

Out of the Ordinary®



Investec Asset Finance

Operational and credit guidelines

October 2018





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Operational process

Proposals

Proposals should be loaded onto iafbrokerlink.com.

Brokerlink allows you to load proposals and track real time progress of proposals and payouts. It also provides settlement and upgrade quotations and contains electronic PDFs of our documentation. For a username and password contact new business.

We support EDI links with your own systems. Please contact Broker Support for information.

All proposals under £10k must be proposed via Brokerlink or EDI link and will be auto decisioned (accept or decline).

Credit

Underwriting decisions are sent by email and are also available on Brokerlink.

Payouts

All suppliers are paid subject to receipt of an equipment invoice addressed to Investec Asset Finance plc (Investec), along with the completed agreement and ancillary documentation as required in accordance with the acceptance terms.

Commission invoices are paid at the same time as the suppliers invoice either by faster payments or CHAPS depending on the value of the payment.

Payouts of less than £250k are paid through faster payments and are received within two working hours.

Payouts over £250k, as an individual amount or a combined total will be paid by CHAPS and received the same working day, providing payment is made in the day's earlier run. If payment is made in the later payment run, funds will be released in the banking system the following day.

Products

- Fixed term lease
- Minimum term lease
- Standard lease
- Hire purchase (non regulated only)
- Regulated hire purchase for cars, vans, coaches, trucks, fork lifts, yellow plant and horse boxes
- Commercial loan (software only transactions for strong covenants)
- Professions loan
- Corporate tax and VAT loan (corporate clients only)
- Sale and lease/HP back (hard assets only)
- Purchase agency agreement
- Block discounting
- Receivables finance

We consider VAT deferrals on hire purchase for hard assets.

We also offer:

- Stage payments
- Pre-hire agreements (for deals over £250k)

For further information, speak to your Broker Manager or Broker Support.

You can also take advantage of our foreign exchange for businesses and individuals.

App

Our smartphone/tablet/computer app enables you to calculate your customer repayments and your commission according to asset type, cost of asset, term of agreement and our rates.

Contact broker support to request a download link.

Documentation fees

Lease hire agreements are pre printed with documentation fees of £156 inc VAT and an annual service fee of £42 inc VAT.

Loan transaction documentation fees are 0.5% of the loan advance, subject to a minimum of £150.

Hire purchase documentation fees are subject to a minimum of £180 inc VAT.

Rates

Hard assets

What we finance

Commercial vehicles, trucks, trailers, plant and machinery, construction, industrial, print and packaging, buses and coaches, machine tools, waste recycling, cranes, CNC machinery, materials handling and modular buildings. This list is not exhaustive.

Rates

Our hard asset rates are subject to change. The latest rates can be found on the IAF Quote app.

- Commission based on advance
- Minimum deal size £5k

Soft assets

What we finance

IT, software, telecoms, photocopiers, furniture, shop fittings, racking and partitioning, EPOS, franking machines, security, CCTV, catering, refrigeration, heating, air conditioning, vending machines, laundry, garage equipment, beauty, gym and leisure, cleaning. This list is not exhaustive.

Rates

- Commission based on advance
- Minimum deal size £2k

Established business (trading 3 years or more) • Deal term: 2–7 years

Amount advanced	Yield 24 month term	Yield 18 month term	Yield 12 month term	Commission threshold (Maximum %)
2,000 – 5,000 +VAT	12.00%	15.00%	19.00%	20%
5,001 – 10,000 +VAT	10.50%	13.50%	17.50%	20%
10,001 – 25,000 +VAT	9.50%	12.50%	16.50%	20%
25,001 – 50,000 +VAT	8.50%	11.50%	15.50%	15%
50,001 – 150,000 +VAT	6.75%	11.00%	15.00%	10%
Over 150,001 +VAT	Contact broker manager	–	–	10%

New start (trading under 3 years) • Deal term: 2–3 years

Businesses trading 1–2 years

Amount advanced	Yield
2,000 – 5,000 +VAT	15.00%
5,001 – 10,000 +VAT	14.50%
10,001 – 25,000 +VAT	14.00%
25,001 +VAT	13.50%

Businesses trading under 1 year

Amount advanced	Yield
2,000 – 5,000 +VAT	17.00%
5,001 – 10,000 +VAT	16.50%
10,001 – 25,000 +VAT	16.00%
25,001 +VAT	15.50%

Overall credit guidelines

Hard and soft assets

We aim to be as flexible as possible to support you with the growth of your business, therefore exceptions to the policy may be considered from time to time. We encourage you to have a conversation with the broker support team if you are unsure on something relating to your deal.

