

Meta title: invoice loans to even out your cash flow

Meta description: Wondering about alternatives to invoice loans? Want to know more? Here's our guide.

In this article:

[What is invoice financing?](#)

[How does invoice financing work?](#)

[Think about cost and reputation](#)

[Invoice financing FAQs](#)

Could you use business invoice loans to fill gaps in your cash flow?

Invoice financing is an increasingly popular form of alternative business financing. It can be a great way to free up cash that's tied up in unpaid invoices. Using invoice financing, you can access this money immediately and hand the job of chasing down debtors to your financier leaving you more time to run your business.

You can use the money generated from invoice financing for anything, such as :

- Fill a gap in your cash flow
- Pay wages
- Invest in your business
- Pay bills
- Pay suppliers
- Fulfil contracts
- Invest in marketing

Invoice financing is very different from taking an unsecured business loan, as the money is rightfully yours, it's just taking you a while to access it. But, largely, it's low risk for you and high risk for the invoice financier, so fees can be high. Accessing business funding this way will cost you more than some other alternative finance options.

What is invoice financing?

Invoice financing involves 'selling' your unpaid invoices to an invoice financier who specialises in this kind of alternative finance. The financier gives you the value of the invoices, minus a percentage, which is taken as a fee. They then take on the work of seeking payment from those who owe you money and you can enjoy the money owed to you without having to wait for it.

Invoice financing can be a useful way to bridge the gap between issuing invoices and actually receiving payment. It can be a particular lifeline to those who often have long delays between carrying out work and receiving payment. It also gives business owners who might otherwise struggle to get a loan, the opportunity to secure business loans against invoices, instead of assets or their credit rating.

What happens if your customer doesn't pay the invoice purchased by your financier?

There is a chance that you may be liable to pay the full value of the invoice if your client doesn't pay up. It's important to check the terms and conditions laid out by your invoice financier before signing up, as you need to be able to balance the risk with the benefit and make the right decision for you.

How does invoice financing work?

Say you had outstanding invoices worth £20,000. They are due to be paid within two months but you need the cash now to pay a large supplier bill that's dropped on your doorstep.

You can approach an invoice financier who may agree to give you 90% of the value of the invoices up front. You can then walk away with £18,000, allowing you to cover the unexpected bill on time.

Once your customers have paid the money owed to the invoice financier, you receive the rest of the invoice value, minus a fee and interest.

Think about cost and reputation

Before opting to seek out an invoice financing solution, there are a few things you should consider. Such as:

- Do you mind if your invoice financier contacts your clients for payment?
- Are you clear how much this type of finance will cost you?
- Might you be better off taking out a flexible business loan as an alternative?
- Are you confident that your clients will pay the invoices eventually?
- Will your clients welcome having more time to pay their invoices?

Invoice financing FAQs

Who might want to use invoice financing?

Anyone who finds that they are often waiting longer than expected for their invoices to be paid might want to consider invoice financing. Many small business owners find that large gaps in their cash flow start to emerge, especially as their business grows and their income and costs increase. Invoice financing is just one solution.

How much does invoice financing cost?

This varies from financier to financier. You will usually pay a fee, which may take the form of a percentage of the invoice value, and you will also have to pay interest. Make sure you are clear about the total cost of the financing before going ahead.

There may be other fees payable to your financier, including survey fees, audit fees and re-factoring fees, for example, so check the small print.

What's the difference between invoice financing and invoice discounting?

Invoice discounting works in a similar way to invoice financing, but your client will be asked to pay into a trust account which is held in your name. This means they have no idea they are dealing with an invoice financier. Some business owners may prefer to keep the fact that they are seeking financing from their clients and this is one way to achieve this.

Is invoice financing and invoice factoring the same thing?

Yes, these are just different terms for the same type of alternative business finance.

Can any business owner use invoice financing?

No, invoice financiers actually have quite strict lending criteria and will often have a minimum turnover amount, for example. They prefer to work with businesses whose invoices are substantial and will work on a contract basis over a longer period of time. There are now also providers who will work on a more flexible short-term arrangement, perhaps providing factoring for one-off invoices and they will have less strict requirements and are more likely to work with much smaller businesses.

Is mycashline an alternative to invoice financing?

Yes. We offer flexible short term and long term business loans to small and medium sized businesses that need to even out their cash flow. If you are struggling with unpaid invoices, one

of our variable rate loans, for example, could be the right solution for you. We offer two main types of loan for you to consider and will look at lending to you providing you have a minimum of six months trading history and meet our other lending criteria.

Our loans:

my boost

Flexible access to our full range of credit

£1,000 - £100,000

Repay over 1-6 months

Rates start at just 2.5%

my impact

Predictable repayments over a longer term

£5,000 - £100,000

Repay over 6-18 months

Rates start at just 2.5%