SOLVO FUNDING

The UK SME Funding Guide

A plain-English walkthrough of unsecured business funding for UK limited companies and LLPs — the products, the process, the pricing, and the questions worth asking anyone who wants to arrange finance for you.

Published by Solvo Funding · solvofunding.co.uk
Educational guide — not financial advice, not an offer of finance, and not a recommendation of any product or lender.

INTRODUCTION

What this guide covers, and who it's for

This guide is for directors and owners of UK limited companies and LLPs who are thinking about raising working capital — for stock, staff, tax bills, equipment, refurbishment or growth — and want to understand how the unsecured business funding market works before speaking to anyone.

It deliberately avoids jargon, avoids statistics we can't stand behind, and avoids pretending there's a single right answer. Different products suit different businesses, and the honest answer to "what will it cost?" is always: it depends on the lender's assessment of your business.

Nothing in this guide is financial advice or a recommendation. It's education, written so you can make your own decision with your eyes open. Where your situation is complex, speak to your accountant.

PART ONE

The main funding products, and who each suits

Unsecured business term loan

A lump sum advanced to the company, repaid in fixed monthly instalments over an agreed term — commonly one to five years. "Unsecured" means no fixed charge over specific business assets, though most lenders will ask the directors for a personal guarantee, which makes the director personally liable if the company cannot repay.

- Suits: established businesses with steady turnover that value a predictable monthly cost.
- Watch for: early-settlement terms. Many lenders allow early repayment and some reduce the total cost if you settle early — terms vary, so ask.

Merchant cash advance / revenue-based finance

An advance against future revenue. Instead of interest, pricing is a fixed **factor rate**: an advance of £50,000 at a factor rate of 1.25 means you repay a fixed £62,500 in total, however long it takes. Repayment is collected as a percentage of card or account revenue, or as a fixed daily or weekly amount, and is typically completed over roughly four to eight months.

- Suits: businesses with strong card, online or invoiced sales, and businesses too young for a plain term loan.
- Watch for: the total cost divided by the (short) repayment period can be a much higher annualised cost than the factor rate suggests at first glance. Always compare the total repayable, not just the headline number.

Revolving credit facilities

An approved limit the business can draw against, repay and redraw — closer to an overdraft than a loan. Useful for bumpy cash flow. One thing to understand if a broker arranges it: broker commission on facilities like this is often calculated on the **approved limit**, not the amount you actually draw. Ask how the intermediary is paid on any facility with a limit.

PART TWO

What lenders actually look at

Every lender makes its own assessment, but for unsecured SME lending the recurring themes are consistent:

- **Trading history.** Most lenders prefer twelve months or more. Under a year, the realistic options are usually revenue-based products rather than plain term loans.
- **Turnover, seen in the bank account.** Lenders read your last three to six months of business bank statements. Consistent revenue matters more than one good month.
- **Account conduct.** Regular unpaid direct debits, returned payments and reliance on the overdraft ceiling all read badly — often more loudly than the headline turnover figure.
- **Existing debt.** Stacked short-term advances are a red flag to most lenders and can make refinancing harder, not easier.
- **The directors.** On unsecured lending with a personal guarantee, the director's own credit profile is usually part of the assessment. Lenders should tell you before running a full search on you personally.

Credit checks — soft versus hard

A **soft search** leaves no footprint that other lenders can see and doesn't affect a credit score. A **hard search** is recorded on the file. Practice varies by lender: many begin with a soft search and only run a hard search before a final offer — a lender should always be able to tell you which it is doing, and when. It's a fair question to ask explicitly.

PART THREE

How pricing — and broker pay — really works

Loan pricing

Term loans are priced as interest; revenue-based products as a factor rate. In both cases the only meaningful comparison across offers is: **how much money do I receive, what do I repay in total, and over what period?** Put those three numbers side by side for every offer and most confusion disappears.

How intermediaries are paid

Commercial finance brokers and introducers are typically paid a commission by the lender when a deal completes — in this market commonly in the low single-digit percentages of the amount advanced, and higher on merchant cash advance, revenue-based finance and some specialist facilities. That's how we're paid at Solvo Funding too: the applicant pays us nothing.

What separates intermediaries isn't whether commission exists — it's disclosure. Before you accept anything, a straight answer should include three numbers, in writing: the commission in pounds, the percentage, and the figure the percentage is calculated on. A percentage alone is not disclosure.

Questions worth asking any broker

- What will you be paid on this deal, in pounds — and on what figure is that calculated?
- On a facility with a limit: is your commission on the limit, or on what I draw?
- How many lenders did you actually put my application to?
- Do you charge me anything at any stage, in any scenario?

PART FOUR

Red flags — anywhere you apply

- **Upfront fees to "unlock" funding.** Reputable commercial intermediaries are paid on completion by the lender, not by charging applicants to apply.
- **Guaranteed approval.** No honest intermediary can guarantee a lender will offer. Finance is always subject to the lender's assessment.
- **Pressure to sign today.** A genuine offer survives 24 hours of thought. Deadline pressure is a sales tactic, not a market condition.
- **Vague answers about commission.** If you can't get the pounds figure in writing, walk away.
- **Encouragement to stack advances.** Taking a second short-term advance to service the first compounds cost quickly and narrows your future options.
- **Nobody asks about your business.** An intermediary matching you to a lender needs to understand turnover, trading history and purpose. A form that asks less than that is selling your data, not arranging finance.

PART FIVE

What the process looks like, start to finish

With a prepared application — recent bank statements to hand and a clear purpose — the typical unsecured funding journey in this market runs: application submitted, lender decision within hours to a couple of days for straightforward cases, and funds landing within roughly 24–72 hours of final signed documents where a lender approves. Larger or more complex cases take longer; anyone promising a fixed timetable regardless of your circumstances is overselling.

What speeds it up: complete bank statements the first time, a specific purpose and amount, and quick responses to lender questions. What slows it down: missing statements, inconsistent figures, and applications to lenders whose criteria your business plainly doesn't meet.

ABOUT

About Solvo Funding

Solvo Funding is a UK commercial finance intermediary for limited companies and LLPs seeking £10,000–£500,000 of working capital. One application is put to the UK business lenders whose criteria fit your company; where lenders make offers, you compare them side by side. We charge applicants nothing — if funding completes, the lender pays us a commission, which we disclose in writing (pounds, percentage, and the figure it's calculated on) before you accept anything.

Check your options at **solvofunding.co.uk** — about three minutes, no documents at the initial stage, and no obligation.

Solvo Funding is a trading name of Solvo Funding Ltd (company registration in progress; the number will be shown on our website upon incorporation). We are not a lender, and we do not provide advice or recommendations. Finance for limited companies and LLPs is generally not regulated by the Financial Conduct Authority. Finance is subject to status and each lender's assessment; we cannot guarantee any offer.