The UK Invoice Finance Handbook

How to Compare Factoring and Invoice Discounting Providers, Costs and Eligibility.
2026 Edition

Oliver Mackman

2026

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The UK Invoice Finance Handbook

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Part 1: Fundamentals

Chapter 1: Invoice Finance Explained Simply

Invoice finance means getting paid for your invoices before your customer pays you. A provider gives you 70-95% of the money within 24 hours. When your.

Invoice Finance Explained Simply

You do work. You send an invoice. Your customer takes 30, 60, sometimes 90 days to pay. Meanwhile you need cash for wages, materials, rent, and everything else. Invoice finance fixes this. A provider gives you most of the invoice money straight away - within 24 hours. When your customer finally pays, you get the rest minus a small fee.

In Four Sentences

- 1. You send your customer an invoice for work you've done.
- 2. You send a copy of that invoice to an invoice finance provider.
- 3. They put 70-95% of the money in your bank within 24 hours.
- 4. When your customer pays (weeks later), you get the remaining 5-30% minus a fee.

The Fee

The provider charges a fee. It's usually 0.5-3% of the invoice value. On a £10,000 invoice, that's £50-£300. Think of it as the cost of getting your money now instead of in two months.

Is that worth it? If waiting for payment means you can't pay wages, buy materials, or take on new work - yes. Use our calculator to see what it would cost for your specific situation.

Two Types (Don't Overthink This)

Factoring

The provider chases your customers for payment. Your customers know you use finance. Cheaper. Good for smaller businesses.

Discounting

You chase your own customers. They never know. More expensive. Needs £250k+ turnover usually.

Not sure which? Here's the full comparison. Or just get quotes and the providers will recommend the right one.

Who Can Get It?

- You invoice other businesses (not consumers) on credit terms - yes
- Your turnover is £50,000+ - most providers accept this
- Bad credit? - usually fine, they care about your customer's credit, not yours
- Startup? - yes, some providers accept you from day one

- Sole trader? - harder, but possible with some providers

Not sure? Try our 60-second eligibility checker.

Chapter 2: How Invoice Finance Works

Invoice finance releases 70 to 95% of unpaid invoice value within 24 hours. Step-by-step UK guide to factoring vs discounting, real 2026 costs, and how.

How Invoice Finance Works in the UK 2026

Invoice finance is a UK working-capital product where a provider advances 70-95% of the value of your unpaid B2B invoices, typically within 24 hours of submission. The UK invoice finance market was worth £22.7 billion in 2025, used by over 40,000 businesses across construction, recruitment, manufacturing, and transport.

Enter your monthly turnover and invoice terms: get an all-in estimate.

In This Guide

- 1. What is invoice finance?
- 2. How the process works (step by step)
- 3. Types of invoice finance
- 4. What it costs
- 5. Who is eligible
- 6. Pros and cons

What Is Invoice Finance?

Invoice finance is a funding method where a business sells or pledges its unpaid invoices to a finance provider in exchange for an immediate cash advance. Instead of waiting 30, 60, or 90 days for customers to pay, you receive the majority of the invoice value upfront.

It is not a loan. The funding is secured against your invoices (receivables), not your assets or personal guarantee. This makes it accessible to businesses that may not qualify for traditional bank lending, including startups and those with poor credit history.

According to UK Finance, the UK invoice finance industry advanced £22.7 billion in 2025 across more than 40,000 businesses, making it the largest form of asset-based lending in the country. Research by the Federation of Small Businesses found that 50,000 UK businesses fail each year primarily due to cash flow problems - a key driver of demand for invoice-based funding.

> “We’ve seen a clear structural shift over the past five years. As overdraft availability has declined by 40%, more SMEs are turning to invoice finance as their primary working capital facility. It’s no longer a last resort - it’s a first choice.” , UK Finance spokesperson, Asset Based Lending Division

How the Process Works

1

You invoice your customer

Deliver your goods or services and send your invoice as normal. Submit a copy to your finance provider (usually via an online portal or accounting integration).

2

Provider advances 70-95%

Within 24 hours (often same day), the provider deposits the advance into your bank account. The exact percentage depends on your industry, customer quality, and facility terms.

3

Customer pays the invoice

Your customer pays on their normal terms (30, 60, or 90 days). With factoring, they pay the finance provider directly. With discounting, they pay you.

4

You receive the balance

Once the customer pays, the provider releases the remaining balance to you, minus their fees (typically 0.5-3% of the invoice value).

Types of Invoice Finance

Type	Credit Control	Customer Knows?	Min Turnover
Invoice Factoring	Provider manages	Yes	£50k+
Invoice Discounting	You manage	No	£500k+
Confidential Discounting	You manage	No	£500k+
Selective / Spot Factoring	Varies	Varies	No minimum
Export Factoring	Provider manages	Yes	£100k+

What Invoice Finance Costs

Invoice finance has two main charges: a service charge (0.5-3% of invoice value) and a discount charge (1-3% above the Bank of England base rate on the amount advanced). On a £100,000 invoice with an 85% advance rate, typical monthly costs range from £850 to £4,250.

Fee Type	Typical Range	What It Covers
Service charge	0.5-3%	Administration, credit control, collections
Discount charge	Base rate + 1-3%	Interest on the advanced amount

Arrangement fee | £500-£2,000 | One-off setup cost |
Bad debt protection | 0.3-1.5% | Non-recourse cover (optional) |

Read our full costs guide for worked examples and tips on negotiating lower fees.

Who Is Eligible for Invoice Finance?

You are likely eligible if your business:

- Invoices other businesses (B2B) on credit terms
- Has annual turnover of £50,000 or more (some providers accept less)
- Has creditworthy customers (blue-chip, government, or established businesses)
- Is registered in the UK

Bad credit, CCJs, and lack of trading history are usually not barriers. The provider is primarily assessing your customers' ability to pay, not yours.

Pros and Cons

Advantages

- Immediate cash flow from unpaid invoices
- Grows with your business - more invoices = more funding
- No property or personal assets required as security
- Bad credit usually accepted
- Factoring includes credit control and collections
- Non-recourse options protect against bad debt

Disadvantages

- Costs more than a standard overdraft if you qualify for one
- Factoring means customers know you use finance
- Some contracts have minimum terms (12 months)
- Not suitable for B2C businesses or cash sales
- Concentration limits may apply (max % from one customer)

Questions About Invoice Finance

Common Questions

How does invoice finance work in the UK?

Invoice finance is a UK working-capital product where a provider advances 70-95% of an unpaid B2B invoice within 24 hours of submission. Your customer continues to pay on their normal terms (30, 60 or 90 days). When they pay, the provider releases the remaining balance minus a service charge of 0.5-3% of invoice value plus discount charge (Bank of England base rate plus 1-3%) on the cash advanced. Two main types exist: factoring (provider manages collections) and invoice discounting (you keep credit control and customers may not know). The UK market was worth £22.7 billion in 2025.

How long does it take to set up invoice finance?

Most UK providers complete setup in 3-10 working days. This includes credit checks on your customers, agreeing terms, and connecting systems. Ultimate Finance leads on speed at 3 days. Close Brothers and Bibby typically take 5 days. Skipton and Aldermore take 7 days. Fintechs (Kriya, Hydr, Triver) advertise same-day in-principle decisions but require signed paperwork before funds release, so realistic end-to-end is 24-72 hours.

Is invoice finance a loan?

No. Invoice finance is not a loan. It is the sale or assignment of your receivables (unpaid invoices) in exchange for an immediate cash advance. It does not appear as debt on your balance sheet in the same way a traditional loan does because the asset (the invoice) is matched by the cash advance, with the difference reflected as a small finance cost rather than an outstanding liability.

What industries use invoice finance most in the UK?

By lending volume, the top UK sectors are recruitment (£8.2bn), manufacturing (£5.1bn), transport and logistics (£3.8bn), construction (£3.2bn) and wholesale distribution (£2.9bn). Source: UK Finance Asset Based Finance Statistics 2025. These five sectors account for over 70% of all UK invoice finance lending. Care, NHS supplier and government contractor invoice finance attract the lowest rates because debtor quality is uniformly strong.

Can startups and small businesses get invoice finance?

Yes, on day-one trading with the right provider. Invoice finance is based on your customers' creditworthiness, not your trading history. Kriya (Allica Bank) is the clearest UK specialist for true selective invoice finance with no minimum turnover. Ultimate Finance, IGF and Bibby also accept startups. Most providers require £50,000 minimum annual turnover. Major banks typically require 12 months trading history before offering invoice finance.

What happens if my customer doesn't pay?

With recourse factoring, you are responsible for repaying the advance if your customer defaults. With non-recourse factoring, the finance provider absorbs the bad debt for an additional fee of 0.3-1.5% of invoice value. Non-recourse is recommended when you

have customer concentration risk or trade in a sector with high payment failure rates. Most UK providers offer both options.

How much does invoice finance cost?

UK invoice finance costs are made of two charges: service charge (0.5-3% of invoice value, depending on turnover, sector and debtor mix) plus discount charge (Bank of England base rate plus a margin of 1-3%) on the cash advanced. On a £100,000 invoice with a 60-day payment term and 1.0% service charge, expect roughly £1,000 service charge plus £80-£140 in discount charge. Use our calculator at /calculator/ for a personalised estimate.

Is invoice finance regulated by the FCA?

Invoice finance for limited companies is not a regulated activity in the UK because it falls outside the Financial Services and Markets Act 2000 for business lending. Most UK providers are not FCA-authorised for invoice finance specifically. Some providers (HSBC, Lloyds, NatWest, Aldermore) hold FCA authorisations for other regulated products. Sole-trader and partnership invoice finance is occasionally treated as regulated lending, check the FCA Register for any provider you are considering if you trade as a sole trader.

Chapter 4: Factoring vs Invoice Discounting

The main difference between factoring and invoice discounting is who manages credit control. With factoring, the provider collects from your customers.

Factoring vs Invoice Discounting

The main difference between invoice factoring and invoice discounting is who manages credit control. With factoring, the finance provider collects payment from your customers directly. With invoice discounting, you retain full control of collections and your customers typically do not know you use finance. Factoring suits smaller businesses (£50k+ turnover) while discounting is usually available from £500,000 turnover.

Side-by-Side Comparison

Feature	Invoice Factoring	Invoice Discounting
Credit control	Provider manages	You manage
Customer aware?	Yes - provider contacts them	No - confidential
Min turnover	£50,000	£500,000
Service charge	0.5-3%	0.3-0.5%
Advance rate	70-90%	75-90%
Best for	Smaller businesses, startups	Established businesses with credit team
Contract length	12-24 months typical	12-24 months typical
UK market share	15%	85%

When to Choose Factoring

- Your turnover is below £500,000

- You don’t have a dedicated credit control function
- You want help chasing late-paying customers
- You’re a startup or early-stage business

When to Choose Discounting

- Your turnover exceeds £500,000
- You want your customers to remain unaware of your financing
- You have established credit control processes
- You want the lowest possible cost

Real-World Cost Comparison

The cost difference between factoring and discounting is significant. Here is a side-by-side comparison for a business with £750,000 annual turnover, 85% advance rate, and 45-day payment terms:

Cost Element	Invoice Factoring	Invoice Discounting
Service charge	1.5% = £11,250/yr	0.4% = £3,000/yr
Discount charge (6.5% on advance)	£5,100/yr	£5,100/yr
Arrangement fee	£1,000	£1,500
Credit control staff	£0 (provider does it)	~£25,000/yr (your cost)
Year 1 total	£17,350	£34,600

On paper, discounting looks more expensive because of the credit control salary. But if you already have a credit controller (or the business owner handles collections), that cost is already being paid. In that scenario, discounting saves £8,250 per year in service charges alone. This is why discounting dominates the market - 85% of UK invoice finance by volume is discounting, according to UK Finance.

Transitioning from Factoring to Discounting

Many businesses start with factoring and graduate to discounting as they grow. The transition typically happens when your turnover reaches £500,000+ and you have demonstrated consistent credit control. Here is what the transition looks like:

- 1.Annual review meeting: At your facility review (usually 12 months in), raise the transition with your provider. Most have a defined pathway from factoring to discounting.
- 2.Credit control audit: The provider will assess your debtor book quality, aged debt profile, and collection processes. They want to see that fewer than 5% of invoices go past 90 days.
- 3.Trial period: Some providers offer a 3-month “shadow” period where you manage collections while they monitor. If the debtor book performs well, the transition becomes permanent.

- 4.New terms: Expect your service charge to drop from 1-3% to 0.3-0.5%. Your contract may be extended by 12 months as part of the new agreement.

Provider Recommendations by Type

Best for Factoring

- Bibby Financial Services - from £50k turnover, dedicated sector teams, strong credit control function
- Ultimate Finance - 95% advance rate (highest in market), flexible on credit history
- IGF - specialist in smaller facilities, no minimum contract period options available
- Novuna Business Finance - strong technology platform, Xero/Sage integration

Best for Discounting

- Close Brothers - from 0.5% service charge, excellent online portal, strong in construction
- Skipton Business Finance - from 0.5%, known for transparency and relationship management
- Aldermore - 0.7% from £250k turnover, bank-backed stability with independent flexibility
- Lloyds Bank Commercial Finance - lowest rates for £1m+ turnover, requires banking relationship

Recourse vs Non-Recourse: An Additional Choice

Within both factoring and discounting, you also choose between recourse and non-recourse arrangements. With recourse, you are liable if your customer does not pay - the provider will “recourse” the invoice back to you, typically after 90 days. With non-recourse, the provider absorbs the bad debt risk, but charges more (typically 0.3-1.5% extra for bad debt protection).

Most UK facilities are recourse. Non-recourse is more common in export factoring where the risk of overseas debtor default is higher. For a detailed comparison, see our recourse vs non-recourse guide.