Established business (trading 3 or more years)

Minimum deal value: £2,000 +VAT soft asset
and £5,000 +VAT hard asset

General credit guidelines:

- Maximum terms for specific equipment apply (see page 6)
- Ensure proprietors and/or directors (where appropriate) are clear and listed for a minimum of 3 years (confirmation of permission to search is required)
- The customer must be a home owner for sole trader or partnership businesses, or where personal guarantees are being taken
- For non-limited businesses, accounts are required on any transactions over £15,000 (including existing Investec exposure)
- For limited companies with a tangible net worth of £50,000 or less, we may require searches to be carried out against the company directors (permission to search must therefore be obtained prior to a proposal being submitted); however, this does not necessarily mean we will consequently require guarantees
- Limited company accounts to be no more than 20 months old. Up to date management or draft accounts are acceptable. Please note we may require confirmation from their accountant that there will be no material changes, or that they represent a true picture of company's trading position
- Personal guarantees are ideally sought when considering transactions for limited liability partnerships, however exceptions to this may be considered from time to time
- Suppliers need to be approved prior to payout for deal values above £25,000 +VAT (for soft assets, or in advance for hard assets – see page 9 for further details of our supplier approval policy)

New start (trading under 3 years)

- General credit guidelines apply as appropriate
- Maximum term 3 years
- Payment profiles of 1 or 3 payments in advance acceptable
- Directors guarantees mandatory on all Ltd Co or LLP deals
- Proprietors/guarantors must be homeowners. Equity details on private property to be provided
- Proof of time trading on request for businesses trading over 1 year
- Details of previous experience in relevant industry/business
- 3 months bank statements provided (personal or business depending on time trading)
- Evidence/details of investment provided wherever possible for businesses trading less than 1 year (this can be via bank statements, not necessarily in addition to them)
- Management accounts, draft accounts or audited accounts provided if available
- Copy of business plan and any supporting information (such as contracts held with customers) provided wherever possible but not mandatory

Specific hard and soft asset credit guidelines

In addition to the general credit guidelines overleaf the following specific guidelines for hard and soft assets apply:

Hard assets

- Permission to sub let required for all rental assets. Charges over rental income are considered for all long term rental (90 days+) transactions in excess of £75k. Copy of the end user hire document to be provided with 'match funding' to the retention period of the asset wherever possible
- HPI checks on all vehicles
- VAT deferment is considered on a deal per deal basis for hire purchase transactions, subject to the period of the deferment not exceeding the end of the customers VAT return period

Financing terms

- 5 years on fully amortising structure for new assets
- 7 years by exception for printing presses, buses and coaches, trailers and mobile cranes
- Used assets will be considered

Soft assets

Permitted assets and terms

Equipment	New	Used
Air conditioning	5 years	3 years
Catering	5 years	3 years
CCTV	6 years	3 years
Computers	5 years	Not acceptable
Copiers	5 years	5 years
Fitness equipment	5 years	3 years
Franking machines	6 years	3 years
Garage equipment	5 years	3 years
Laundry	5 years	3 years
Phone systems	7 years	3 years
Printers	5 years	3 years
Shop fittings	5 years	Not acceptable
Software	5 years	Not acceptable
Tagging	5 years	3 years
Tracking equipment	5 years	3 years
Vending machines	5 years	3 years
Waste equipment	5 years	3 years

Standard third party settlement terms

If a proposal is accepted with a settlement to a third party of an existing deal, we may stipulate on the acceptance letter that standard third party settlement terms apply, which are as follows:

