

Each week, Ardagh Consultants, [www.ardaghconsultants.ie](http://www.ardaghconsultants.ie), will answer your questions on a range of personal finance and small business issues. If you are facing a business dilemma or simply need a sounding board, contact Erin McVeigh-Smith in complete confidentiality. Questions should be sent to [erin@ardaghconsultants.ie](mailto:erin@ardaghconsultants.ie).

## QUESTION

**I have been told that Invoice Discounting would help my business. Can you explain what it is and how it operates?**

## ANSWER

Invoice Discounting is a working capital facility whereby finance is raised against a business's debtors book. It allows you immediate access of up to 90% of the value of your debtors. In short, this is how it works:

1. The invoice discounting company carries out a full survey of your business, particularly invoicing procedures, credit control and sales ledger operation to make sure that Invoice Discounting will work for you and be of benefit to your business.
2. They then determine the quality of your debtor book and approve the debtors they are happy to advance funds against and the amount of a facility they are prepared to approve.
3. An assignment of your debtors book is taken and up to 90% of approved debts are made available to you by means of an initial payment to your bank account.
4. As you issue invoices, you send a copy to the invoice discounting company and they make available to you up to 90% of the outstanding balance of your debtors.
5. When you collect monies from your debtors, you lodge the money directly to the account of the invoice discounting company and the remaining balance, less funds already advanced and charges, are sent back to your bank account.

In our opinion Invoice Discounting is well suited to a growing business as it is a flexible form of finance which grows as the business grows and usually releases more funds than other traditional working capital facilities. Fees and charges, however, can be high and in the current economic climate it makes sense to shop around the main banks and also the specialist invoice discounting companies to get the best deal in the marketplace.