



HOW INVOICE FACTORING WORKS

1. Contact a broker to find a suitable factor

First, you need to consult a broker specialising in invoice finance, which includes both factoring and discounting.

Professionals will be able to give you advice on the range of invoice factoring firms out there.

Advantages

- Impartial advice
- Quick access the services of lenders
- Top industry knowledge through experience with invoice finance firms



2. A deal will be settled based on your circumstances

After working with the broker and speaking to the provider of invoice finance, you will agree a sum of money – the value of which depends on:

- The creditworthiness of your own clients
- The overall value of all your invoices



3. The factoring company will give you cash based on the value of your invoices

Typically, invoice finance firms are able to provide around 80 per cent of the total sum of a company's invoices.

The advantages to a company, when it gets access to the value of funds currently tied up in invoices, can't be understated.

Advantages

- Accept bigger orders and contracts
- Open new premises
- Take on additional members of staff or create new roles for existing employees



4. Now, the factor is responsible for chasing the unpaid invoices

When the factoring company provides you with a sum of money based on the value of your invoices, it is effectively buying the invoices from you.

While the recipient of the invoice finance goes about its operations, the provider of the finance – the factoring company – is in charge of collecting on the invoices owed by the recipient firm's clients.

Advantages

- You don't have to worry about chasing those owing you money
- Resources previously tied up with the sales ledger can be directed elsewhere

why use invoice factoring?

In the last decade, the value of invoice finance in the UK grew from:

£120 Billion → **£255 Billion**



Invoice finance is one of the best ways for a firm to improve the strength of its cashflow.

An invoice factoring facility gives firms that rely on their invoices the chance to expand and unlock (previously unattainable) growth



Since a third-party company will now be dealing with your clients, it's absolutely essential that you choose the right factoring company.

After all, you want to work with a provider whose values most closely mirror those of your own company.

Sources

<http://www.uk-commercial-finance.co.uk/invoice-factoring.html>
<http://www.comparefunding.com/invoice-finance-infographic/>