

Your guide to invoice discounting



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What is invoice discounting?

With invoice discounting, we buy your eligible invoices (debts) and send you up to 90% of the money in 24 hours. Once our agreement starts, all your customer payments are made to us, and when payment is received, we send you the remaining value of the invoice (less our service charge). We'll never contact your customers, so our agreement stays confidential and you'll still have full control of your sales ledger and customer base.

FacFlow – making invoice finance easy

You'll have access to our 24/7 online tool FacFlow to manage your account, invoices and payments quickly and easily. It's designed to be user-friendly and comes with a range of other benefits:



Fast – you can usually make requests and get payments on the same working day



Well supported – our Web Business Support team will aim to resolve your query straight away



Robust – easily handles large amounts of data



Accredited – evaluated and independently accredited by the Institute for Chartered Accountants in England and Wales (ICAEW), meaning you can be sure that FacFlow is reliable and you'll get strong customer support



Thorough – can produce a full range of comprehensive reports



Online – enjoy the convenience you need by using FacFlow anywhere and any time you have an internet connection



Your essential tasks

FacFlow will help you get the most out of invoice finance and will be used for a number of tasks that you'll need to perform. Here we've summarised what you'll need to do and when.

Daily

- Bank all customer remittances (cash, cheques, etc.) you receive in payment of invoices notified to us into your RBS Invoice Finance account. You mustn't pay these into any other account
- Send an aged debt report to your reconciliation officer by the date set out in your agreement. Any non-notifiable debts should be highlighted along with a copy of your purchase ledger

Daily or weekly (as required)

- Send a notification to us, detailing all changes to your sales ledger that week, including invoices, credit notes, cash, settlement discount and any other adjustments like bad debt write-off
- Send a copy of your monthly management accounts to your relationship manager by the 30th of the following month (unless otherwise specified). For example, August's management accounts must be sent by 30th September

Monthly

- Close an accounting period on FacFlow by the 15th of the following month. For example, August's accounting period must be closed by 15th September
- Complete the month-end sales reconciliation by checking your own accounting records, ie aged debt report against the RBS Invoice Finance sales ledger control account

Annually (unless otherwise specified)

- Send audited accounts to your relationship manager within 10 months of your financial year end

How to submit invoices, payments and credits

FacFlow is also the place you'll tell us about all changes to your sales ledger including invoices, credit notes, cash/cheques, settlement discount and any other adjustments like bad debt write-off.

One thing you don't need to tell us about is electronic customer payments. Instead, you should check for them on FacFlow and update your own sales ledger with this information.

FacFlow will then be updated on the same day, so you can see exactly what funds you've got available.

Payments

When you receive cheque or cash payments, please tell us using the paying-in slip option on FacFlow. Please remember that you need to bank cheques into your nominated account using the paying-in books supplied.



How to check credits and debits

Client accounting

You'll be able to view a sales ledger control account, a Memorandum Discounting Statement (MDS) and a Receivables Purchased Account (RPA) each calendar month.

Accounts are summarised to give you an overview of them. You can access further details in the **'Accounts'** screen or from the **'Reports'** menu in FacFlow.

Sales ledger control account

This shows all the sales ledger transactions you notify to us plus all customer payments received. It is the account you will reconcile to at month/period end and one of the ways you can see electronic customer payments being received. Accounting entries include:

- Notifications – invoices notified/offered to us
- Credit notes and sales ledger adjustments
- Payments received from customers

Memorandum Discounting Statement

MDS is a monthly summary of the balance of our funds you've withdrawn and the account charges. You'll use the MDS to reclaim VAT on your charges.

Receivables Purchased Account

This reflects the prospective purchase price of all invoices notified to us. Accounting entries include:

- Notifications – invoices notified/offered to us
- Credit notes and sales ledger adjustments
- Payments we make to you

About our charges

You can find the full pricing structure at: rbsif.co.uk/our-pricing/

Our main charges are:

Discount margin: this is a charge payable on your drawn amount. It's calculated and accrued daily, and debited either daily or monthly as stated in your agreement.

Service charge: this is either a fixed fee payable monthly or quarterly or is calculated as a percentage of the turnover you put through the facility and is debited monthly (a minimum service charge applies).

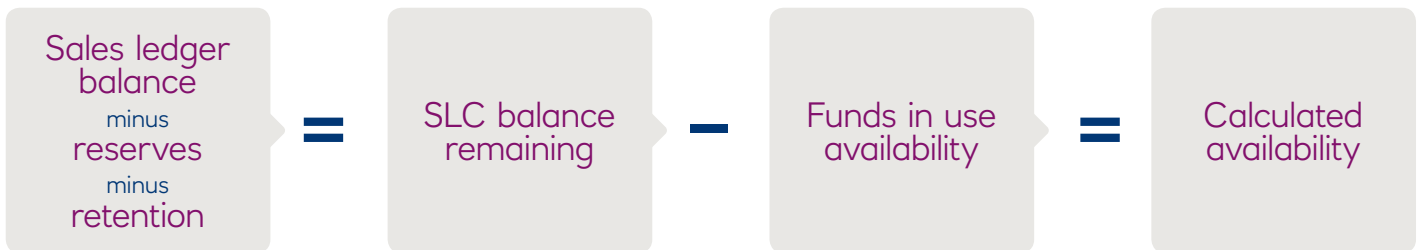
Annual renewal fee: either an agreed fixed fee or calculated as a percentage of your facility limit (a minimum renewal fee applies).

