

Switching Invoice Finance Provider

What to expect

This document has been prepared by the Asset Based Finance Association (ABFA) to provide further information about the Inter Member Transfer Process (IMTP) and what a client business should expect when switching their invoice finance facility between two ABFA Members.

Introduction

Over 40,000 businesses in the UK and Ireland use invoice finance and asset based lending. Those businesses range from small start-ups up to large corporates and everything in between. It is a competitive and diverse marketplace, with a wide range of products and services offered by clearing banks, challenger and specialist banks as well as by specialist non-bank finance providers.

Invoice finance and asset based lending are normally used to provide a rolling ongoing finance facility. The funding available increases in line with the assets of the client business. The most common asset is the debts owed to the client by its business customers, as represented by its invoices. As funding is provided to the client business in *advance*, if a business wishes to switch their finance facility to another provider, the funding that has been advanced will need to be either repaid by the client or the incoming finance provider.

What is the Inter Member Transfer Process?

ABFA Members have agreed a procedure to make it as easy as possible for a client business to switch funding provider. This procedure is called the IMTP and will normally be followed whenever a client transfers from one ABFA Member to another ABFA Member.

The IMTP includes a number of commitments that the ABFA Members involved will meet in relation to the transfer, aimed at facilitating the smooth transfer of clients between Members.

If a client or former client believes those commitments have not been met, they would be able to raise a complaint with the Member involved. If the issue is not then addressed to their satisfaction by the Member they would be able to access the independent [Complaints Process](#) under the ABFA's [Standards Framework](#).

Please note, the IMTP is a process agreed between ABFA Members and is ultimately overseen by the independent Professional Standards Council (PSC). It is specific to the provision of invoice finance and is separate to other processes such as the [Current Account Switch Guarantee](#) scheme and the protocol on the provision of [Deeds of Priority and Waivers](#).

The ABFA Membership includes all the significant providers of invoice finance and asset based lending in the UK and Ireland. All ABFA Members have committed to meet the obligations set out in the IMTP. Please note, however, that whilst finance providers that are not ABFA Members may choose to meet some or all of the commitments, it is not possible to raise complaints about non-ABFA Members through the independent Complaints Process. The IMTP is a reciprocal cooperative process and requires all three parties (the incoming and outgoing finance provider and the client business) to act in good faith. An ABFA Member is not obliged to follow the IMTP when dealing with a finance provider that is not an ABFA Member although they may choose to do so if they wish. A full list of ABFA Members is [available here](#).

Commitments of ABFA members

The following commitments apply to any transfer between ABFA Members that takes place from 1 January 2017.

- 1. The Incoming and Outgoing Members will work together in the best interest of the client;**
- 2. Throughout the pre and post transfer process Members will always communicate with the client to ensure a smooth transfer;**
- 3. The outgoing Member will provide timely visibility of all cash items relating to a client for a period of three months from the date of transfer;**
- 4. Should a client feel that an ABFA Member has failed to deliver in these commitments, the Member will be accountable under the ABFA complaints process.**

These commitments are focussed on ensuring that Members work together and communicate with each other, as well as with the client business, to ensure that the process works smoothly, and to ensure that the client is kept informed of the progress of any transfer.

Members are also committed to ensuring that following a transfer, any monies received from debtors/customers relating to the debts transferred is advised and forwarded to the new provider in a timely manner to avoid any unnecessary disruption to the client business.

In addition to these commitments above, the ABFA has set out an example of what to expect when transferring provider. Below is chart of what to expect during a transfer and how the process should work. A brief checklist of things the client business should do to help ensure a smooth transfer follows below.

What the client business should do

The client will need to check the terms of the agreement to ensure that any contractual obligations under the existing finance facility have been or will be met, or otherwise ensure that agreement has been reached to enable the client to move provider. These obligations might include the minimum term or length of the existing agreement, or a requirement to give a period of notice to end the existing agreement. It is advisable that the client contacts their existing finance provider as soon as possible to ensure there are no undue delays.

To assist in the smooth transfer of invoice finance provider it is advisable that the client ensures that general administration is up to date around the date of transfer, particularly in relation to the sales ledger. This will help ensure that an accurate sales ledger can be provided to the incoming finance provider at the outset.

As noted above, to switch provider any outstanding indebtedness to the outgoing finance provider will need to be repaid. This is usually provided by the funds generated by the incoming financier. Under the IMTP ABFA Members communicate with each other by way of various documentation to complete the transfer. The client would want to ensure that sufficient funds will be generated from the new facility to repay the existing facility.

ABFA member obligations

Following is a staged list of the actions that will take place as part of the IMTP. The timescales are subject to the provision of correct and timely information by all parties, and they only relate to transfers between ABFA Members.

	<i>OUTGOING FINANCIER</i>	<i>INCOMING FINANCIER</i>
	Pre – Transfer	
Day 1		Following client's confirmation to proceed with the Transfer the Incoming Member contacts the Outgoing Member to exchange details and agree Date of Transfer
Day 3	Outgoing Member responds within two working days with required information and to agree Date of Transfer	
Day before Transfer		Incoming Member sends request for confirmation of repayment amount no later than close of business the day before Date of Transfer
Day of Transfer	Outgoing Member sends confirmation of amount required, no later than <u>12pm</u> on Day of Transfer and confirms that upon receipt of funds no further interest in debts or security	Incoming Member transfers agreed balance by close of business on Date of Transfer
	Post Transfer	
Within four working days	Outgoing Member releases any security held in relation to the transferred facility	
	Incoming and Outgoing Members will both write to any disclosed ¹ debtors to confirm the Transfer and to notify change of bank details.	
For three months post transfer	Outgoing Member transfers customer/debtor receipts following identification within three working days ² and continues to provide visibility of transactions for three months.	

¹ Disclosed = Where debtors are aware of financiers involvement

² The outgoing Member commits to forwarding payments within three working days of the outgoing Member being aware of the payment being made AND the funds being cleared. Please also note that the commitment is to send the payment, and therefore receipt of payment might exceed three working days.