



Santander Invoice Finance Credit Protection Factsheet

The purpose of this factsheet is to provide you with an overview of the Credit Protection provided by Santander UK plc (trading as Santander Invoice Finance) and what it is designed to do. This factsheet is for guidance purposes only and is not an offer or agreement by us to provide you with Credit Protection nor will it form part of any subsequent agreement with you.

Overview

Credit Protection complements our invoice finance arrangements and assists with the potential impact on you if one of your customer's fails to pay an undisputed invoice or becomes insolvent. Credit Protection could help reduce any detriment to your business or cash-flow problems as a result.

Credit Protection is only available if you have invoice finance arrangements (Invoice Discounting or Factoring) with us. Invoice finance is provided under the terms of a sales finance agreement (which may also be called a "facilities agreement") (an "SFA"). The SFA would provide for us to purchase from you book debts which are due to you from your customers. In the case of Invoice Discounting, which usually operates as a confidential arrangement, you will need to maintain an effective credit control function within your business, and we would expect you to collect the debts due from your customers on our behalf.

Under Credit Protection we would retain an agreed amount of the risk of non-payment of the debts that are eligible for Credit Protection. After allowing for an amount of the risk that you will bear and deducting VAT, Credit Protection will commonly apply to up to 90% of the net invoice value of an eligible debt, subject to the parameters set out in the SFA. Those parameters would include, for example, that you provide details of debts created within the time we require, that you have complied with the terms of the SFA (and other agreements between you and us) and that the relevant debt is not disputed by your customer. Credit Protection is usually based on the SFA applying to your whole sales turnover, but we can sometimes consider other structures.

If you did not have Credit Protection, the SFA would permit us to require you to repurchase all unpaid debts from us and to also remove any funding in respect of those debts. For eligible debts, Credit Protection limits these rights, so we would not expect you to

repurchase an undisputed eligible debt from us if your customer pays late or becomes insolvent and we would usually maintain funding in respect of that eligible debt. Please note that not all debts will be eligible to benefit from Credit Protection. The SFA will set out all the criteria for eligibility.

How it works

Subject to some exclusions, customers in the UK and overseas can be subject to Credit Protection. If you would like to apply for Credit Protection in relation to a customer, you would provide us with details of that customer together with the amount of Credit Protection limit you would like in relation to that customer. Where we consider the customer to be suitable for Credit Protection, we will confirm that to you and set a Credit Protection limit in relation to debts due from that customer.

We will provide you with access to our internet-based credit protection site ("Site") which will detail all the Credit Protection limits in effect at that time. We will also advise you of any changes to Credit Protection limits via the Site and give you a "how to" guide to help you use the Site effectively. We will also be on hand if you need support.

Provided you comply with the terms of the SFA (and of course, your own arrangements with your customers), then the debts due from a customer that are within the relevant Credit Protection limit will be subject to Credit Protection. For example, if an undisputed debt that is subject to Credit Protection remains unpaid past the maximum payment terms for that debt or is payable by a customer that becomes insolvent, we will usually continue to maintain funding in relation to that debt.

The amount of a debt which is covered by Credit Protection is not necessarily the full invoiced amount of that debt, as certain thresholds and deductions will apply. We have set out below a couple of illustrative examples showing how Credit Protection works in practice which will give you some guidance as to what amounts may be covered by Credit Protection. We will provide you with further literature, such as our "how to" guide, which illustrate how you would make use of Credit Protection and the mechanics of the required process to follow via the Site.