Market Trends: The Shift Toward Selective and Spot Factoring

Traditional factoring and discounting require you to assign your entire debtor book. A growing segment of the UK market now offers selective invoice finance - where you choose which individual invoices to fund. This is sometimes called spot factoring or single invoice finance.

Selective facilities typically cost more per invoice (2-5% vs 0.5-3%) but have no long-term contract and no minimum volume. They suit businesses that only need occasional cash flow support or want to fund a specific large invoice without committing to a full fa-

cility. See our selective invoice finance guide for providers and pricing.

Factoring vs Discounting FAQ

Common Questions

Which is cheaper, factoring or invoice discounting?

Invoice discounting is typically cheaper because the provider does not manage credit control. Service charges for discounting start from 0.3-0.5% vs 0.5-3% for factoring. However, you need your own credit control team, which has its own cost.

Can I switch from factoring to discounting?

Yes. Many businesses start with factoring and switch to discounting as they grow. Most providers will review your facility annually and can transition you when your turnover and credit management processes are strong enough.

What is confidential invoice discounting?

Confidential invoice discounting means your customers do not know you use finance. The provider does not contact your customers or appear on any correspondence. It requires established credit control processes and usually £500,000+ turnover.

Chapter 5: Disclosed vs Undisclosed Invoice Finance

Disclosed invoice finance (also called factoring) means your customers know the finance provider is involved and pay them directly.

Disclosed vs Undisclosed Invoice Finance UK 2026

Disclosed invoice finance (also called factoring) means your customers know the finance provider is involved and pay them directly. Undisclosed invoice finance (also called confidential invoice discounting) keeps the arrangement private; customers pay you as normal and you settle with the provider. Disclosed factoring suits businesses without in-house credit control; undisclosed discounting suits businesses with established credit control and a reason to keep funding arrangements private. Most UK businesses with £500k+ turnover use undisclosed.

Top UK providers for this product

Provider	Fee from	Min turnover	Why it fits
Close Brothers	0.3% (CID)	£500k	Joint cheapest UK confidential discounting
Skipton Business Finance	0.3% (CID)	£500k	Joint cheapest, building society backed
Aldermore	0.5% (CID)	£250k	Cheapest CID under £500k turnover
Bibby Financial Services	0.75% (factoring)	£50k	Best disclosed factoring with sector specialism
Ultimate Finance	0.8% (factoring)	£50k	Fast disclosed factoring + selective

What’s the difference between disclosed and undisclosed invoice finance?

See the FAQ below for the detailed answer to this question. For broader context on UK invoice finance, also see our how to choose a provider guide and our cost calculator.

Confidential invoice discounting vs disclosed factoring UK

See the FAQ below for the detailed answer to this question. For broader context on UK invoice finance, also see our how to choose a provider guide and our cost calculator.

Will my customers know I use invoice finance?

See the FAQ below for the detailed answer to this question. For broader context on UK invoice finance, also see our how to choose a provider guide and our cost calculator.

Cost comparison: disclosed factoring vs confidential discounting

See the FAQ below for the detailed answer to this question. For broader context on UK invoice finance, also see our how to choose a provider guide and our cost calculator.

When to choose disclosed vs undisclosed invoice finance

See the FAQ below for the detailed answer to this question. For broader context on UK invoice finance, also see our how to choose a provider guide and our cost calculator.

Disclosed Vs Undisclosed Invoice Finance Uk FAQ

Common Questions

What’s the difference between disclosed and undisclosed invoice finance?

Disclosed invoice finance (factoring) means the finance provider’s involvement is transparent to your customers. Customers receive a ‘notice of assignment’ and pay the provider directly into a designated bank account. Undisclosed invoice finance (confidential invoice discounting) keeps the arrangement private. Customers pay you into a trust account in your company name, and the funds are then swept to the provider. Customers never know finance is involved.

Will my customers know I use invoice finance UK?

Only if you choose disclosed factoring. Confidential invoice discounting (the most common UK product, accounting for 85%+ of the £22.7bn UK invoice finance market) keeps the arrangement private. Customers see your normal invoices, pay into your normal-looking bank account, and have no visibility of the finance provider. The provider sweeps funds in the background.

Is undisclosed invoice finance more expensive than disclosed?

No, the headline service charge is usually cheaper. Confidential invoice discounting typically costs 0.3-0.5% service charge versus 0.5-3% for disclosed factoring, because the provider doesn't manage credit control. However, you need your own credit control team in undisclosed discounting, which has its own cost. Discount charge (BoE base rate plus 1-3%) is similar across both products.

When should I choose disclosed factoring over confidential discounting?

Disclosed factoring suits businesses that want the provider to handle credit control on their behalf (chasing payments, sending statements, managing queries). It also suits smaller businesses (under £500k turnover) that don't qualify for confidential discounting. Disclosed is the right answer when credit control is genuinely a burden you want off your plate.

Can I switch from disclosed to undisclosed invoice finance?

Yes, most UK providers will switch you from disclosed factoring to confidential invoice discounting once you cross approximately £500k turnover and have demonstrated 12+ months of stable in-house credit control. Aldermore is unusual in offering confidential from £250k. Close Brothers, Skipton and Novuna all convert existing factoring clients to discounting on request when criteria are met.

Do I need a trust account for confidential invoice discounting?

Yes. Confidential invoice discounting requires a trust account in your company name (not the provider's). Customers pay into the trust account as normal; funds are then swept to the provider on agreed terms (daily, weekly). The trust account is a key feature of confidentiality; without it, the provider's branding would appear on bank statements your customers might see.

Chapter 6: Recourse vs Non-Recourse Invoice Finance

Recourse vs non-recourse invoice finance UK: who absorbs bad debt risk, typical fee differences (0.3-1.5% extra for non-recourse), credit insurance.

Recourse vs Non-Recourse Invoice Finance: A Complete Guide for UK SMEs

With recourse invoice finance, your business remains liable if a customer fails to pay. With non-recourse, the funder absorbs the bad debt risk up to agreed limits. Choosing between the two affects your cash flow certainty, facility cost, and credit control workload. This guide explains how each works, what they cost, and how to decide which suits your business.

In short

- Recourse means you repay the funder if your customer defaults; non-recourse means the funder carries the bad debt risk subject to policy terms.
- Non-recourse facilities typically cost more because the funder is carrying credit risk on your debtor book.

- Non-recourse protection is not unconditional. Disputes, fraud, and pre-existing insolvency are commonly excluded.
- Your sector, debtor concentration, and appetite for bad debt exposure are the key factors when choosing between the two.
- Always read the definition of a qualifying bad debt in the facility agreement before assuming you are fully protected.

What recourse invoice finance means in practice

With a recourse facility, your funder advances a percentage of your outstanding invoices, typically 80 to 90 per cent of the invoice face value. If your customer does not pay within an agreed period, usually 90 to 120 days from the invoice due date, the funder has the right to charge the unpaid advance back to your account. You must then repay the cash from your own funds or from new invoices being drawn against.

Recourse is the most common structure in the UK market. Because the funder is not accepting credit risk, approval is faster and the service charge is lower. For businesses with a healthy, well-spread debtor book and a track record of low bad debt, recourse is often the sensible and more cost-efficient choice. The funder is essentially lending against the quality of your invoicing process rather than insuring your customers' solvency.

What non-recourse invoice finance means in practice

With a non-recourse facility, the funder agrees to absorb the loss if a customer becomes insolvent and cannot pay. The funder either holds its own credit insurance or self-insures through its own risk model. In either case, you retain the cash advance even if the debtor enters administration or liquidation, subject to the terms of the agreement.

The protection applies to insolvency, not to every non-payment. If a customer withholds payment because of a genuine dispute about the quality of your goods or services, the bad debt protection will not typically respond. Funders also exclude pre-existing insolvency situations where the debtor was already technically insolvent when the invoice was raised. Understanding these carve-outs is critical. A facility marketed as non-recourse may provide narrower protection than the name suggests, so reading the qualifying bad debt definition in the agreement is essential before signing.

How pricing differs between the two structures

Recourse facilities are cheaper to run because you are carrying the credit risk. Service charges on recourse invoice finance typically range from 0.5 to 2 per cent of turnover, depending on facility size, sector, and debtor quality. Discount charges are expressed as a margin over the Bank of England base rate, currently 3.75 per cent as of March 2026, and usually range from 1.5 to 3.5 per cent above base.

Non-recourse facilities layer in a bad debt protection premium on top. This is either charged as a separate credit insurance premium, often 0.2 to 0.8 per cent of protected turnover, or embedded into a higher overall service charge. The all-in cost of a non-recourse facility can therefore be 0.3 to 1 per cent of turnover higher than a comparable recourse facility. For a business turning over £2 million, that difference could amount to £6,000 to £20,000 per year. The question is whether that premium buys you meaningful protection given your debtor profile.

Debtor concentration and sector risk

Debtor concentration is one of the most important factors when deciding between recourse and non-recourse. If your top three customers account for more than 50 per cent of your debtor book, the insolvency of any one of them could cause a significant cash flow problem under a recourse facility. In that scenario, the additional cost of non-recourse protection may be well justified.

Certain sectors carry structurally higher debtor risk. Haulage and logistics businesses often invoice large retail or manufacturing customers with extended payment terms. Recruitment and staffing agencies may be exposed to end clients in cyclical industries. Facilities management and cleaning contractors may have public sector or quasi-public sector debtors that rarely default but can take time to pay. In each case, a frank assessment of debtor quality should drive the structure choice rather than defaulting to the cheaper option. Your funder's credit team will carry out their own debtor analysis during underwriting, and their appetite to approve non-recourse limits on your customers will quickly tell you how they view the risk.

The role of credit insurance in non-recourse facilities

Most non-recourse facilities in the UK are backed by a trade credit insurance policy. The funder, not your business, holds the policy. Insurers such as Atradius, Coface, and Euler Hermes are commonly used by UK invoice finance providers. The insurer sets individual credit limits on each of your customers, and non-recourse protection only applies up to those approved limits.

If your customer has a poor credit profile or limited trading history, the insurer may decline to set a limit or may set a limit lower than the invoices you are raising. In that case, invoices above the approved limit revert to recourse treatment. This means that even within a non-recourse facility, some of your debtor book may not be protected. When comparing quotes, ask your funder what percentage of your current debtor book would be approved for non-recourse protection based on a preliminary credit assessment. The answer will tell you how useful the facility actually is for your specific customers.

How to decide which structure is right for your business

Start by reviewing your last three years of bad debt experience. If your actual bad debt losses have been minimal, the premium for non-recourse protection may be difficult to justify unless your debtor book has since become more concentrated or higher risk. If you have suffered at least one significant bad debt in recent years, or if you are actively growing into new customers you have not traded with before, non-recourse protection provides genuine value.

Consider also how you would handle a recourse call in practice. If a major customer entered administration and your funder demanded repayment of, say, £80,000 in advances, do you have sufficient working capital or alternative facilities to meet that demand without disrupting your operations? If the honest answer is no, non-recourse is worth the higher cost. Speak to your accountant or a specialist invoice finance broker who can run a side-by-side cost comparison across both structures using your actual debtor and turnover data before you commit.

Practical steps when reviewing your current facility

If you are currently on a recourse facility and wondering whether to switch, request an aged debtor report and identify your five largest customer exposures. Run a credit check on each through a bureau such as Creditsafe or Experian Business, and compare the results against the payment performance you have seen. If any of your top customers show signs of financial stress, deteriorating Days Sales Outstanding, or County Court Judgements, raising the issue with your funder now is better than dealing with a recourse call later.

When approaching funders about a non-recourse facility, ask them to provide a draft approval schedule showing which of your specific customers they would cover, at what limits, and under what exclusions. Compare this across at least two providers before making a decision. The UK Finance Asset Based Lending Code provides a useful framework for understanding what disclosure funders are required to make, and the FCA regulates the conduct of credit brokers who advise on these facilities. Taking a few hours to compare the detail properly can save you a significant amount in either premium costs or unprotected bad debt exposure over the life of the facility.

Checklist

- [ ]List your top ten debtors by value and calculate what percentage of your total debtor book each represents before choosing a structure.
- [ ]Review your last three years of bad debt write-offs and quantify the total exposure you have actually experienced.
- [ ]Ask any non-recourse funder for a preliminary credit assessment showing which specific customers would receive approved limits and at what values.
- [ ]Read the qualifying bad debt clause in the facility agreement and note exactly which non-payment scenarios are excluded from protection.
- [ ]Calculate the all-in annual cost difference between a recourse and a non-recourse quote using your actual turnover, not projected figures.
- [ ]Check whether your facility agreement includes a recourse period and confirm exactly how many days after the invoice due date the recourse mechanism is triggered.

FAQs

Part 2: Costs and Eligibility

Chapter 7: Invoice Finance Costs and Fees

Full fee breakdown: 0.5-3% service charge plus 1-3% above BoE base (3.75%) discount charge. On £100k of invoices, expect £850-£4,250/month.

Invoice Finance Costs UK 2026

Invoice finance in the UK typically costs 0.5-3% of invoice value as a service charge, plus a discount charge of 1-3% above the Bank of England base rate on the amount advanced. According to UK Finance, the average facility cost across the market falls between 1% and 2.4% of annual turnover. For a business processing £100,000 of invoices per month with an 85% advance rate, total monthly costs range from approximately £850 to £4,250.

Plug in your monthly turnover, invoice value, and payment terms: get an all-in monthly cost estimate.

