Supplier Finance

A guide for buyers

Supplier Finance is a working capital solution, also known as Supplier Payments. It gives you more flexibility when agreeing payment terms with your suppliers. It allows your suppliers to be paid by us earlier than your agreed payment terms with them.

You can manage your invoices through our online platform which we'll help you get access to.

How it works

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

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

How you could benefit

- Supplier Finance lets your suppliers receive early payment of invoices.
- Allows you to hold onto your cash for longer, creating a positive working capital position.
- Strengthens your ability to negotiate trade discounts with your suppliers.
- Help build supplier relationships.

Things to think about

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

What does it cost?

There are 2 cost elements to Supplier Finance.

Arrangement fee

We'll charge this once your Supplier Finance facility has been agreed. The agreed fee will be based on:

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

Discount fee example

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

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

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

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

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

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

This fee example is an indication only. The discount fee depends on the time between the early repayment date and the maturity date. It's calculated using the applicable reference rate, Term SONIA, Term SOFR, or EURIBOR, as set out above. These rates are subject to change.

What if you no longer want or need Supplier Finance?

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

What's next?

To talk about your own business needs and how Supplier Finance can support you, talk to your Relationship Director.

To start talking to your suppliers about the benefits of them using Supplier Finance, refer to our related Supplier Guide.

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