A summary of key requirements:

We have set out below some of our key requirements around how you engage with your customers and us to get the benefit of Credit Protection:

- You must raise invoices within a maximum of 30 working days from the date of delivery or provision of your goods or services to your customer.
- You must not sell goods or services on more favourable terms than those outlined in your SFA.
- You may extend the due date for payment of an invoice once, by up to 60 days, provided you have carried out suitable checks on your customer to ensure they are still then deemed "creditworthy" and have the means to pay.
- You must notify us via the Site within 5 working days of any customer insolvency or other issue known to you which could impact on a customer's ability to pay.
- Within 10 working days of each month end you must notify us via the Site of any amounts which are overdue and continue to do so until they are no longer overdue.
- Invoice Discounting arrangements only – When you are permitted to collect the debts on our behalf, you must work diligently to ensure that debts are paid by your customers on time and you must maintain such efforts if debts fall past their due date including, if necessary, initiating legal proceedings against your customers. If a debt is not paid and you are collecting debts on our behalf, you will need to report the debt as overdue via the Site.
- Factoring arrangements and some Invoice Discounting arrangements – We would expect you to (and we may also) tell your customers that we have purchased the debts from you.

The full terms relating to Credit Protection will be as set out in the SFA.

Other important details

If a debt is not, or is no longer, eligible for Credit Protection we will review on a case by case basis whether we can continue to provide funding in relation to that debt. This would occur, for example, where any dispute is raised by the customer or where a debt falls outside the scope of the terms under which Credit Protection operates.

Any Credit Protection limits in effect can be changed or withdrawn by us. If this happens, we will tell you what has changed via the Site. Unless the SFA is also terminating at the same time, any such change will not affect debts due from the relevant customer(s) that are already subject to Credit Protection before we tell you of that change via the Site.

Each Credit Protection limit will only apply to the legal entity named as your customer. It is therefore important that you check to ensure that all the information that you provide to us in relation to your customers is correct and complete. You would need to carry out appropriate due diligence on your customers and notify us if you are aware of any information which may affect their ability to pay. You must also maintain robust processes and audit trails should you need to further evidence relating to debts. This is crucial in instances where your customers become insolvent, as providing Credit Protection and/or making funding available to you may require sight of and satisfaction with the proof of debt.

For more information please contact your local Relationship Director or visit:

santandercb.co.uk

As mentioned earlier, the VAT element of debts is not eligible for Credit Protection (you should be able to claim this back from HMRC) and we may adjust your account with us from time to time to reflect this.

In relation to an undisputed debt that remains unpaid where the customer is not insolvent, there is usually a six-month waiting period from the due date before we credit your account with the proceeds of Credit Protection. This period gives you an opportunity to take all reasonable steps to collect the debt and to provide us with enough evidence that you have done so.

The costs:

The cost of Credit Protection is included in any service charge which is payable by you under the SFA.

There is a charge for each Credit Protected limit you request and a charge for an annual renewal or each limit. These charges will be set out in the SFA, in our pricing tariffs and can also be provided upon request at any time.

Illustrative examples of how Credit Protection works.

The examples below assume that, in relation to each eligible debt, you will continue to bear the risk of non-payment in relation to the greater of £1,000 or 10% of the net invoiced value, this is known as the Minimum Retention.

Example 1	
Your Credit Protection Limit is	£10,000
Your Bad Debt is	£6,000
VAT element of bad debt not protected (20% of £6,000)	-(£1,000)
Sub Total	£5,000
The Minimum Retention is based on the greater of £1,000 or 10% of the net invoiced value. Therefore in this example £1,000 is deducted	£1,000
You are protected for	£4,000

Example 2	
Your Credit Protection Limit is	£135,000
Your Bad Debt is	£135,000
VAT element of bad debt not protected (20% of £135,000)	-(£22,500)
Sub Total	£112,500
The Minimum Retention is based on the greater of £1,000 or 10% of the net invoiced value. Therefore in this example 10% is deducted	-(£11,250)
You are protected for	£101,250

Our SFA and independent legal advice

This factsheet is designed to give you some background information about how Credit Protection works. The substantive terms relating to Credit Protection (which will be legally binding on you and us) will be as set out in the SFA and other documentation which we may provide to you should we proceed. You will need to review all these legal documents carefully and we recommend that you take independent professional advice from a solicitor, tax advisor, accountant or appropriate professional person before making your decision.