The Two Main Charges

Fee	Range	Charged On	What It Covers
Service charge	0.5-3%	Gross invoice value	Admin, credit control, collections, credit checks
Discount charge	Base rate + 1-3%	Amount advanced	Interest on money borrowed (daily rate)
Arrangement fee	£500-£2,000	One-off	Setup, due diligence, legal
Bad debt protection	0.3-1.5%	Invoice value	Insurance against customer non-payment (optional)
CHAPS/faster payment	£15-£25	Per transfer	Same-day bank transfer fee

Worked Example

Scenario: £500,000 annual turnover, 85% advance rate, 45-day average payment terms

Monthly invoices £41,667

Amount advanced (85%) £35,417

Service charge (1.5%) £625/month

Discount charge (base + 2% = 6.5% on £35,417 for 45 days) £284/month

Total monthly cost £909/month

Effective annual cost £10,908/year (2.2% of turnover)

Cost Comparison by Provider

Provider	Service Charge From	Min Turnover	Cost Rating
Close Brothers	0.5%	£50k	Best value
Skipton	0.5%	£100k	Best value
Aldermore	0.7%	£250k	Competitive
Novuna	0.7%	£100k	Competitive
Bibby	0.75%	£50k	Mid-range
Ultimate Finance	0.8%	£50k	Mid-range
IGF	1.0%	£50k	Higher (flexible)

> “The biggest issue for SMEs is not the cost of invoice finance itself - it’s the lack of transparency in how fees are presented. Businesses should always ask for a total cost of funds figure expressed as an annualised percentage, so they can compare like for like.” , ABFA industry analyst, Asset Based Finance Association

> “With the base rate at 3.75%, the discount charge element of invoice finance is higher than it was two years ago. But service charges have actually fallen as competition has increased among independent providers.” , UK Finance spokesperson

Cost by Business Size

Invoice finance costs vary significantly based on your annual turnover. Larger facilities attract lower percentage rates because the provider’s fixed costs (credit checks, legal setup, account management) are spread across a higher volume. The table below shows typical total annual costs at different turnover levels, based on Market Invoice’s analysis of 85 UK providers in April 2026.

Annual Turnover	Typical Service Charge	Est. Annual Cost	% of Turnover
£50,000 - £100,000	2.0 - 3.0%	£2,500 - £5,500	3.5 - 5.5%
£100,000 - £250,000	1.5 - 2.5%	£4,000 - £10,000	2.5 - 4.0%
£250,000 - £500,000	1.0 - 2.0%	£6,000 - £15,000	2.0 - 3.0%
£500,000 - £1,000,000	0.75 - 1.5%	£8,000 - £20,000	1.5 - 2.0%
£1,000,000 - £5,000,000	0.5 - 1.0%	£12,000 - £40,000	1.0 - 1.5%
£5,000,000+	0.3 - 0.75%	£25,000 - £60,000	0.5 - 1.2%

Source: Market Invoice analysis of published rate cards and broker data from 85 UK providers, April 2026. Assumes 85% advance rate and 45-day average payment terms.

How the Discount Charge Works in Practice

The discount charge is the part most businesses misunderstand. It is not a flat monthly fee - it is a daily interest charge on the amount you have drawn down. The longer your customer takes to pay, the more discount charge you accumulate.

Example: How payment speed affects cost

Invoice value: £10,000. Advance rate: 85% (£8,500 advanced). Discount rate: 6.5% (base 3.75% + 2%).

Customer pays in 30 days £45.35 discount charge Customer pays in 45 days £68.02 discount charge Customer pays in 60 days £90.68 discount charge Customer pays in 90 days £136.03 discount charge

The daily rate is calculated as: (discount rate / 365) × amount advanced. At 6.5%, that is 0.0178% per day on £8,500, which equals £1.51 per day. Over 45 days, that totals £68.02. This is why reducing your debtor days is one of the most effective ways to cut your invoice finance costs. Every day your customer pays earlier saves you money.

Industry-Specific Cost Considerations

Not all industries pay the same rates. Providers price risk differently depending on your sector, and some industries attract specialist terms:

- Recruitment: Typically 0.75-2.0% service charge. High volume, predictable payment patterns from established agencies, plus providers offer payroll integration. Recruitment invoice finance guide →
- Construction: Higher rates (1.5-3.0%) due to retention, stage payments, and contra charges. Advance rates are lower (75-85%) because of the complex payment structures. Construction invoice finance guide →
- Transport and haulage: Competitive rates (0.75-1.5%) because invoices are straightforward and debtors are typically large corporates. Self-billing is common and most providers handle it.
- Manufacturing: Mid-range (1.0-2.0%). Longer payment terms (60-90 days) increase the discount charge element. Providers with manufacturing expertise understand progress billing and partial deliveries.
- Export: Premium rates (1.5-3.0%) due to cross-border collection complexity and currency risk. Fewer providers offer export factoring - see the specialist guide.

How to Reduce Your Costs

- 1.Increase turnover volume - higher volumes attract lower percentage rates
- 2.Improve debtor quality - blue-chip or government customers mean lower risk pricing
- 3.Reduce payment terms - shorter terms mean less discount charge (interest)
- 4.Compare multiple providers - get 3 quotes and use the best as leverage
- 5.Bundle products - taking asset finance alongside invoice finance can reduce overall pricing
- 6.Switch from factoring to discounting - if your turnover exceeds £500,000 and you have credit control capability, discounting is cheaper (0.3-0.5% vs 0.5-3%)
- 7.Negotiate at renewal - your strongest negotiation point is when your contract is up for renewal and you have competing quotes in hand

According to ABFA, the average business that switches provider saves 15-20% on total invoice finance costs. The main reason is that businesses rarely re-quote their facility after the initial setup. Providers know this and price accordingly - loyalty is not rewarded with better rates in invoice finance.

Invoice Finance Cost FAQ

Common Questions

How much does invoice finance cost in the UK?

UK invoice finance has two main charges: service charge of 0.5-3% of invoice value (covers admin, credit checks and collections) plus discount charge of Bank of England base rate (3.75% as of March 2026) plus 1-3% margin on the cash advanced. Total effect-

ive cost typically falls between 1% and 2.4% of annual turnover. On £100,000 of invoices per month with 85% advance, expect £850-£4,250 monthly. Additional fees may apply: arrangement fee £500-£2,000, optional bad debt protection 0.3-1.5%, CHAPS transfer £15-25.

What is the cheapest invoice finance provider in the UK?

Close Brothers and Skipton Business Finance are joint-cheapest in the UK for 2026, both starting from 0.5% service charge. Skipton requires £100k+ turnover, so for businesses between £50k and £100k, Close Brothers is the cheapest practical option. The cheapest provider for your specific business depends on turnover, industry, debtor mix and contract length.

Are there hidden fees with invoice finance?

Common additional fees to watch for include: arrangement fees (£500-£2,000 one-off), early termination fees (if you leave before minimum term, typically 3-6 months service charge), minimum service charges (monthly minimums regardless of invoice volume), CHAPS/faster payment fees per drawdown, audit fees (annual £500-£1,500), reassignment notice fees, and refactoring fees (when an invoice goes overdue past the recourse period). Always ask for a fully-loaded effective rate over 12 months before signing.

Is invoice finance cheaper than an overdraft?

It depends. A standard UK business overdraft typically costs 3-8% EAR plus arrangement fees. Invoice finance effective annual cost ranges from 5-15% depending on how quickly your invoices are paid. For businesses that cannot get an overdraft (startups, bad credit, fast-growing turnover), invoice finance may be the only option regardless of headline cost. Invoice finance also scales automatically with your sales, overdrafts have a fixed limit.

Can I negotiate invoice finance fees in the UK?

Yes. The main negotiation levers are: higher turnover volume gets lower rates, better debtor quality reduces risk pricing, longer contract commitment can reduce service charge by 0.1-0.3%, and bundling multiple products (asset finance + invoice finance) gives leverage. The biggest single tactic: get quotes from at least 3 providers and let each see the others' headline rates. Brokers typically extract 15-30% better terms than direct deals because lenders compete harder for introduced business.

Are invoice finance fees tax-deductible in the UK?

Yes. Both the service charge and discount charge are normal business expenses for UK corporation tax purposes, they reduce taxable profit. Arrangement fees can usually be deducted in full in the year incurred. Speak to your accountant for treatment of optional bad debt protection (sometimes treated as insurance, sometimes as finance cost). HMRC's general rule: if it's incurred wholly and exclusively for the trade, it's deductible.

What is the all-in effective annual rate for invoice finance?

The all-in effective annual rate (sometimes called APR or EAR for invoice finance) typically falls between 5% and 15%. The calculation: service charge as a percentage of turnover, plus discount charge annualised on the average advance balance, plus arrange-

ment and other fees pro-rated. For a £500k turnover business with 0.7% service charge and 5.75% discount charge (base + 2%) on a 60-day payment term, all-in is roughly 8-9% EAR. Use the calculator at /calculator/ for your specific numbers.

How does Market Invoice rank cost across UK providers?

Market Invoice tracks publicly disclosed service charge starting rates and discount charge margins for all 85 active UK invoice finance providers. We rank cost using a weighted score: 50% headline service charge, 30% discount charge margin, 20% additional fee profile (minimums, arrangement, refactoring). The five cheapest providers as of May 2026 are Close Brothers (0.5%), Skipton (0.5%), Aldermore (0.7%), Novuna (0.7%) and Bibby (0.75%). Run the calculator with your turnover and debtor mix to see which is cheapest for you specifically.

Chapter 8: How to Calculate the True APR

Calculate the true APR equivalent of a UK invoice factoring facility, accounting for service charge, discount charge, minimum monthly fee, and average.

How to Calculate the True APR on Invoice Factoring: A Complete Guide for UK SMEs

Invoice factoring costs are quoted in multiple ways, making direct comparison difficult. To find the true annual percentage rate, you must combine the discount charge, service fee, and any additional charges into a single annualised figure. This guide walks through the calculation step by step, with worked examples relevant to UK businesses.

In short

- Factoring providers quote costs as a discount rate plus a service fee, but neither figure alone shows the true annual cost
- To calculate true APR you must annualise all charges relative to the actual cash advanced
- Hidden charges such as minimum usage fees, CHAPS fees, and audit fees can add 0.5 to 2 percentage points to the effective rate
- A business drawing funds for 30 days faces a very different effective rate than one drawing for 60 days on the same headline terms
- Comparing two quotes on APR rather than headline rate prevents expensive mistakes when choosing or renewing a facility

Why Headline Rates Are Misleading

Most invoice factoring providers quote two separate charges. The first is a discount rate, typically expressed as a percentage over the Bank of England base rate or as a fixed margin, applied to the funds drawn down. The second is a service fee, usually a percentage of invoice face value, covering credit control and collections. At the time of writing, the BoE base rate stands at 4.50 percent, meaning a typical discount charge of base plus 2.5 percent equates to 7.00 percent per annum on drawn funds.

The problem is that these two numbers sit in different parts of a quote document and relate to different bases. The discount charge applies to the ledger balance drawn. The service fee applies to total invoice value assigned. Comparing two providers by looking at either number in isolation will almost always lead to the wrong conclusion. A provider with a lower service fee may charge a higher discount rate, or vice versa. Only by combining them into a single APR figure can you make a fair comparison.

The Core Calculation: Step by Step

Start by gathering four numbers from the facility agreement: the discount rate per annum, the service fee as a percentage of invoice value, the prepayment percentage (typically 85 to 90 percent), and your average debtor days. These four inputs drive the calculation.

Step one: calculate the annual discount cost. Multiply the discount rate by the prepayment percentage to find the cost of funding per pound of invoice value per year. For example, a 7.00 percent discount rate on an 85 percent prepayment gives 5.95 percent of invoice value per year in funding cost.

Step two: convert the service fee to an annualised basis. Divide the annual service fee by your average debtor days and multiply by 365. A 1.2 percent service fee with 45-day average debtor days gives an annualised service fee of 9.73 percent of invoice value.

Step three: add both annualised percentages together. In this example, 5.95 plus 9.73 gives a combined effective annual rate of 15.68 percent of invoice value advanced. That is the number to compare across providers, not the headline discount rate.

Working Through a Realistic UK Example

Consider a small logistics company in the East Midlands with a monthly invoice volume of £200,000, average debtor days of 50, and a prepayment rate of 85 percent. Their provider quotes a discount rate of base plus 2.5 percent (7.00 percent) and a service fee of 1.0 percent of invoice face value.

Monthly invoices assigned: £200,000. Prepayment received: £170,000. Annual discount cost: £170,000 multiplied by 7.00 percent equals £11,900. Annual service fee: £200,000 multiplied by 12 months multiplied by 1.0 percent equals £24,000. Total annual cost: £35,900.

To express this as an APR on the funds actually advanced, divide £35,900 by £170,000 and multiply by 100, giving 21.1 percent. This is the true annual cost of having access to that working capital. It is not a criticism of factoring as a product. Many businesses find this entirely appropriate for their growth needs. The point is simply that quoting 1.0 percent service fee and 7.00 percent discount rate conveys almost nothing useful on its own.

Additional Charges That Move the APR

Most factoring agreements contain charges beyond the two headline figures, and omitting them from your calculation will understate the true cost. The most common additional charges in UK facility agreements include the following.

Minimum usage fees apply when your invoice volume falls below a contracted monthly minimum. If your business is seasonal, this charge can be significant in quieter months. CHAPS payment fees, typically £15 to £30 per transfer, accumulate quickly if you make

daily drawdowns. Annual review or audit fees, which can range from £250 to £1,500, are often buried in the schedule of charges. Credit insurance premiums, where the provider has arranged a whole-turnover policy and passes the cost to you, may add 0.3 to 0.6 percent of turnover. Early termination fees, though not a running cost, affect the true cost of capital if you exit before the contract end date.

Add each of these to your annual cost total before dividing by the average funds advanced. For the logistics business above, a £500 annual audit fee and £1,800 in CHAPS fees would lift the total annual cost to £38,200, pushing the true APR to 22.5 percent.

Comparing Two Provider Quotes Side by Side

When you receive quotes from two or more providers, build a simple comparison table before making any decision. List every line of charges from both agreements, normalise them to an annual figure, and divide by the expected average funds advanced.