- Must be submitted at proposal stage
- Maximum settlement or upgrade amount 50% of overall deal value, the amount of the settlement must be listed on the proposal
- Settlement to be paid directly to the funder of the existing deal, or via a broker taking responsibility for settling by standing in the invoice chain. **Please be advised that we will not pay settlement monies to suppliers**
- Settlement side letter to be signed by the customer listing the amount of the settlement and existing funder (including reference number of the deal). Please note an additional settlement side letter is not required if the equipment being funded is reprographics or telecoms and a proposal confirmation form is being completed and signed by the customer



Higher risk and excluded industry sectors

Due to Investec's less than satisfactory experience in the following sectors, we consider them to be higher risk customer types and greater care is needed. It assists us greatly with underwriting transactions in these sectors if up to date financial information and/or additional supporting information is provided wherever possible.

Higher risk industry sectors

Please note that Investec will deal with the below sectors, however we take a more cautious approach to underwriting them. This list is not exhaustive and may change from time to time.

- Pubs and bars
- Independent cafés, restaurants and fast food outlets (we consider household name restaurants and fast food outlets such as Pizza Hut, Burger King etc.)
- Social clubs (working men's clubs)
- Children's play centres
- Independent hotels, B&Bs and guest houses
- Travel agents and travel operators
- Scaffolding companies
- Estate agents
- Newly established small retail outlets including convenience stores/newsagents
- High street retail
- New start independent gyms

Credit guidelines for pubs, cafes, restaurants and bars

- Business established a minimum of 5 years
- Equipment is deemed critical to the operation of the business
- Investec standard credit terms apply (3 years clear and listed on VR, homeowners etc.)
- Customer's personal CAIS profiles must meet the general credit guidelines
- Payment by direct debit only (no exceptions)
- No coin operated machinery
- Any pub landlord being considered must own the freehold of the trade premises

Excluded industry sectors

- Nightclubs

Excluded equipment

- ATMs
- Slush machines/iced drink machines
- Websites
- Petrol pumps
- Smoking shelters
- LCD and plasma screens
- Sunbeds
- Solar/PV panels
- Maritime equipment
- Lighting (unless financed on a hire purchase agreement)
- Beauty equipment including 'lipo' products, medical grade lasers for unqualified users, tattoo removal lasers and anything that is invasive even if it is sold as non-invasive
- Coin operated vending machines
- Gambling machines/coin operated machines
- Scaffolding/ Formwork equipment"

Supplier approval

Supplier approval terms and supporting information vary according to deal value, asset type and time trading of the supplier.

For deal values below £25,000 +VAT for soft assets, the supplier does not require approval by Investec prior to sending documentation for payout.

Please provide basic information for the supplier on your application requests (name, address, time trading, market sector, average deal value, website address etc). We then carry out searches to assess the financial performance of the supplier and evidence FCA permissions where possible.

If the supplier has been trading for less than 18 months, or deal value is above £25,000, please provide us with a brief overview of your knowledge and experience of the supplier.

If we are unable to evidence FCA permissions on regulated deals we will ask for confirmation.

We accept single 'one off' transactions, without full information as above, subject to a customer disclaimer regarding merchantability being signed.

For all hard asset deals please provide details of the supplier at proposal stage so they can be pre-approved. If unknown at time of proposal, we will assume supplier is bona fide and underwrite once the supplier is disclosed. If a hard asset is being supplied via a private sale from a non dealer, then please provide full details of the vendor with the proposal. Conclusive proof of title will be required, as well as a certificate of acceptance from the customer.

Investec reserve the right to refuse business from a particular supplier if adverse information is shown on credit reference searches, if Investec has experienced poor portfolio performance, holds customer disputes relating to merchantability and/or mis selling information.

Please note that all vehicle tracking suppliers and those supplying hosted telecommunications require prior approval by Investec.

