Glossary

Sometimes we slip into jargon or use acronyms which are unfamiliar to you, so we hope this helps:

AAA (or Triple A)	A "Triple A" rated business has an excellent credit rating
ABL	Asset Based Lenders - typically offer many products including invoice finance and asset finance
Alternative lenders	Typically lenders who use technology online, as an alternative to the traditional banks
AML	Anti-money laundering
Asset finance	Hire purchase or finance leases
Banking Crisis	During late 2007/2008 many large financial institutions around the world failed or were bailed out by governments
BBLs	Bounce Back Loans (the government scheme)
Bridging Finance	A short-term lending facility which offers an amount of finance, secured over a property, at typically quite expensive rates
CBILs	Coronavirus Business Interruption Loan Scheme (the government scheme)
Challengers	Challenger Banks are small, more recently created banks which aim to compete directly with the longer-established banks in the country
CVA	Creditors Voluntary Arrangement - a legally binding debt repayment structure for distressed companies
CVL	Creditors Voluntary Liquidation - a process where a company is wound up due to insolvency
Digital native	a person born or brought up during the age of digital technology and so familiar with computers and the Internet from an early age
Distressed	A business struggling financially, could be on the verge of insolvency
EBITDA	Earnings before interest, tax, depreciation & amortisation - often used when valuing businesses
EFG	Enterprise Finance Guarantee Scheme - a government-backed loan scheme which was used as the basis of the first CBILs loan scheme
Equity	The risk capital in a business. Could be the founders' own equity or injected by external parties for a share in the profits/voting rights/capital
Factoring	A form of invoice finance - typically where a lender offers finance secured on the whole debtors ledger of a business & carries out credit control for the that business

Headroom	The remaining lending facility available compared to the amount utilised already by the business
Invoice discounting	A form of invoice finance - typically where a lender offers finance secured on the whole debtors' ledger of a business (but usually doesn't carry out credit control)
Invoice finance	Any form of debt product which is secured on the trade debtors of the business - including factoring, invoice discounting & selective invoice finance
KYC	Know Your Client - a mandatory requirement to check the identity of your clients
Leverage	Using the value of a business' assets or equity to create more liquidity, typically using debt finance products
Liquidity	The availability of cash in the business
Loan to value	The ratio of debt to the asset it is secured on. Eg the LTV of the mortgage compared to the valuation of the property was 80%
Materiality Clause	Used by valuers or surveyors in extraordinary circumstances to indicate that less certainty can be attached to the valuation than would otherwise be the case
Merchant capital advance	A form of debt finance which can be used by businesses who use card/ATM terminals in their business
MI	Management information - typically the profit and loss account and balance sheets for a business on a weekly, monthly or quarterly basis
New to bank	A lender will accept new customers who haven't previously had an account with them
OMBs	Owner Managed Businesses
PG	Personal Guarantee - an additional form of security over personal assets, sometimes required by a director, when the business is borrowing
Pre-pack	Pre-pack administration is an insolvency procedure in which a company arranges to sell all or some of its assets to a pre-determined buyer prior to appointing an administrator to facilitate the sale
Regulatory Capital (for banks)	The amount of capital a bank or other financial institution is required to have by its financial regulator, usually expressed as a capital adequacy ratio of equity as a percentage of risk-weighted assets. To protect its investors and customers.
Revenue	Sales or turnover
Revolving credit facilities	Similar to an overdraft, but offered by a lender other than a traditional bank, it is a fixed amount of debt lent which a business can use & repay when it needs to

RICS	Royal Institute of Chartered Surveyors - valuers of properties
Selective invoice finance	Invoice finance for certain debtors only, not for the whole ledger
Sensitivities	Adjusting financial projections for other assumptions, usually to show what happens if the business is less successful
SME	Small or medium sized enterprise
Term loans	A fixed term of a loan eg 3 years or 5 years; can be unsecured or secured over other assets
Tier 1 lenders (or Tier 2 or Tier 3)	In the UK, Tier 1 lenders are typically the High Street banks; Tier 2 are other financial insititutions & Tier 3 are newer lenders often taking more risk and charging higher rates
Time to Pay	TTP is an agreement with HMRC to pay a business' tax debts over a longer period of time
Trade credit indemnity	A credit insurance policy to protect against bad debts
Underwriting	The process a bank or lender goes through to review the risk of a lending proposition and when they decide whether they want to support it and if so, at what price/rate
Whole ledger (in invoice finance)	Invoice discounting or factoring which provides a facility secured on the value of the book debts across the whole of the business' debtors' ledger - ie not selective invoice finance
Working capital	The amount of cash a business needs to operate to pay its day to day costs. Can be calculated as current assets minus the current liabilities at any given time