Provider A may quote a 0.8 percent service fee and base plus 3.0 percent discount rate with a £750 annual review fee. Provider B may quote a 1.1 percent service fee and base plus 2.0 percent discount rate with no review fee. On headline figures, Provider A looks cheaper. Run the APR calculation for each and you may find Provider B is materially less expensive at your actual invoice volume and debtor days profile.

It is also worth modelling two scenarios: one at your current average debtor days, and one at 15 days longer. If a major customer pays late, your discount charge increases because funds are outstanding for longer. A provider with a lower discount rate becomes proportionally more attractive the longer your debtors take to pay. Sensitivity-testing your APR calculation in this way gives a much clearer picture of which facility is better suited to your debtor profile.

When to Renegotiate and What to Say

Once you have calculated your true APR, you are in a strong position to open a renegotiation conversation with your provider. UK Finance data consistently shows that many SMEs have not reviewed their factoring terms in more than two years, despite significant changes to the base rate and competitive market conditions.

Before approaching your relationship manager, prepare three things. First, your APR calculation showing the current all-in cost. Second, at least one competing quote or indicative term sheet from another provider. Third, a brief summary of your account performance: turnover growth, bad debt record, and concentration risk profile. Lenders respond well to clients who present data rather than simply asking for a better rate.

A typical opening is to state your current effective APR, note that you have received an alternative quote at a lower APR, and ask whether they are able to review the service fee or discount margin. Providers will often reduce the service fee by 0.1 to 0.3 percent or the discount margin by 0.25 to 0.5 percent for a client with a clean track record who demonstrates they have done the analysis properly. Even a 0.2 percent reduction in the service fee on a £2 million annual turnover saves £4,000 per year.

Common Errors to Avoid in the Calculation

Several mistakes appear regularly when business owners or finance directors attempt this calculation for the first time.

The first is using invoice value as the denominator rather than funds advanced. APR should always be expressed as a cost relative to the capital you actually receive. Using total invoice value understates the true rate because the retained reserve is not in your hands.

The second is failing to adjust for your actual debtor days rather than using a round number. If your payment terms are 30 days but customers consistently pay at 47 days, use 47 in the calculation.

The third is treating the base rate as fixed. Your discount charge will move if the BoE changes rates during the contract. Build a note into your model to revisit the calculation whenever the base rate changes.

The fourth is ignoring concentration limits. Some agreements impose a surcharge or reduce the prepayment percentage when a single debtor exceeds a set proportion of the ledger. If one customer represents 30 percent or more of your turnover, check whether a concentration clause affects your effective funding cost on those invoices specifically.

Checklist

- [ ]List every charge in the facility agreement, including minimum fees, audit fees, and CHAPS charges, before starting the calculation
- [ ]Use your actual average debtor days from your aged debtor report rather than your stated payment terms
- [ ]Calculate the annualised service fee by dividing the annual fee total by debtor days and multiplying by 365
- [ ]Add the annualised discount cost and annualised service fee together, then divide by average funds advanced to arrive at true APR
- [ ]Model the APR at two debtor day scenarios: current average and 15 days longer, to test sensitivity to late payment
- [ ]Request at least one competing indicative quote before any renegotiation and use the APR comparison as your opening data point

FAQs

Chapter 9: Who Should and Should Not Use Invoice Finance

Invoice finance is ideal for B2B businesses with slow-paying customers, growing businesses outgrowing their cash, and recruitment/construction/transport.

Who Should Use Invoice Finance - And Who Should Avoid It?

Should use it: B2B businesses with slow-paying customers, growing businesses that have outgrown their cash, recruitment agencies, construction subcontractors, transport companies, and businesses declined for traditional bank loans. **Should avoid it:** B2C businesses, businesses with very thin margins (under 5%), businesses with frequent invoice disputes, and businesses that only need a one-off cash injection (get a loan instead).

You Should Use Invoice Finance If…

- You invoice businesses on credit terms and wait 30-90 days for payment
- You are growing faster than your cash flow - winning work but struggling to fund delivery
- You are in recruitment, construction, transport, or manufacturing - industries with long payment cycles and high upfront costs
- Your bank has reduced or removed your overdraft - invoice finance is the most natural replacement
- You have been declined for a business loan - invoice finance is based on your customers' credit, not yours
- Your customers are extending payment terms - invoice finance neutralises the impact

You Should Avoid Invoice Finance If…

- You sell to consumers (B2C) - no business invoices to finance
- Your margins are below 5% - the 1-3% cost may eat too deeply into profits
- You have frequent invoice disputes - disputed invoices are excluded and advance amounts are clawed back
- You need a one-off lump sum - a business loan is simpler and often cheaper for a single cash need
- You are paid upfront or on delivery - there is no invoice to advance against
- Your invoicing is informal or inconsistent - providers need proper, verifiable invoices

The Grey Areas

Some businesses sit between "should" and "should not." Startups with no trading history can access spot factoring but may pay higher rates. Businesses with one dominant customer can get facilities but with concentration limits. Businesses with mixed B2B/B2C revenue can factor the B2B portion only. If you are unsure, get quotes - the providers will tell you quickly whether your business fits.

Chapter 10: Documents Needed to Apply

You need 12 months of bank statements, latest accounts, an aged debtor list, 3 sample invoices, and director ID to apply for invoice finance. Here is the full list.

Documents Needed for Invoice Finance

Having your documents ready before you apply is the single biggest thing you can do to speed up the process. Providers chasing missing paperwork is the number one cause of delays. Here is every document you might need, grouped by category, with clear guidance on which are essential and which are optional.

Company Documents

These confirm your business is legitimate and properly registered. Most providers will verify details via Companies House, but having copies ready shows you are organised.

Document	Essential?	Notes
Certificate of incorporation	Yes	Download from Companies House if you cannot find the original
Articles of association	Sometimes	Required if your articles have been amended from standard model articles
Shareholder details	Yes	Confirmation statement or share register showing all shareholders with 25%+ ownership
VAT certificate	If VAT registered	Confirms your VAT number is active and matches your invoices
Proof of business address	Sometimes	Utility bill or business rates bill for your trading address if different from registered address

Financial Documents

These are the most important documents in your application. The provider uses them to assess your financial health and the quality of your debtor book.

Document	Essential?	Notes
12 months business bank statements	Yes	The single most important document. Shows cash flow, payment patterns, and whether you have bounced payments or returned direct debits
Latest management accounts	Yes	P&L and balance sheet for the current year to date. Does not need to be audited. Your bookkeeper can prepare these
Latest filed accounts	Yes	Your most recent accounts filed at Companies House. If micro-entity accounts with limited detail, also provide the full management accounts
Aged debtor list	Yes	Export from your accounting software (Xero: Aged Receivables report, Sage: Aged Debtors). Shows who owes you money and how overdue
Aged creditor list	Sometimes	Shows who you owe money to. Providers use this to check for HMRC arrears and to understand your overall financial position
Cash flow forecast	Optional	Helpful for startups or businesses applying during a loss-making period. Shows the provider how the facility will improve cash flow

Invoice Samples and Proof of Delivery

Providers need to see your actual invoices to confirm they are fundable. A “fundable” invoice must be for goods or services already delivered, addressed to a creditworthy business customer, with clear payment terms.

Document	Essential?	Notes
3 recent invoices	Yes	From different customers if possible. Must show your company name, customer name, description of goods/services, payment terms, and total amount
Proof of delivery or completion	Yes	Signed delivery notes, proof of completion, timesheets (for recruitment), or customer purchase orders. This confirms the debt is genuine
Customer contracts or purchase orders	Sometimes	Required for contract-based businesses (recruitment, construction). Shows the terms you trade on and confirms the customer relationship

Identity and Verification

Anti-money laundering regulations require providers to verify the identity of all directors and any shareholders with 25% or more ownership (known as Persons with Significant Control).

Document	Essential?	Notes
Director ID (passport or driving licence)	Yes	For all directors. Must be current and not expired. Colour scan or photo is usually acceptable
Proof of home address	Yes	Utility bill or bank statement dated within the last 3 months. Must match the address on the application
PSC (Person of Significant Control) ID	If different from directors	Any shareholder with 25%+ ownership who is not a director will need to provide ID and proof of address

Tips to Get Your Documents Right

- 1.Download bank statements from online banking. PDF downloads from your bank’s app or website are preferred over scanned paper statements. They are clearer, harder to alter, and some providers can run them through automated analysis tools.
- 2.Export your aged debtor list today, not last month. The provider wants the current position. A 3-week-old report will prompt questions about what has changed since.
- 3.Clean up overdue invoices before you apply. If your aged debtor list shows 20% of your debts are over 90 days old, that is a red flag. Chase overdue payments or write off bad debts before submitting your application.
- 4.Ensure invoices match your accounting records. Discrepancies between your aged debtor list, bank statements, and sample invoices will trigger additional investigation and slow everything down.
- 5.Prepare a one-page business summary. This is optional but impressive. A brief document explaining what your business does, who your main customers are, why you need the facility, and what you will use it for. It shows the underwriter you are serious and organised.

What If You Are Missing Documents?

Common situations and how to handle them:

- Startup with no filed accounts - Provide management accounts, a cash flow forecast, and any contracts or confirmed orders you have. Target startup-friendly providers like those that accept day-one trading.
- Less than 12 months of bank statements - Provide whatever you have. If your business bank account is new, also provide the personal bank account statements showing initial trading.
- No formal proof of delivery - Emails from customers confirming receipt, signed timesheets, or customer portal screenshots can work. Discuss alternatives with the provider before applying.
- Director living overseas - Notarised copies of ID may be needed. Some providers can do electronic ID verification for overseas directors.

> "Nine times out of ten, what slows down an application is not the credit decision - it's waiting for documents. The businesses that get funded fastest are the ones who turn up with everything on day one." , Senior relationship manager, UK invoice finance provider

Document Requirements FAQ

Common Questions

What if I don't have 12 months of bank statements?

If your business is less than 12 months old, provide whatever history you have. Startup-friendly providers like Ultimate Finance, IGF, and Bibby will accept 3-6 months of statements for newer businesses. The key is showing consistent trading activity - regular invoices going out and payments coming in.

Do I need audited accounts?

No. Most SMEs using invoice finance are not required to have audited accounts. Management accounts (prepared by your bookkeeper or accountant) are perfectly acceptable. If you have filed accounts at Companies House, provide those alongside your latest management figures to show the current position.

What is an aged debtor list and how do I get one?

An aged debtor list shows every customer who owes you money, how much they owe, and how long the debt has been outstanding (usually grouped into 0-30, 31-60, 61-90, and 90+ days). You can export this from Xero, QuickBooks, Sage, or any accounting software - it's usually called 'Aged Receivables' or 'Debtor Ageing Report'.

Will the provider contact my customers during the application?

Possibly. During underwriting, the provider may verify one or two invoices by contacting your customers directly. If you are applying for confidential invoice discounting (where your customers don't know you use finance), discuss this upfront - the provider will

handle verification discreetly or find alternative verification methods.

Chapter 11: What Happens During Underwriting

During underwriting, invoice finance providers check your debtors

What Happens During Invoice Finance Underwriting

Invoice finance underwriting is different from any other type of business lending. The provider is not primarily assessing your creditworthiness - they are assessing your customers'. Your debtors are the security, so their ability and willingness to pay is what determines whether you are approved, what advance rate you get, and how much the facility costs.

Check 1: Your Debtors' Creditworthiness

This is the most important check. The provider will run credit reports on every customer you want to include in the facility, using one or more of these agencies:

- Experian - the most widely used. Provides a credit score, payment behaviour data, and CCJ history
- Dun & Bradstreet - used by many larger providers. Includes the D-U-N-S number and payment performance index
- CreditSafe - popular with independent providers. Provides a credit limit recommendation

What they are looking for:

- Does the debtor have a satisfactory credit score? Low-scored debtors may be excluded from the facility or funded at a lower advance rate
- Are there CCJs (County Court Judgments) against the debtor? Recent CCJs are a serious red flag
- What is the debtor's payment behaviour? Do they pay other suppliers on time?
- Is the debtor large enough to support the invoice values? A small company owing £200,000 raises questions
- Is the debtor a UK registered company? Overseas debtors are harder to credit-check and may require export invoice finance

Check 2: Your Financial Accounts

While debtors are the primary focus, the provider still reviews your own finances. They are checking for:

- Turnover trajectory - is the business growing, stable, or declining? Declining turnover is not necessarily a problem if the debtor book is strong, but it raises questions

- Profitability - loss-making businesses can still be approved but the provider will want to understand why and whether the facility will help

- Existing liabilities - other loans, overdrafts, and finance agreements. The provider needs to know where they sit in the priority of creditors

- HMRC position - outstanding VAT, PAYE, or Corporation Tax debts are a red flag, especially if HMRC has a payment plan or has taken enforcement action

- Balance sheet - net assets or net liabilities. A business with net liabilities is not automatically declined but will face closer scrutiny

Check 3: Industry Risk Profile

Some industries have higher default rates or specific risk characteristics that affect underwriting:

Industry	Risk Level	Why
Recruitment	Low-Medium	Well understood, regular invoicing, but temporary staff invoices can be disputed
Manufacturing	Medium	Clear proof of delivery, but goods can be returned or disputed for quality
Construction	Medium-High	Applications for payment (not invoices), retentions, disputes common. Specialist providers only
Transport & Logistics	Low-Medium	Clear proof of delivery, high volume, tight margins. Self-billing can complicate things
IT Services / Consulting	Medium	Milestone-based invoicing and ongoing contracts can make verification harder
Retail / B2C	High	Consumer invoices are generally not fundable. B2C businesses are usually declined

Check 4: Concentration Risk

Concentration risk measures how dependent your business is on a small number of customers. Providers assess this because if your largest debtor stops paying, it can make the entire facility unviable.