Additional products

Appendix 1: Regulated hire purchase

Product terms

**Deal advance:**

Between £5,000 – £200,000
(we will consider higher advances
on a deal by deal basis)

**Document fee:**

£150 +VAT

**Option to purchase fee:**

£150 +VAT

**Maximum term:**

4 years + balloon or 5 years + no balloon

**Maximum balloon:**

85% of CAP monitor valuation for cars,
75% for light commercial vehicles (LCV)

We will only consider a balloon
on vehicles

**Maximum asset age (no balloon):**

6 years at the start of an agreement,
10 years at the end

**Maximum vehicle age (with balloon):**

6 years at the start of an agreement,
8 years at the end

We will only consider a balloon
on vehicles

**Further details:**

- This finance is for:
 - New and used cars, LCVs, coaches, trucks, fork lifts, yellow plant and horse boxes
 - Individuals and businesses (which fall under regulated hire purchase) based in mainland UK
- We will not fund assets sourced via a private sale
- We will only fund assets supplied by franchised or established independent suppliers who will warrant the goods
- Balloon payments will be considered subject to criteria noted in product terms, for vehicles only
- Rates and commission as per the standard hard asset rate structure

**Finance agreements**

We have three hire purchase agreements to use when signing up these deals:

- Regulated hire purchase for deals up to £60,260
- Regulated hire purchase for deals over £60,260 (cancellable)
- Regulated hire purchase for deals over £60,260 (non-cancellable)

**To propose a deal**

Email iafprops@investec.co.uk with your normal proposal details along with:

- The asset registration number (if you have it)
- Full asset specifications including current mileage/hours, please provide a copy of the supplier invoice/quote or CAP ID
- Detail of the balloon structure and expected annual mileage for vehicles only
- Copy of the ID (passport or driving licence)

Please note regulated hire purchase deals cannot be submitted via Brokerlink.

Additional products

Appendix 2: Corporate tax loan

Specific terms

- We require proof of tax liability including the tax reference number prior to payout (ideally at proposal stage);
- Only one loan is permitted for any given tax period;
- No debt consolidation or any other non-tax purpose will be considered; and
- Where possible, funds will be paid directly to HMRC by Investec on behalf of the client (we require a signed instruction to Investec from the client, please contact broker support for a template).

Product terms

- **Minimum loan value:** £25,000
- **Maximum loan advance:** cannot exceed current tax liability
- **Loan term:** Maximum 12 months, however if your customer requests a shorter loan term this will be considered on a deal by deal basis and may result in a rate increase

Rate and commission chart

Deal value range	Net Investec rate	Commission (Anything over 50/50 split)	Commission threshold (Maximum %)
25,000 – 50,000	14.00%	5%	10%
50,001 – 100,000	13.00%	4%	10%
100,001 – 250,000	12.00%	3%	10%
250,001 – 500,000	11.00%	3%	10%
500,001+	9.00%	2%	10%

Additional products

Appendix 3: Corporate VAT loan

Specific terms

- The maximum loan advance cannot exceed current tax liability;
- Only one VAT loan is permitted for any given tax period;
- No debt consolidation or any other non-tax purpose will be considered; and
- Where possible, funds will be paid directly to HMRC by Investec on behalf of the client (we require a signed instruction to Investec from the client, please contact broker support for a template)

Product terms

- **Minimum loan value:** £25,000
- **Maximum term:** 3 months
- **Typical client:** minimum 5 years trading

Additional proposal information

- Full proposal and business background
- Latest financials
- Last 3 months bank statements
- Proof of VAT liability prior to payout (ideally at proposal stage)

Rate and commission chart

Deal value range	Maximum term	IRR	Commission (Anything over 50/50 split)	Commission threshold (Maximum %)
25,000 +	3 months	20	5%	10%

Additional products

Appendix 4: Sale and lease/HP back or purchase agency agreement

It is Investec standard procedure that unless otherwise agreed (on vehicle transactions for example) we pay the supplier after receiving written confirmation of equipment delivery. However, occasionally we may allow the customer to pay the supplier direct for hard assets only if it is quicker or would be beneficial.

Examples may include:

- The supplier is very weak and/or based abroad
- The equipment is being sold in auction
- The supplier does not allow payment by a third party
- The customer must pay to benefit from a discount
- Supplier/customer requires stage payment
- There are numerous suppliers
- The customer makes regular purchases and batches the purchases before sale to us
- Time is of the essence

To ensure Investec obtain clean title to the equipment, the transaction must be structured in one of two ways, depending on whether the customer is due to pay the supplier in the future or has already done so. If the customer has already paid the supplier, then option 1 as set out overleaf must be adopted. If the customer is yet to pay the supplier, then option 2 is appropriate.



