERTY?
- * REFERENCES - OTHER BANKERS REFERENCE
- TRADE REFERENCE
 - OTHER RELATED - - - -
- * ACCOUNTS & PROJECTIONS (BUDGETS)
- MARGINS
 - CASH FLOW
 - SALES EXPECTATIONS
- } PARTICULARLY RE: NEW BUSINESSES

CONDITIONS IMPOSED BY A BANK RE: BORROWINGS

- that the loan be secured (a) personally by the principals
- (b) on the assets of the business (see later)
- that the funds advanced be used for the purpose borrowed & no other
- that the repayments schedule be honoured in accordance with the agreement
- that interest be charged in accordance with the risk classification in the agreement
- in the event of non compliance with the agreement, the bank can appoint a receiver/examiner to enforce its security.

SECURITY ON BUSINESS ASSETS:

WHERE A BUSINESS HAS SUBSTANTIAL ASSETS OF ITS OWN, A BANK CAN OBTAIN SECURITY IN THE FORM OF A "CHARGE" ON THOSE ASSETS.

IN THE CASE OF A COMPANY, ANY CHARGE ON THE COMPANY'S ASSETS MUST BE REGISTERED WITH THE REGISTRAR OF COMPANIES UNDER S.99 CA 1963 WITHIN 21 DAYS BY THE BANK

THERE ARE TWO TYPES OF CHARGES - "FIXED" and "FLOATING".

FIXED CHARGE

- attaches to a specific asset or group of assets
- Company is not free to deal in the asset(s) so pledged
- in the event of a winding-up, creditors secured by fixed charge are the first repaid

FLOATING CHARGE (Companies only)

- a general charge on all assets both present & future
- Company IS FREE to deal in the assets
- in the event of breach of loan conditions, the charge is deemed to CRYSTALLISE & become attached to the assets of the company in existence at time of default
- Creditors so secured are repaid in a winding up but only AFTER fixed charge creditors & AFTER "Preferred" Creditors.

ORDER OF REPAYMENT IN A WINDING-UP :-

1. FIXED CHARGE CREDITORS
2. PREFERRED CREDITORS
 - unpaid wages & holiday pay
 - unpaid rates
 - unpaid taxes
 - redundancy payments

} in the previous 12 months.
3. FLOATING CHARGE CREDITORS
4. UNSECURED CREDITORS
5. SHARE-HOLDERS

(S. 285 CA 1963)