- Under 20% per debtor - no concentration concern. Full advance rate applies

- 20-40% per debtor - moderate concentration. Provider may cap funding on that debtor

- Over 40% per debtor - high concentration. Reduced advance rate or debtor excluded from the facility

- Single debtor (100%) - very limited options. Some providers offer single-debtor facilities but at higher cost

If you have high concentration, be upfront about it. A provider who understands your industry (e.g., a recruitment agency with one major client) may be more flexible than a generalist. See our recruitment specialist providers as an example.

Check 5: Director Credit History

The provider will run personal credit checks on all directors. They are looking for:

- CCJs (County Court Judgments) - recent CCJs (under 2 years) are more concerning than historic ones
- Bankruptcy or IVA history - current bankruptcy disqualifies you. Previous bankruptcy (discharged) is considered on a case-by-case basis
- Previous company failures - if you have been a director of a company that went insolvent, the provider will investigate the circumstances
- Electoral roll registration - basic identity verification. Make sure you are registered at your current address

What Kills Applications

- B2C invoicing - most providers only fund business-to-business invoices. Consumer debts are too risky and too small to verify individually
- Debtors with no credit data - new companies, overseas companies with no UK presence, or sole traders. The provider cannot assess the risk
- Existing debenture from another lender - the new provider cannot register their charge. The existing debenture must be released first
- HMRC winding-up petition - an active petition from HMRC signals imminent insolvency. No provider will take this on
- Fraudulent invoices - if verification reveals invoices have been inflated or fabricated, the application is declined immediately and may be reported
- Retentions above 10% - in construction, retentions above 10% reduce the fundable invoice value so far that the facility becomes uneconomic

What Delays Applications (But Does Not Kill Them)

- Missing documents - the most common delay. Have everything ready before you apply. See our complete document checklist
- Debtor verification - if the provider calls your customer to verify an invoice and cannot reach them, it adds days
- Complex group structures - holding companies, intercompany debts, or overseas subsidiaries all require additional checks
- Aged debts - if a significant portion of your debtor book is over 90 days old, the provider will investigate why

- Discrepancies - if your aged debtor list does not match your bank statements or sample invoices, the underwriter will stop and investigate

How to Prepare for Underwriting

- 1.Clean up your debtor book. Chase overdue invoices and write off bad debts before applying. A clean aged debtor report makes a strong impression.
- 2.Check your own credit. Run a free credit check on yourself and your business at Experian or CreditSafe. Fix any errors before the provider finds them.
- 3.Be transparent about problems. HMRC arrears, CCJs, previous insolvencies - tell the provider upfront. They will discover everything during underwriting, and honesty builds trust.
- 4.Know your numbers. Be able to explain your turnover, margins, main customers, and why you need the facility. Confidence in your own finances reassures the underwriter.

  > “We care far more about your customers’ credit than yours. A business with a CCJ but blue-chip debtors is a better risk than a clean business invoicing companies we’ve never heard of with no credit data.” , Underwriting manager, UK invoice finance provider

Underwriting Process FAQ

Common Questions

How long does invoice finance underwriting take?

Typically 2-5 working days with an independent provider and 5-15 working days with a bank. The main variable is how quickly you provide the requested documents and respond to queries. Complex cases (construction, export, startups) may take longer due to additional checks.

Do they check my personal credit score?

Yes, for all directors. But a poor personal credit score does not automatically disqualify you. Independent providers like Bibby and IGF regularly approve directors with impaired credit. What matters more is the pattern - are there recent defaults or is the bad credit historic? A single CCJ from 3 years ago is very different from ongoing defaults.

What is concentration risk and why does it matter?

Concentration risk is when too much of your revenue comes from a single customer. If one debtor represents more than 30-40% of your invoiced sales, the provider will limit how much they fund against that customer. The risk is simple: if that customer stops paying, the entire facility is at risk. Providers manage this by capping the advance on concentrated debtors.

Can I speed up the underwriting process?

Yes. Submit all documents upfront (don't wait to be asked), respond to queries within hours not days, provide a clear one-page business summary, and ensure your aged debtor list matches your bank statements and sample invoices. Discrepancies trigger additional investigation.

Part 3: Choosing and Switching

Chapter 12: How to Choose an Invoice Finance Provider

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How to Choose an Invoice Finance Provider

Choosing the wrong invoice finance provider costs more than choosing the most expensive one. Hidden fees, inflexible contracts, poor sector understanding, and aggressive personal guarantee requirements can all turn a useful facility into a trap. Here are the 6 things to check before you sign anything - and the red flags that mean you should walk away.

1. Total Cost, Not Headline Rate

A provider advertising 0.5% service charge sounds cheaper than one at 0.75%. But add up ALL costs:

- Service charge (0.5-3%) - the headline rate, charged on gross invoice value
- Discount charge (base + 1-3%) - interest on the advance, charged daily
- Arrangement fee (£0-£2,000) - one-off setup cost
- Minimum monthly charge (£200-£500/month) - payable even if you submit zero invoices
- CHAPS fees (£15-25 per transfer) - charged every time you draw down cash
- Annual review fee (£0-£500) - some providers charge for annual facility reviews

Use our cost calculator to model total costs, not just headline rates.

2. Contract Terms and Exit

Most contracts run 12 months with 3 months notice to exit. But check for:

- Auto-renewal clauses - some contracts automatically renew for another 12 months if you miss the notice window

- Early termination fees - 3 months of minimum charges is standard. “Full remaining contract value” is predatory
- Break clauses - some providers offer a 6-month break clause. Ask for one.
- Full guide to getting out of an invoice finance contract →

3. Advance Rate

The advance rate determines how much cash you actually receive. The difference between 80% and 95% on a £100,000 invoice is £15,000 - that’s a lot of working capital. Ultimate Finance offers the highest at 95%. Most providers offer 85-90%. Construction is typically lower (75-85%) due to retention risk.

4. Sector Expertise

A generalist provider handling a construction subcontractor’s applications for payment will likely get it wrong. If you’re in a specialist sector, choose a provider with a dedicated team for your industry. Bibby, Close Brothers, and Ultimate Finance all have specialist teams for construction, recruitment, and manufacturing.

5. Personal Guarantee

Some providers require a personal guarantee (PG). This means YOU are personally liable if the company defaults. Banks almost always require one. Independents like Bibby and IGF are more flexible. See our guide to providers with no PG requirement.

6. Technology and Reporting

How do you submit invoices? Some providers have excellent online portals with Xero/QuickBooks integration - submit an invoice in your accounting software and it’s automatically sent for funding. Others still require manual PDF uploads or even faxing. Ask for a demo of their portal before signing.

Bank vs Independent Provider

The UK invoice finance market splits into two broad categories: bank-owned providers and independent providers. The choice between them affects pricing, flexibility, and the application experience.

Factor | Bank-Owned Providers | Independent Providers |
Examples | Lloyds, HSBC, Barclays, NatWest | Bibby, Ultimate Finance, IGF, Skipton |
Typical service charge | 0.3-1.0% | 0.75-3.0% |
Min turnover | £500k-£1m+ | £50k-£100k |
Credit criteria | Strict - clean credit, profitable, 2+ years trading | Flexible - CCJs, losses, startups considered |
Personal guarantee | Almost always required | Often negotiable or not required |
Decision speed | 2-4 weeks | 3-10 days |
Flexibility | Standardised terms | Bespoke, negotiable |

In general, banks are cheaper but harder to qualify for. If your turnover is above £1 million, you have clean credit, and you can wait 2-4 weeks for setup, a bank provider will likely offer the lowest rates. If you need speed, flexibility, or have any complications in your credit history, an independent provider will be more accessible and responsive.

Questions to Ask Every Provider

Before signing with any provider, ask these specific questions. The way they respond is as revealing as the answers themselves - a good provider will be transparent and direct.

- 1.”What is my total cost of funds expressed as an annualised percentage?” - This forces them to combine service charge + discount charge into one comparable number.
- 2.”What fees apply on top of the service and discount charges?” - CHAPS fees, minimum monthly charges, re-factoring fees, audit fees, and annual review fees all add up.
- 3.”What happens if I want to leave before the contract ends?” - Get the exact early termination formula in writing.
- 4.”How is the advance rate calculated for my specific invoices?” - Some providers reduce the advance rate for certain debtor types, disputed invoices, or concentration risk (too much owed by one customer).
- 5.”Can I speak to an existing client in my industry?” - Any reputable provider will offer references. If they refuse, that is a red flag.
- 6.”What accounting software do you integrate with?” - Manual invoice uploads waste time. Providers like Novuna and Close Brothers offer direct Xero, Sage, and QuickBooks integration.

Concentration Risk: The Hidden Criteria

Providers assess concentration risk - how much of your turnover comes from a single customer. If one customer represents more than 30-40% of your invoiced revenue, most providers will reduce the advance rate on that customer’s invoices or cap the amount they will fund.

This catches many businesses by surprise. A recruitment agency with one major client representing 60% of billings may find the provider only advances 70% on that client’s invoices (instead of 85%) because the risk of losing that one contract would collapse the entire facility. If you have high customer concentration, discuss this upfront and ask what the provider’s concentration policy is before you apply.

Red Flags - Walk Away If…

- Early termination fee = “full remaining contract value” (predatory)
- No break clause AND 24-month minimum term
- Won’t provide a full fee schedule in writing before you sign

- Pressures you to sign quickly ("this rate expires Friday")
- Can't explain exactly how the discount charge is calculated
- Won't let you speak to an existing client as a reference
- Requires an "exclusivity period" during due diligence - you should always be free to talk to other providers
- Charges a non-refundable due diligence fee before approval - legitimate providers absorb this cost

> "The most common mistake businesses make is choosing a provider based on the headline service charge alone. Total cost of funds - including the discount charge, arrangement fees, and minimum monthly charges - is the only fair comparison." , ABFA guidelines on choosing an invoice finance provider

Choosing a Provider FAQ

Common Questions

Should I go with the cheapest provider?

Not necessarily. The cheapest headline rate doesn't always mean the lowest total cost. Check arrangement fees, minimum monthly charges, CHAPS fees, and early termination penalties. A provider charging 0.75% with no setup fee may cost less overall than one charging 0.5% with a £2,000 arrangement fee.

How many providers should I get quotes from?

At least 3. This gives you enough to compare and negotiate. Providers know you're shopping around when you mention competing quotes - this is your strongest negotiation tool.

Should I use a broker or go direct?

Both work. Brokers have relationships with 20+ providers, are paid by the lender on completion (not by you), and can match you quickly. Going direct only reaches one lender. For straightforward applications, direct is fine; for complex cases (bad credit, construction, export, sector-specific quirks) a broker saves time. See our full broker vs direct comparison at /why-use-a-broker/.

Chapter 13: How to Compare Quotes Line by Line

Invoice finance quotes rarely use the same terminology, making direct comparison difficult. This guide walks UK SME owners and finance directors through ev

How to Compare Two Invoice Finance Quotes Line by Line: A Complete Guide for UK SMEs

Invoice finance quotes rarely use the same terminology, making direct comparison difficult. This guide walks UK SME owners and finance directors through every line item, from service charge to discount rate, concentration limits to minimum fees, so you can identify the true cost and the right facility for your business before signing anything.

In short

- Service charge and discount rate together determine total cost, but providers present them differently, so always calculate a blended annual equivalent.
- Minimum monthly fees can make a cheap headline rate expensive for businesses with seasonal or irregular invoicing volumes.
- Concentration limits and debtor approval thresholds directly affect how much of your ledger you can actually draw against.
- Prepayment percentages, reserve releases, and dilution clauses all affect working capital availability in ways the headline rate does not show.
- Contract length, notice period, and termination fees are as important as pricing when comparing two competing offers.

Why Invoice Finance Quotes Are Difficult to Compare Directly

Invoice finance providers are not required to present quotes in a standardised format. One lender may quote a service charge as an annual percentage of gross turnover financed, while another expresses it as a percentage of each invoice face value. A third may bundle certain charges into a single management fee. This inconsistency means a quote showing a lower headline figure can, in practice, cost more than one with a higher stated rate.

The absence of a mandatory Annual Percentage Rate (APR) disclosure for business lending, unlike regulated consumer credit, compounds the problem. Finance directors comparing offers from, say, a high street bank invoice finance arm and an independent specialist should treat every quote as a raw data set that needs restating on a common basis before any meaningful comparison is possible.

This guide provides a line-by-line framework. Work through each section with both quotes open side by side.

Service Charge: Definition, Variants, and How to Restate It

The service charge covers the provider's administration of your sales ledger, credit control, and collections. It is typically expressed as a percentage, but the base to which that percentage applies varies considerably.

Some providers charge against gross invoice value. Others charge against the funded amount only. A few use a percentage of annual turnover as a flat monthly fee. To compare fairly, convert every variant to a cost per £100 of invoices raised. If Provider A charges 0.75% of gross invoice value and Provider B charges 1.1% of the funded amount on an 85% prepayment, Provider B's effective charge per £100 invoiced is 1.1% multiplied by 0.85, which equals 0.935%. Provider A is cheaper on this measure.

Check whether the service charge includes credit control activity or whether that is a separate line. Some disclosed factoring arrangements include active chasing and collections; undisclosed or confidential discounting facilities typically do not, meaning your internal resource cost must be factored in when comparing the two types.

Discount Rate: How to Strip Out the True Borrowing Cost

The discount rate is the interest charged on the funds you draw down. It is almost always expressed as a margin over the Bank of England base rate, currently 4.50% following the March 2026 decision. A quoted margin of 2.5% over base therefore means a current all-in discount rate of 7.0% per annum.

Providers calculate interest in different ways. The most common method charges interest daily on the drawn balance from the date of funding to the date the debtor pays. Some providers charge on the full prepayment from day one regardless of when you draw; others charge only on amounts actually advanced. Ask each provider to confirm the calculation method in writing.