Option 1

Sale and lease/HP back

This product is used (for hard assets only) if the customer has already paid the supplier. The customer will then invoice Investec for the cost of the goods.

The terms of use are as follows:

- First and foremost the rationale for the request must be listed on the proposal and be plausible as per the list on page 13. If there is any suspicion that the transaction is an instrument for refinancing or cash raising it will be declined by Investec
- Underlying invoices are no older than 90 days at date of payout
- Sight of the original invoice has been formally marked by Investec confirming ownership
- Evidence (copy bank statements etc.) showing that the full price has been paid and title has passed
- For deals greater than £150k and written with companies registered in England, we require a properly documented and registered chattel mortgage and debenture holder waiver. Please note, for companies registered in Scotland these are not valid

This type of transaction must be documented as follows:

- Sale agreement – to be executed between Investec and seller (who is the customer in this case)
- Chattel mortgage – to be executed between Investec and seller for transactions over £150k
- If applicable: Debenture waiver (only required where the customer is subject to a debenture charge, in which case a waiver must be completed by the charge holder)

These documents are required in addition to the standard finance agreement documentation.

Option 2

Purchase agency agreement

At this stage no title issues have arisen as the asset has not been paid for. To avoid title/refinance concerns which can arise on buying assets from the customer, we can appoint the customer as our agent for purchase, which means the customer buys the equipment on our behalf.

The customer signs either a specific agency agreement, where the terms of the agreement make it clear that only a specific piece of equipment can be purchased, or an open agency agreement, where the customer is allowed to purchase assets which fall into certain asset classes.

In each case there is a set time in which the purchase must be completed. Note that the agency agreement (of either type) must be signed and dated prior to the customer paying for the asset for the agreement to accomplish the aim of safeguarding the title route.

Agency agreements can be used for longer term relationships with customers who have a regular need to purchase equipment within an overall facility limit, like a plant hire company. It avoids the need for the customer to get a new lease negotiated each time they want to add a particular item to their stock.

Payout checklist

Deal overview

Proposal number	<input type="text"/>	
Customer name	<input type="text"/>	
Net cost/loan amount	<input type="text" value="£"/>	
Commission amount	<input type="text" value="£"/>	
Expected yield	<input type="text"/>	%
Doc fee	<input type="text" value="£"/>	
Annual fee	<input type="text" value="£"/>	
Option to purchase fee	<input type="text" value="£"/>	(hire purchase only)

Documentation

Copies of ID (where applicable)	Driving licence <input type="checkbox"/>	Passport <input type="checkbox"/>	Gun licence <input type="checkbox"/>
Commission invoice			<input type="checkbox"/>
Supplier invoice (where applicable)			<input type="checkbox"/>
Signed lease/hire purchase/loan document			<input type="checkbox"/>
Certificate of acceptance/pre lease signed (where applicable)			<input type="checkbox"/>
Supplementary paperwork provided as per credit acceptance (where applicable)			<input type="checkbox"/>
Acceptance conditions satisfied or paperwork provided to satisfy these with the document pack (where applicable)			<input type="checkbox"/>

Contacts

All direct contact numbers for the client (including office and mobile)

Office:	Mobile:
Office:	Mobile:
Office:	Mobile:
Office:	Mobile:

Client direct email address	<input type="text"/>
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If loan (mark as appropriate)	Payment profile 1+ <input type="checkbox"/>	Payment profile 0+ <input type="checkbox"/>
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If invoice payer

Purchase order number for invoicing	<input type="text"/>
Specific address for invoices to be sent (if applicable)	<input type="text"/>
	<input type="text" value="Postcode"/>

If new deal settles off existing deal

Agreement number to be settled	<input type="text"/>
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Is the customer retaining the equipment or will the supplier be removing?	Customer retaining kit <input type="checkbox"/>	Supplier removing kit <input type="checkbox"/>
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