You will see all of the charges on your MDS and RPA.

How to work out your available funds

FacFlow will show a breakdown of the funds you've got available.

In summary, this is worked out in the following way:



Retention is 100% minus the advance rate as per your agreement. So, for example, 100% minus advance rate of 85% = retention 15%.

Reserves are excluded from the funds you have available and you can view them on the FacFlow payment availability screen. They may include:

- Outstanding invoices that are outside the funding period (typically 90 days from the end of the month of invoice) or invoices in dispute or subject to legal action
- Customer balances that have exceeded the limit set by us
- Customer balances that have exceeded any concentration limit set by us
- Invoices where reserves were applied at our last audit

For example:

The **funding or credit limit** is a percentage or amount we set to indicate the maximum sales ledger balance that we'll consider for funding on any particular customer. When the balance outstanding on a customer's account (as shown on your monthly aged analysis of debts) exceeds the limit, the difference will be treated as a reserve.

The **concentration limit** (if applicable) is a percentage of the total outstanding sales ledger balances from all your customers as specified in your agreement. If any individual customer balance exceeds the concentration limit percentage, the amount in excess will be treated as a reserve.

Audit reserves are set by us as part of our ongoing monitoring of the invoice discounting facility. Typically, they're any discrepancies in your sales ledger accounting records or lack of proof of debt, and are included within the reserve. Our auditor or your relationship manager will explain before any audit reserves are implemented.

Contra reserves apply if you supply and order goods from the same customer. We'll reserve the lesser amount of the sales ledger balance and the purchase ledger balance for that account.

How to work out your available funds

Continued

Here's an example of how we calculate what funds you've got available:

Available funds

Retention calculation	£
Sales ledger balance	1,662,677.87
NIDC req/auth	0.00
Debtor reserves (a)	-8,698.99
Remaining debts	1,653,978.88
Retention at 15% (b)	-248,096.83
Total debtor reserves + retentions (a + b)	-256,795.82
SLC balance remaining	1,405,882.05

Available funds calculation	£
SLC balance remaining	1,405,882.05
Funds in use	-343,727.47
Calculated availability	1,062,154.58
Amount available	1,062,154.58
Maximum available	1,062,154.58

Funds in use	£
Funds in use	-343,727.47
Account MAFIU	2,149,400.00

Targets	£
Collections this month	212,893.24
Collections target	0.00
Ahead of target	212,893.24

How to view reports

You can access a variety of reports using FacFlow and these are listed below. Simply click on **'Reports'** and FacFlow will guide you through what you need to do.

Standard:

- Payment availability
- Sales ledger control month-end statement
- Selective sales ledger transactions
- Receivables purchased month-end statement
- Selective receivables purchased transactions
- Memorandum discounting month-end statement
- Selective memorandum discounting statement transactions
- Daily balances and discounting charges
- Transaction summary report
- Client advices report

Saved:

- Any reports run and saved by you for future use

The **'Help'** screens may be used to access a description of the above reports and will also explain how to filter and sort through the information.

Need more help?

Our helpdesk is available to answer your questions about payslip adjustments, represented cheques, processing issues and general queries about payments from either the UK or abroad.

Our dedicated team is available Monday to Friday between 9am and 5pm on:



Call **0800 711 911**

Text Relay **18001 0800 711 911**

Monthly reconciliation – help guide

If you've got a reconciliation difference, here are a few areas to check:

1. Check that your own sales ledger control account balances i.e. your opening balances plus/less transactions in the month/period = your closing balance.
2. Check your cut-off date at month-end. Have you allowed for 'items in transit'?
3. Does your aged debtor's report add up correctly, including any unallocated cash?
4. Do your month-end statements show that we've processed everything that you've sent us?
5. If there are any excluded accounts/invoices, have these changed since last month?

Have items relating to these accounts been input on FacFlow by accident?
6. If customers have paid by BACS into the trust account at month-end, have you posted these to your ledger?
7. Do any remittances credited to your own bank account need transferring to the trust account?
8. Have all unpaid cheques or refunds to customers been accounted for correctly?
9. Have you notified us of all customer settlement discounts you've allowed?
10. Have you notified us of all journal adjustments and write-offs you've applied to your ledger?
11. Have all currency exchange differences been accounted for?
12. Are all the invoices in the correct month on FacFlow?
13. Have you re-applied any returned customer cheques?

For more information, please refer to the monthly reconciliation help guide.

Security may be required. Product fees may apply.