Also check whether the discount rate applies to the full ledger value or only to funds actually drawn. A facility with a higher margin but daily calculation on drawn balances only will often cost less than one with a lower margin applied to the total funded amount from the invoice date. Model both using your average debtor days and typical utilisation rate to produce a comparable annual cost figure.

Minimum Fees, Additional Charges, and Hidden Costs

Minimum monthly fees are one of the most common sources of unexpected cost, particularly for businesses with seasonal revenue or a concentrated debtor base. If a provider sets a minimum fee of £1,200 per month and your facility only generates £800 in charges during a quiet quarter, you pay £1,200 regardless. Over a twelve-month contract, a minimum fee clause can add thousands of pounds to the real cost of a cheaper-looking facility.

Beyond minimum fees, look for the following line items in each quote: arrangement or facility set-up fee; annual renewal fee; CHAPS same-day payment fee; credit check fees per debtor; audit or field examination fees, which may be charged annually or triggered by covenant breaches; and termination or early exit fees expressed either as a flat sum or as a percentage of the facility limit.

Some providers also charge a fee to add a new debtor to the approved schedule or to increase an individual debtor limit. For growing businesses that regularly onboard new clients, these incremental charges can be material. Ask each provider for a full schedule of fees, not just the rates shown on the headline term sheet.

Prepayment Percentages, Concentration Limits, and Debtor Approval

The prepayment percentage is the proportion of each approved invoice that the provider will advance immediately, typically between 80% and 90%. A higher prepayment rate improves cash flow but does not change the cost of the facility directly. However, if one provider offers 85% and another offers 80% against the same ledger, the lower prepayment means you need to fund a larger proportion of working capital from elsewhere, which has an implicit cost.

Concentration limits cap the proportion of your total approved ledger that any single debtor can represent. A common limit is 25% to 33%. If your largest customer accounts for 45% of your revenue, a strict concentration limit will reduce your available funding significantly. Check whether each provider applies the limit to the total ledger or only to the funded amount, and whether they offer a named account exception for anchor clients.

Debtor approval is distinct from concentration. Some providers maintain a formal approved debtor schedule and will not fund invoices against unapproved buyers. Others use a dynamic credit limit system updated in real time. Ask how quickly new debtors are approved, what happens to invoices raised against a debtor whose limit has been exhausted, and whether approval decisions can be appealed.

Contract Terms: Length, Notice Period, and Exit Provisions

Pricing is only part of the comparison. Contract terms determine how long you are locked in and what it costs to leave. Most invoice finance agreements run for an initial term of twelve months, though some providers offer rolling contracts with a three-month notice period from the outset. Others require you to serve notice before the end of month nine or ten to avoid automatic renewal into a further twelve-month term.

Early termination fees vary widely. Some are calculated as a multiple of the average monthly charge over the preceding three or six months. Others are a fixed percentage of the facility limit or a flat fee. A facility that costs slightly more per month but carries no early exit penalty may be the better choice if there is any chance your funding requirements will change within the contract period.

Also check the debenture and personal guarantee position. Most providers take an all-assets debenture registered at Companies House, but the scope of any personal guarantee varies. One provider may require a guarantee capped at twelve months of facility fees; another may require an unlimited guarantee from all directors. This is a material difference that belongs in your comparison, not just the pricing schedule.

Producing a Like-for-Like Comparison: A Practical Framework

Once you have gathered the full fee schedule from each provider, restate all costs against the same set of assumptions: your projected annual turnover financed, average invoice value, average debtor days, expected utilisation as a percentage of the facility limit, and number of debtors on the ledger.

Build a simple twelve-month cost model with five rows: service charge cost; discount charge cost; minimum fee top-up if applicable; ancillary fees including CHAPS, audits, and credit checks; and set-up or arrangement fees amortised over the contract term. Sum each column to produce a total annual cost for each provider, then divide by your projected annual turnover financed to express it as an effective percentage rate.

This effective rate is not the same as an APR under the Consumer Credit Act, but it gives you a consistent basis for comparison. A difference of 0.3% on £2 million of annual invoicing is £6,000 per year. Weighed against service quality, system integration capability, and the flexibility of the contract terms, a marginally more expensive provider may still represent better value. The framework ensures the decision is made with full information rather than on a headline rate alone.

Checklist

- [ ]Restate both service charges as a cost per £100 of invoices raised before comparing.
- [ ]Calculate the all-in discount rate for each provider using today's base rate of 4.50% plus their stated margin, and confirm the calculation method in writing.
- [ ]Identify the minimum monthly fee in each quote and model the annual cost under your most conservative revenue scenario.
- [ ]Check concentration limits against your current debtor mix and confirm whether named account exceptions are available.
- [ ]Note the contract length, notice period, and early termination fee for each provider, and compare the cost of exiting at months six, nine, and twelve.
- [ ]Request a full schedule of ancillary fees, including CHAPS, audit, debtor approval, and renewal fees, and include these in your twelve-month cost model.

FAQs

Chapter 14: Whole-Book vs Selective Invoice Finance

Whole book invoice finance funds your entire sales ledger; selective invoice finance funds only the invoices you choose.

Whole Book vs Selective Invoice Finance UK 2026

Whole book invoice finance funds your entire sales ledger under a single committed facility, with service charges typically 0.3-1.0% of invoiced turnover and a 12-month minimum contract. Selective invoice finance funds only the individual invoices you choose with no commitment, but typically charges 1.5-4.0% per invoice in exchange for that flexibility. Whole book is around 3-5x cheaper per pound advanced and suits steady predictable invoicing. Selective is more expensive per use but cheaper overall when cash flow needs are occasional. Both products operate on the same underlying mechanics: an advance of 70-95% of invoice value, repaid when the customer pays.

Side-by-Side Comparison

Feature	Whole Book	Selective
Coverage	100% of sales ledger	Individual chosen invoices
Service charge	0.3-1.0% of turnover	1.5-4.0% per invoice
Discount charge	BoE base + 1-3%	Often included in flat fee
Advance rate	70-90% (95% with Ultimate Finance)	70-90%
Contract	12-24 month minimum	No commitment
Min turnover	£50,000-£500,000	No minimum on most
Confidentiality	Confidential standard at £500k+	Usually disclosed
Setup speed	3-15 working days	Same-day on digital platforms
Best for	Steady predictable B2B invoicing	Irregular cash gaps, growth uncertainty
Cost per £1k advanced (illustrative)	~£8-15	~£25-50

Worked Example: Same Business, Both Products

A UK manufacturer turns over £1.2m a year on 60-day terms, with around £200,000 in outstanding invoices at any time. Cash flow is predictable: 8 invoices a month between £8,000 and £25,000.

Whole book: 0.6% service charge on £1.2m turnover = £7,200 a year, plus discount charge of around 6.5% (BoE 3.75% + 2.75%) on the average £150,000 advanced = £9,750. Total annual cost ~£16,950, or 1.4% of turnover. They have £150,000 of additional working capital available every day of the year.

Selective: If the same business funds only 12 invoices a year (one per month, average £15,000) at 2.5% per invoice plus a small admin fee, total annual cost ~£4,800. They get £15,000 of cash each time they fund an invoice, but no working capital cushion the rest of the time.

The trade-off: selective is £12,150 cheaper but gives 92% less working capital across the year. Whole book is the right choice if cash is consistently tight; selective is the right choice if cash is mostly fine but occasionally not.

Best UK Providers by Format

Whole Book

Provider	Fee from	Min turnover	Type
Close Brothers	0.5%	£50k	FTSE 250 bank
Skipton Business Finance	0.5%	£100k	Building society
Bibby Financial Services	0.75%	£50k	Independent
Aldermore	0.7%	£250k	Challenger bank
Ultimate Finance	0.8%	£50k	Independent (95% advance)

Selective

Provider	Fee per invoice	Min turnover	Specialism
Hydr	From 1.5%	No minimum	Digital-first, single invoice
Triver	From 2.0%	No minimum	Embedded with accounting software
Sonovate	From 0.9%	No minimum	Recruitment-only spot factoring
Ultimate Finance	From 1.8%	£50k	Selective + whole book

When to Switch from Selective to Whole Book

The economics tip in favour of whole book once you are doing any of the following on a sustained basis:

- ·Funding 30% or more of your sales ledger most months.
- ·Putting £100,000 or more per quarter through selective invoices.
- ·Paying more than ~£500 a month in selective invoice fees.
- ·Hitting cash gaps predictably enough that you could budget for a committed facility.

- ·Wanting confidentiality (most selective is disclosed; whole book at £500k+ supports confidential discounting).

Related Reading

- · Factoring vs invoice discounting, the disclosed-vs-confidential dimension
- · Selective invoice finance UK guide, full deep-dive
- · Confidential invoice discounting UK guide
- · Invoice finance costs UK, full pricing breakdown
- · How to choose an invoice finance provider

Whole Book vs Selective Invoice Finance FAQ

Common Questions

What is the difference between whole book and selective invoice finance?

Whole book invoice finance (also called whole turnover) funds 100% of your sales ledger under a single committed facility. Every qualifying invoice is automatically eligible for advance, the provider relies on the diversification of your debtor book, and pricing is given as a single service charge usually 0.3-1.0%. Selective invoice finance (also called single invoice finance, spot factoring or pay-as-you-go) lets you pick which individual invoices to fund. There is no commitment to put any minimum value through the facility, and you typically pay a higher per-invoice fee in exchange for that flexibility, usually 1.5-4.0% of invoice value.

Which is cheaper, whole book or selective invoice finance?

Whole book is significantly cheaper per pound advanced. Service charges typically run 0.3-1.0% on whole book versus 1.5-4.0% per invoice on selective. The trade-off is commitment: whole book requires you to put all qualifying invoices through the facility (usually with a 12-month minimum contract), while selective lets you fund only the invoices you choose with no minimum. For businesses with steady predictable invoicing, whole book is roughly 3-5x cheaper. For businesses with occasional cash gaps, selective can be cheaper overall because you only pay when you use it.

What turnover do I need for whole book invoice finance?

Most UK whole book invoice finance providers require minimum annual turnover from £50,000 (Close Brothers, Bibby, Ultimate Finance), £100,000 (Skipton), or £250,000+ (Aldermore, HSBC). Whole book confidential invoice discounting typically requires £500,000+ turnover with established credit control. Selective invoice finance has lower thresholds, Hydr, Triver, and Sonovate accept individual invoices from businesses with no minimum annual turnover, requiring only that each funded invoice meets credit and concentration criteria.

Is selective invoice finance the same as spot factoring?

Yes. Selective invoice finance, single invoice finance, spot factoring, pay-as-you-go invoice finance, and on-demand invoice finance all describe the same product: per-invoice funding with no commitment to put further invoices through the facility. Some providers brand it differently, Hydr calls it digital invoice finance, Triver positions it as embedded funding for accountancy software users, and Sonovate uses contractor finance for the recruitment sector, but the underlying product mechanics are identical: choose which invoice to fund, get an advance against just that invoice, repay when the customer pays.

Who should use whole book invoice finance?

Whole book invoice finance suits established UK SMEs with predictable B2B invoicing, ongoing working capital needs, and a clear case for sustained funding (typically advancing 50%+ of debtor book consistently). It works best for sectors with regular invoicing patterns: manufacturing, wholesale distribution, recruitment, transport, construction, professional services, and engineering. The lower cost per pound only pays off when you are putting most of your ledger through the facility most of the time, if you only need cash occasionally, the 12-month commitment and minimum service charges can be more expensive than selective.

Who should use selective invoice finance?

Selective invoice finance suits businesses with irregular cash flow needs, growing businesses uncertain about long-term funding requirements, businesses with one or two large customers whose invoices represent the bulk of cash flow risk, businesses below the typical whole book turnover threshold, or businesses wanting to test invoice finance before committing. It is particularly common in seasonal sectors (event production, hospitality supply, agriculture), project-based services (consultancy, construction subcontractors), and recruitment agencies funding temp or contract payroll on a per-placement basis.

Can I switch from selective to whole book invoice finance?

Yes. Many UK businesses start on selective invoice finance to test the product, then upgrade to whole book once their working capital need is sustained and predictable. The economics tip in favour of whole book once you are regularly funding 30%+ of your ledger or putting £100,000+ per quarter through selective invoices. Switching providers usually involves a parallel-running period where the new whole book facility takes over the ledger; some providers (Close Brothers, Bibby) will buy out an existing selective facility to streamline the transition.

Do whole book and selective invoice finance both work for confidential discounting?

Whole book is the standard format for confidential invoice discounting (the most common UK invoice finance product, accounting for around 85% of the £22.7bn UK market). The provider relies on having visibility over your full ledger to manage credit risk while keeping the arrangement private from customers. Selective confidential discounting exists but is rarer, usually offered only to larger businesses with strong credit control where the provider will take on individual invoices on a confidential basis. Most selective facilities are disclosed factoring (the customer is notified) rather than confidential.

What are the best UK whole book and selective invoice finance providers?

Best whole book providers: Close Brothers (0.5% from £50k turnover, FTSE 250 bank), Skipton Business Finance (0.5% from £100k, building society backed), Bibby Financial Services (0.75% from £50k, largest UK independent), Aldermore (0.7% from £250k, confidential discounting standard). Best selective providers: Hydr (digital-first, no minimum

turnover), Triver (embedded with accountancy software), Sonovate (recruitment-only spot factoring), and Ultimate Finance (offers both whole book and selective with the highest 95% advance rate).

Chapter 15: How to Switch Invoice Finance Provider

Step-by-step UK guide to switching invoice finance provider: notice periods (typical 3 months), debenture transfer mechanics at Companies House, cash.

How to Switch Invoice Finance Provider: A Complete Guide for UK SMEs

Switching invoice finance provider is straightforward if you plan ahead. Most UK businesses can move to a new facility within four to eight weeks. Key steps include reviewing your existing contract for notice periods and termination fees, preparing updated financial information, and ensuring a clean handover of your debtor ledger to avoid funding gaps.

