FREE PRINTABLE PACK · WAGE-RUN FUNDING-GAP CHECKER

Funding the wage run: the options, side by side

Factoring, invoice discounting, selective finance and an overdraft compared, with the questions to put to any funder before you sign.

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The options, side by side

Factoring

The funder advances against each invoice and runs your sales ledger and collections.

Suits: A growing book without a credit-control team of its own.
Watch: It is disclosed: your clients deal with the funder. Service fees apply to turnover.

Invoice discounting

The funder advances against the ledger; you keep collecting, and it can stay confidential.

Suits: An agency with established credit control and some scale.
Watch: Funders want to see process and history before offering it.

Selective or spot finance

Advances against chosen invoices or clients rather than the whole ledger.

Suits: One large client or contract causing the gap.
Watch: Usually dearer per pound drawn than a whole-ledger facility.

Overdraft or revolving credit

A limit to draw against, not tied to invoices.

Suits: A short, predictable gap with strong clients.
Watch: Limits do not grow with the book the way an invoice facility can.

Is invoice finance always the right answer?

No, and it is worth saying so. It suits an agency with a genuine timing gap between paying workers and being paid by creditworthy clients. It is the wrong tool if the underlying problem is margin, because funding the gap accelerates the loss rather than fixing it, and it prices badly where the debtor book is concentrated in one shaky client. A short gap with a few strong clients may be better served by an overdraft or by renegotiating terms.

What does invoice finance cost, and how do I compare honestly?

There are two components and providers present them inconsistently. The discount charge is the cost of the money, usually a margin over base rate on the funds you actually draw. The service fee covers ledger management and collections, usually a percentage of turnover. The traps are minimum fees, debtor concentration limits, notice periods and exit fees, and disapproved invoices. The only meaningful comparison is total cost against your real ledger over twelve months.

Ask any funder before you sign

1. What exactly can I draw on day one, after exclusions, limits and charges?
2. How is a customer or connected group defined, and what are the concentration limits?
3. Which invoices are ineligible, and what happens to disputed ones?
4. What is the total cost over twelve months on my real ledger, including minimum fees?
5. What are the notice period and exit fees?

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