



Supplier Finance

A guide for buyers

Supplier Finance is a working capital solution, also known as Supplier Payments. It's designed for you if your turnover's more than £50 million a year.

Supplier Finance makes things more flexible for you when you're agreeing payment terms with your suppliers. It lets you pay up to 180 days early, without you needing to draw on cash or use your overdraft.

You can access Supplier Finance easily and quickly online.

How it works

Step 1	Get set up on the Supplier Finance platform.
Step 2	Your supplier delivers the agreed goods or service and sends you the invoice.
Step 3	You approve the invoice and upload it to the Supplier Finance platform.
Step 4	We confirm to your supplier that we've got their invoice, approved by you.
Step 5	Your supplier asks us to pay, either early or on the invoice date.
Step 6	We pay your supplier as they've asked.
Step 7	On the invoice maturity date, we claim payment from you.

Your application is assessed based on your individual needs and circumstances.

Benefits to you

Supplier Finance lets your suppliers receive early invoice payments. This

- lets you hold onto your cash for longer, creating a positive working capital position
- strengthens your ability to negotiate trade discounts with your suppliers
- gets your supplier to see you as a good customer, and so builds the relationship.

What does it cost?

There are two cost elements to Supplier Finance:

Arrangement fee

We'll charge this once the Supplier Finance programme has been agreed and set up. We base the fee amount on:

- your agreed facility size
- your company structure
- how many suppliers you choose to include
- the volume of transactions you expect.

Things to think about

- There's a cost to you, and maybe to your supplier, for providing the programme (see 'What does it cost?' below).
- If your suppliers go for early payment, you're committed to paying us when the invoice matures.
- Your suppliers may not be willing to take part in the programme.
- You'll need to be able to access the Supplier Finance platform and upload invoices.
- You'll need to provide security to cover the agreed facility.

Discount Fee

We take this off the invoice maturity date of each invoice, but only if your supplier chooses to take their payment early. How much discount we charge depends on the facility we give you. We work it out over the term of the early payment period (up to agreed term limit). Your supplier can pay this (Standard model), or you can (Gross Up model).

Standard model – your supplier pays 100% of the interest cost.

Gross Up model - you can choose to share the interest cost with your supplier (up to 100%).

All discounted payments will include appropriate rates linked to the term of the early payment period (e.g. 3, 6 or 9 month SONIA/EURIBOR/SOFR rates).

Example discount calculation

Based on your supplier asking for early payment of a 90-day invoice for £20,000 on day 10. The calculation assumes a 3-month SONIA rate of 0.91% and a 3% interest charge.

	Standard model	Gross Up model (50/50 split)
Full invoice amount (due day 90)	£20,000	£20,000
Amount we pay early to your supplier (day 10)	£19,828.60	£19,914.30
Amount we collect from you at maturity (day 90)	£20,000	£20,085.70
Total interest cost	£171.40	£171.40

What if you no longer want or need the programme?

There's no exit cost if you decide you no longer want or need the programme. We just ask you to give us 30 days' notice in writing. From then on, no more invoices will be processed through the platform. The final closing date will depend on the latest maturity date of any invoices we've committed to pay on your behalf.

What's next?

To find out know more about Supplier Finance:

- To talk about your own business needs and how Supplier Finance can support you, talk to your Relationship Director, our Supplier Finance product team, or both.
- To start talking to your suppliers about the benefits of them using Supplier Finance, refer to our related Supplier Guide.