In short

- Check your existing contract for notice periods, which are typically 30 to 90 days, and any early termination fees before you take any action.
- Start approaching alternative providers at least three months before you want to switch to give yourself time to compare terms without pressure.
- Prepare up-to-date management accounts, aged debtor reports, and customer contracts, as new providers will conduct thorough due diligence.
- Coordinate the exit from your current facility and the start of the new one carefully to avoid a gap in working capital funding.
- Use the switch as an opportunity to renegotiate advance rates, service fees, and contract length rather than simply replicating your existing arrangement.

Why UK businesses switch invoice finance providers

There are several common reasons why SMEs decide to move to a different invoice finance provider. Pricing is frequently the trigger: service fees, discount charges, and additional costs such as same-day payment fees can vary significantly between lenders, and a business that arranged its facility two or three years ago may find considerably better terms are now available.

Beyond cost, service quality matters. Slow credit limit decisions on customers, poor relationship management, or outdated online portals can all create friction in day-to-day operations. Some businesses outgrow their current provider, particularly if they are expanding into export markets or need a more sophisticated arrangement such as selective invoice finance rather than a whole-turnover facility. Others find that after an acquisition or a change in customer mix, their existing provider is no longer the right fit. Whatever the reason, switching is a legitimate and increasingly common decision for UK SMEs.

Understanding your existing contract before you act

Before approaching any alternative lender, read your current agreement carefully. Invoice finance contracts in the UK typically include a minimum term, often 12 or 24 months, followed by a rolling notice period of between 30 and 90 days. Breaking the agreement before the minimum term ends may trigger an early termination fee, sometimes calculated as a percentage of the annual service charge or as a fixed sum.

Look also for clauses covering the return of prepayments. When you exit a facility, your provider will require you to repay all outstanding advances before releasing your debtor ledger. If your business cannot fund that repayment from its own cash, you will need the incoming provider to refinance the existing book, which adds a layer of complexity to the transition. Some contracts also include restrictive covenants preventing you from approaching named competitors, though these are relatively uncommon in the UK market. If anything in the contract is unclear, ask a solicitor or a specialist commercial finance broker to review it before you serve notice.

How to compare alternative providers

Once you know when you can leave and what it will cost, you can start gathering quotes. The UK invoice finance market includes high-street bank-owned lenders, independent specialist providers, and fintech platforms. Each has different strengths. Bank-owned providers often offer lower discount rates but may have more rigid eligibility criteria and slower decisions. Independent lenders frequently offer more flexible structures and faster onboarding. Fintech platforms tend to suit businesses that want self-serve access and selective rather than whole-turnover facilities.

When comparing quotes, look beyond the headline discount rate. The total cost of the facility includes the service fee, expressed as a percentage of annual turnover, as well as charges for CHAPS transfers, credit protection if applicable, and any minimum usage fees. Ask each provider for a worked example based on your actual average debtor days and monthly turnover so you can make a like-for-like comparison. Also ask about credit limits: how quickly will they approve limits on new customers, and what happens if a customer is declined? The answers to those questions affect your day-to-day cashflow as much as the pricing does.

Preparing your information for due diligence

New providers will conduct due diligence before offering you a facility. Gathering the right documents in advance speeds up the process and demonstrates that your business is well-run. You will typically need the following: two to three years of filed accounts from Companies House or, for newer businesses, full management accounts; current aged debtor and aged creditor reports; a sample of invoices and corresponding purchase orders or contracts; bank statements for the past three to six months; and details of any outstanding County Court Judgements or HMRC payment arrangements.

Providers will also want to understand your customer base. Concentration risk is a key concern: if a single customer accounts for more than 25 to 30 percent of your turnover, some lenders will cap the advance against that debtor or decline to include them altogether. Be upfront about any customers with a history of disputes or slow payment, as these will come to light during the underwriting process regardless. Preparing a short briefing note on your business model, how your invoices are raised, and how disputes are handled can help underwriters reach decisions more quickly.

Managing the transition between facilities

The most operationally sensitive part of switching is the handover period between your existing facility and the new one. The goal is to ensure there is no gap during which your business is without funding. In practice this means coordinating closely with both providers.

The most common approach is a same-day refinance. The incoming lender agrees in advance to purchase your existing debtor book on the day the old facility is terminated, using the advance to repay what you owe to the outgoing lender. This requires both parties to agree on the value of the book and the timing of funds. Your outgoing provider must supply a full ledger breakdown, and the incoming provider must be satisfied with the quality of the debtors they are taking on.

Give yourself at least four weeks between receiving a formal offer from the new provider and serving notice on the old one, longer if your ledger is complex. Notify your customers of the change of bank account details only once the new facility is live, and do so in writing with clear instructions to avoid misdirected payments during the changeover.

Notifying your customers and updating bank details

In a disclosed factoring arrangement, your customers already know that invoices are assigned to a third party. When you switch provider, you will need to update the assignment notice on your invoices and write to customers with new payment details. Keep the communication simple and professional. A brief letter or email explaining that your funding partner has changed and providing the new sort code and account number is sufficient. Give customers a clear deadline, typically two to three weeks, after which payments to the old account will no longer be accepted.

For confidential invoice discounting, the process is less visible to customers but equally important internally. Your finance team will need to update the bank account referenced in your invoicing software and ensure that any direct debit mandates or standing orders your customers have in place are redirected. Confirm with your new provider that they have systems in place to monitor payments and flag any that arrive in the wrong account during the transition window. Most UK providers have experience managing these handovers and will assign a dedicated relationship manager to support you through the process.

Getting the best terms from your new provider

Switching gives you a genuine opportunity to negotiate rather than simply rolling over an existing arrangement. Lenders want to win new business, and a well-prepared SME with clean accounts and a diversified debtor book is an attractive prospect. Use that position. If you have received quotes from more than one provider, you can use competing offers to negotiate on discount rate, service fee, advance rate, and contract length.

Consider whether your needs have changed since you first took out invoice finance. If your business is more established, you may be able to negotiate a higher advance rate, perhaps moving from 80 percent to 85 or 90 percent of eligible invoices. If your turnover is seasonal, ask whether the minimum annual fee can be structured to reflect that. If you are likely to need credit protection against customer insolvency, compare the cost of bad debt protection across providers as part of the overall package rather than as an add-on.

Finally, ask about technology: a good online portal with real-time ledger visibility and straightforward drawdown requests will save your finance team time every month, and that has a real value even if it does not appear directly in the fee schedule.

Checklist

- [ ]Read your existing contract in full and identify the notice period, minimum term end date, and any early termination fees before contacting alternative providers.
- [ ]Obtain and review your current aged debtor report to identify any ineligible invoices, concentration issues, or disputed balances that could affect the new facility.
- [ ]Gather at least two years of management accounts or filed accounts, six months of bank statements, and sample invoices with supporting purchase orders for new provider due diligence.
- [ ]Collect at least three formal quotes and compare total facility cost using a worked example based on your actual monthly turnover and average debtor days.
- [ ]Agree a same-day refinance date with both your outgoing and incoming providers and confirm in writing the ledger value, repayment amount, and timing of funds.
- [ ]Send written notification to all customers with new payment details at least two weeks before the old facility closes, and update bank account references in your invoicing software.

FAQs

Common Questions

How do I switch invoice finance provider in the UK?

Switching takes four steps and typically 4 to 8 weeks end to end. First, serve notice on your current provider under the contractual termination clause (commonly 3 months). Second, run a comparison process with three or four shortlisted alternatives and accept a written facility letter. Third, the new provider arranges a take-out, paying off your existing facility on a single payment date and assuming the debenture. Fourth, the old provider releases the debenture at Companies House. The take-out date is the only day cash is at risk; planning matters.

What is a take-out and how does it work?

A take-out is the simultaneous settlement where the new provider transfers funds to the old provider, the old provider releases its debenture, and the new provider registers its own. The full ledger is novated on a single date. The old provider issues a closing statement showing outstanding advances, fees due, and any retained balance; the new provider pays this in full and the customer ledger transfers cleanly. Take-out is choreographed by both providers' operations teams over 24 to 48 hours. Disruption to drawdowns is minimal if both sides cooperate.

What termination fees apply when switching?

Three potential fees. First, minimum-term breach: if you switch inside the contractual minimum (commonly 12 months on first contract, 6 months on renewals), expect a fee of 1 to 3 months of service charge. Second, notice-period buy-out: some providers charge for early exit from a 3-month notice period at full service-charge rates. Third, administra-

tion fee: typically £500 to £1,500 for closing and debenture release. Read the termination clause before signing any switch facility letter; the headline saving on the new provider can be eroded by old-provider fees.

When is the best time to switch invoice finance provider?

Three triggers justify a switch. First, repricing: if your renewal letter increases service charge or discount margin without justification, the market typically has cheaper options. Second, service quality: if drawdowns are slow, account managers change frequently, or credit-control performance is poor, switch even at a price premium. Third, product fit: if your sector exposure or customer concentration changed materially (e.g. into construction or recruitment), a sector specialist will price better than a generalist. Avoid switching purely on headline rate without modelling the fully-loaded cost including termination fees and arrangement fees.

Part 4: Sector and Specialist Finance

Chapter 16: Construction Invoice Finance

Construction invoice finance helps builders, subcontractors, and trades fund projects while waiting for payment. Advance rates up to 90% on applications.

Construction Invoice Finance

Construction invoice finance advances up to 90% of your outstanding applications for payment within 24 hours, helping builders, subcontractors, and specialist trades manage cash flow between project milestones. The UK construction sector used £3.2 billion of invoice finance in 2025, making it the fourth-largest industry for this type of funding.

Why Construction Needs Specialist Finance

Construction cash flow is uniquely challenging. According to Build UK, the average payment time in construction is 49 days - the longest of any UK industry. Payment terms are typically 30-60 days from application, retentions hold back 3-5% for 6-12 months, and the payment chain depends on main contractors paying on time. Standard invoice finance providers often struggle with these complexities.

Specialist construction factoring providers understand applications for payment, JCT/NEC contracts, stage payments, retention mechanics, and the Housing Grants, Construction and Regeneration Act 1996 (the “Construction Act”). They assess your main contractor’s creditworthiness rather than just your own.

> “Construction is one of the few industries where invoice finance is genuinely mission-critical. Subcontractors can’t pay their workers with a promise that the main contractor will settle in 60 days. The cash flow gap between completing work and receiving payment is where projects - and businesses - fail.” , Construction industry finance analyst

UK Finance data shows the construction sector drew £3.2 billion in invoice finance in 2025, making it the fourth-largest industry for this type of funding.

Best Providers for Construction

Provider	Min Turnover	Advance Rate	Construction Specialist?
Close Brothers	£100k	Up to 85%	Yes - dedicated team
Bibby	£50k	Up to 90%	Yes - dedicated team
Ultimate Finance	£50k	Up to 95%	Yes - dedicated team
IGF	£50k	Up to 85%	General (handles construction)

What Documents Do You Need?

- Applications for payment or certified valuations
- Subcontract agreements or purchase orders
- 6 months bank statements
- Details of main contractors you work for
- Current aged debtor report

Construction Invoice Finance FAQ

Common Questions

Can construction companies get invoice finance?

Yes. Construction is one of the top 5 industries using invoice finance in the UK, with £3.2 billion advanced in 2025. Specialist providers understand applications for payment, retentions, stage payments, and the Construction Act.

Do providers accept applications for payment (not just invoices)?

Specialist construction factoring providers will advance against certified applications for payment under JCT, NEC, and other standard contracts. This is different from standard invoice finance where only formal invoices are accepted.

How are retentions handled?

Most providers advance against the gross invoice value excluding retentions. So if you invoice £100,000 with 5% retention, they advance against £95,000. Some providers offer separate retention release facilities.

Which providers specialise in construction?

Close Brothers, Bibby Financial Services, and Ultimate Finance all have dedicated construction finance teams. Specialist independent providers like Cashsolv and Positive Cashflow (now 1pm) also focus heavily on construction.

Chapter 17: Recruitment Invoice Finance

Recruitment invoice finance funds weekly contractor payroll from outstanding timesheets. The UK recruitment sector used £8.2 billion of invoice finance.

Recruitment Invoice Finance

Recruitment invoice finance advances 85-90% of your outstanding timesheets and invoices within 24 hours, enabling you to fund weekly contractor payroll while waiting 30-60 days for client payment. The UK recruitment sector is the largest user of invoice finance, drawing £8.2 billion in 2025 - more than any other industry.

Why Recruitment Agencies Need Invoice Finance

The recruitment cash flow gap is structural. You pay contractors weekly (Friday payroll) but clients pay you on 30-60 day terms. According to UK Finance, the recruitment sector drew £8.2 billion in invoice finance in 2025 - more than any other industry - precisely because of this timing mismatch. Data from the Recruitment & Employment Confederation (REC) confirms that cash flow management is the number one operational challenge for recruitment agencies of all sizes. A single contractor earning £500/day creates a cash flow gap of £2,500/week that compounds with every additional placement.

Invoice finance bridges this gap. Instead of waiting weeks for payment, you get 85-90% of the invoice value the same day you submit the timesheet.

> “For recruitment agencies, invoice finance isn’t really optional - it’s the operating model. You can’t run a temp desk without it. The agencies that grow fastest are the ones that set up their funding facility before they need it, not after they’ve missed a payroll.” , Recruitment sector finance specialist

Best Providers for Recruitment

Provider	Advance Rate	Payroll Support?	Startup Friendly?
Close Brothers	Up to 90%	Yes	From £50k turnover
Bibby	Up to 90%	Yes - full back-office	Yes - day one
Ultimate Finance	Up to 95%	Yes	Yes - day one
Novuna	Up to 90%	Limited	From £100k turnover
Sonovate	Up to 100%	Yes	Yes - day one
Liquid Link	Up to 90%	Full outsourcing	Yes
Giant Finance+	Up to 100%	Full platform	Yes

Recruitment Invoice Finance FAQ

Common Questions

How does recruitment invoice finance fund payroll?

You submit timesheets or invoices to the finance provider. They advance 85-90% of the value within 24 hours, which funds your Friday payroll. When the client pays (typically 30-60 days later), the balance minus fees is released to you.

Can recruitment startups get invoice finance?

Yes. Many recruitment invoice finance providers accept day-one startups because the risk is based on the end client's ability to pay, not yours. You need signed timesheets and a creditworthy end client.

Does the provider handle payroll?

Some providers offer back-office services including payroll processing, PAYE, and pension auto-enrolment as part of the facility. This is sometimes called a 'recruitment factoring and payroll' package.

Chapter 18: Export Invoice Finance

Export invoice finance advances up to 85% of your international invoices within 48 hours. Covers currency risk, overseas credit checks, and collections.

Export Invoice Finance

Export invoice finance advances up to 85% of your international invoices within 48 hours, while the provider handles overseas credit checks, currency risk, and collections through local correspondent factors. It is available to UK businesses exporting goods or services to customers in 80+ countries with annual turnover from £100,000.

How Export Factoring Works

- 1.You invoice your overseas customer in their local currency or GBP.
- 2.The UK factor checks your customer's credit via their overseas correspondent.
- 3.They advance 70-85% of the invoice value in GBP within 48 hours.
- 4.The overseas correspondent collects payment in the local jurisdiction.
- 5.You receive the balance minus fees and any currency adjustment.

Best UK Providers for Export Finance

Provider	Countries	Multi-Currency?	FCI Member?
Bibby	80+	Yes	Yes
Close Brothers	60+	Yes	Yes
Novuna	50+	Yes	Yes

Export Invoice Finance FAQ

Common Questions

Can I finance invoices in foreign currencies?

Yes. Most export factoring providers offer multi-currency ledgers covering EUR, USD, and other major currencies. Some also offer forward currency contracts to lock in exchange rates and eliminate currency risk on specific invoices.

How does the provider collect from overseas customers?

Export factoring providers work with correspondent factors in the debtor's country. These local partners handle credit checking, collections, and if necessary, legal action in the local jurisdiction. This is coordinated through the FCI (Factors Chain International) network.

Is export invoice finance more expensive?

Yes. Export factoring typically costs 1-3% more than domestic factoring due to additional currency risk, overseas credit checking, and the correspondent factor network. However, the cost is often offset by faster payment and reduced bad debt risk.

What is export invoice finance?

Export invoice finance is a UK product that advances 70% to 90% of the value of an invoice issued to an overseas customer. It works the same way as domestic invoice finance, with two extra layers: currency hedging (where the invoice is in a foreign currency) and credit insurance (because cross-border bad-debt recovery is harder). The product covers exports in major currencies (USD, EUR, GBP) to OECD countries as standard, with selective coverage of emerging markets. HSBC, Close Brothers, Bibby and Stenn are the strongest UK providers for export receivables.

Which UK providers handle export invoice finance best?

Four providers lead the export segment in 2026. HSBC Invoice Finance has the strongest multi-currency capability through HSBC Global Trade and the largest correspondent banking network. Bibby Financial Services covers SME export with sector-specialist underwriting. Close Brothers handles £500,000-plus turnover exporters with 0.5% headline service charge. Stenn (international trade specialist) writes selective single-invoice export finance, particularly to emerging markets. For pure single-invoice export advances, Kriya covers OECD destinations. Banks (Barclays, NatWest) write large-cap export facilities but slower.

How does currency risk work in export invoice finance?

Two models. First, the provider funds in the invoice currency and you bear no FX risk between issue and payment: this is standard at HSBC, Bibby and Close Brothers for major-currency receivables. Second, the provider funds in GBP at the spot rate and you bear residual FX risk on the unfunded reserve until payment: less common but cheaper on margin. For larger exposures, providers offer forward FX contracts alongside the facility to lock in the receivable value. Hedging cost is typically 0.1% to 0.5% of invoice value, separate from the service charge.

Chapter 19: Bad Debt Protection on Invoice Finance

Bad debt protection on UK invoice finance is the option to insure your sales ledger against customer default or insolvency, typically costing 0.1-0.4%.

Invoice Finance Bad Debt Protection UK 2026

Bad debt protection on UK invoice finance is the option to insure your sales ledger against customer default or insolvency, typically costing 0.1-0.4% of insured turnover on top of base service charge. Aldermore, Bibby Financial Services, HSBC Invoice Finance, Lloyds Commercial Finance and most major UK providers offer integrated bad debt protection. Cover is typically 80-90% of the invoice value if a customer becomes insolvent or fails to pay within 90 days of due date.

Top UK providers for this product

Provider | Fee from | Min turnover | Why it fits |
Aldermore | 0.15-0.4% | £250k | Strong integrated bad debt protection across SME book |
Bibby Financial Services | 0.2-0.4% | £50k | Per-debtor credit limits and protection options |
HSBC Invoice Finance | Negotiated | £500k | International credit cover for export ledgers |
Lloyds Commercial Finance | Negotiated | £500k | Integrated UK debtor protection |
Close Brothers | 0.15-0.3% | £500k | Optional bad debt protection on confidential discounting |

What is bad debt protection on invoice finance UK?

See the FAQ below for the detailed answer to this question. For broader context on UK invoice finance, also see our how to choose a provider guide and our cost calculator.

How much does invoice finance bad debt protection cost?

See the FAQ below for the detailed answer to this question. For broader context on UK invoice finance, also see our how to choose a provider guide and our cost calculator.

When does bad debt protection pay out?

See the FAQ below for the detailed answer to this question. For broader context on UK invoice finance, also see our how to choose a provider guide and our cost calculator.

Best UK invoice finance providers for bad debt cover

See the FAQ below for the detailed answer to this question. For broader context on UK invoice finance, also see our how to choose a provider guide and our cost calculator.

Bad debt protection vs trade credit insurance UK

See the FAQ below for the detailed answer to this question. For broader context on UK invoice finance, also see our how to choose a provider guide and our cost calculator.

Invoice Finance Bad Debt Protection Uk FAQ

Common Questions

What is bad debt protection on invoice finance UK?

Bad debt protection is the option to insure your invoice finance facility against customer default or insolvency. The provider sets a credit limit per debtor (based on credit checks) and covers you for typically 80-90% of the invoice value if that debtor fails to pay within an agreed period (usually 90 days past due) or becomes insolvent. Cover is integrated into the invoice finance facility rather than a separate insurance policy.

How much does bad debt protection cost on UK invoice finance?

Typically 0.1-0.4% of insured turnover on top of base service charge, depending on debtor profile and sector. Aldermore charges around 0.15-0.4% per insured debtor. Bibby ranges 0.2-0.4%. HSBC and Lloyds negotiate based on portfolio. The total uplift over base invoice finance cost typically lands at 15-30% extra in service charge for full ledger cover.

When does invoice finance bad debt protection pay out?

Two scenarios trigger payout: (1) protracted default - customer fails to pay within 90 days of due date despite normal collections process, (2) insolvency - customer enters administration, liquidation or CVA. Cover is typically 80-90% of the insured invoice value, paid by the provider once you've completed the agreed collections protocol. Cover doesn't apply for disputed invoices or commercial disagreements with the customer.

Best UK invoice finance for bad debt protection?

Aldermore, Bibby Financial Services and HSBC Invoice Finance all have well-developed bad debt protection programmes. Aldermore is the strongest for SME ledgers (£250k-£5m turnover) with per-debtor credit limits set in advance. HSBC is the strongest for export ledgers (international credit cover via HSBC's global trade network). Bibby is strong for sector-specific risk (construction stage payments, recruitment debtor mix).

Bad debt protection vs trade credit insurance UK?

Bad debt protection (integrated into invoice finance) covers only invoices that have been funded through the facility. Trade credit insurance (a standalone policy from Atradius, Coface, Allianz Trade etc) covers your full ledger including invoices not on invoice finance, plus offers wider cover types. Most UK businesses with £1m+ turnover and significant export use trade credit insurance; those funding through invoice finance often use the integrated cover for simplicity.

Should I take bad debt protection on my invoice finance facility?

Worth considering if (a) any single customer represents more than 20% of your sales ledger, (b) you're entering a new market or sector with unknown debtor risk, (c) you're growing fast and onboarding many new customers, (d) you operate in a sector with high insolvency rates (construction, retail, hospitality). Less critical if your debtor base is investment-grade (large UK plcs, government, NHS).

Chapter 20: Selective Invoice Finance

Selective invoice finance lets UK businesses choose which invoices to fund without committing to a full facility. No minimum turnover, no long contracts.

Selective Invoice Finance UK 2026

Selective invoice finance (also called spot factoring or single invoice finance) allows you to choose which individual invoices to fund, without committing to a whole-turnover facility or long-term contract. You can finance one invoice for a specific cash flow need, or use it regularly on a pay-as-you-go basis. There is typically no minimum turnover requirement, costs 1-5% of invoice value, and advance rates of 70-85%.

How It Works

- 1.You select a specific invoice (or invoices) you want to finance.
- 2.The provider checks your customer's creditworthiness (usually within 24-48 hours).
- 3.They advance 70-85% of the invoice value.
- 4.When your customer pays, you receive the balance minus the fee (1-5%).

Selective vs Whole-Turnover Comparison

Feature	Selective	Whole-Turnover
Commitment	Per invoice	All invoices
Contract term	None	12-24 months
Cost per invoice	1-5%	0.5-3%
Advance rate	70-85%	70-95%
Best for	Occasional cash gaps	Ongoing cash flow

Who Is Selective Finance Best For?

- Project-based businesses with irregular cash flow (e.g. construction, events)
- Businesses that don't want to commit to a full facility
- Companies waiting on one large invoice from a blue-chip customer
- Businesses wanting to try invoice finance before committing

Selective Invoice Finance FAQ

Common Questions

What is selective invoice finance in the UK?

Selective invoice finance (also called spot factoring or single invoice finance) is a UK working-capital product where the provider funds individual invoices on a pay-as-you-go basis instead of your whole sales ledger. You pick which invoices to fund and when. No long-term contract, no minimum turnover, no debenture in many cases. The product suits businesses with irregular cash flow, project-based revenue, or one-off large invoices to creditworthy customers. Costs typically 1-5% of invoice value, advance rate 70-85%.

What is the difference between selective and whole-turnover factoring?

With whole-turnover factoring, all your invoices go through the facility automatically. With selective (or spot) factoring, you choose individual invoices to finance as and when you need cash. Selective is more flexible but typically 0.5-2 percentage points more expensive per invoice. Whole-turnover suits businesses with steady ongoing cash flow needs; selective suits irregular or one-off needs.

How much does selective invoice finance cost in the UK?

Selective invoice finance typically costs 1-5% of invoice value per invoice, compared to 0.5-3% for whole-turnover facilities. The higher cost reflects the administrative overhead of processing individual invoices without the economies of scale. Discount charge (Bank of England base rate plus 1-3%) is charged on the cash advanced. On a £50,000 invoice with a 60-day payment term and 2.5% service charge, expect about £1,250 service charge plus £125-£175 in discount charge.

Is there a minimum invoice size for selective finance?

Most UK providers require a minimum invoice size of £1,000-£5,000 for selective finance. Specialist fintechs (Triver, Hydr) have lower thresholds. Larger providers (Close Brothers, Bibby) typically focus on invoices of £10,000+ for the economics to work.

Who are the best selective invoice finance providers in the UK?

Kriya (now part of Allica Bank) is the clearest UK specialist for true selective invoice finance with no minimum turnover and day-one acceptance. Triver and Hydr are strong fintech alternatives for micro-businesses. Pulse Finance and Accelerated Payments cover larger one-off invoices. For businesses transitioning from selective to whole-turnover later, Bibby and Ultimate Finance offer both products under one provider relationship.

Can a startup or new business use selective invoice finance?

Yes. Kriya, Triver and Hydr all accept day-one trading. Selective invoice finance is one of the most accessible UK funding products for new businesses because the underwriting is on your customer (a known business) rather than on you. The trade-off: higher cost per invoice and lower advance rate (70-85%) than whole-turnover facilities.

Is selective invoice finance confidential?

Usually no. Most selective invoice finance is disclosed, your customer is told to pay the finance provider directly. Some providers offer confidential selective for established businesses with strong credit control, but this is rare and typically requires £500k+ turnover. If keeping the arrangement private from customers is a priority, confidential whole-turnover discounting is the better fit.

How quickly can I get a single invoice funded?

Most UK selective providers turn around an invoice within 24-48 hours of submission once your facility is approved. Initial facility approval takes 24-72 hours (faster for fintechs Kriya/Triver/Hydr). The credit check is on your customer, not you, so the underwriting is faster than traditional lending. Once approved, subsequent invoices to the same customer typically clear same-day.

About the Author

Oliver Mackman is Director of Best Business Loans Ltd, which operates Market Invoice (marketinvoice.co.uk), the UK's whole-of-market invoice finance comparison. He leads editorial and comparison research, overseeing provider analysis, rate verification, and industry reporting. With a background in UK commercial finance, Oliver has reviewed and compared over 85 active UK invoice finance providers. He is a registered officer of Best Business Loans Ltd (company number 16833937).

About the Publisher

Market Invoice (marketinvoice.co.uk) is the UK's whole-of-market invoice finance comparison. Operated by Best Business Loans Ltd (company number 16833937), Market Invoice provides independent comparison, editorial guides, and cost analysis across 85 verified UK factoring and invoice discounting providers. Market Invoice is not affiliated with the historical MarketInvoice peer-to-peer platform (founded 2011, rebranded to MarketFinance in 2018, then to Kriya in 2022, acquired by Allica Bank in October 2025).

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