



Online Accounting Software

# BANK RELATIONSHIPS GUIDE

### **Why you need to think about your relationship with your bank**

Every business needs the services of a bank – even if it's just a basic business bank account so that you have somewhere safe to keep money and the means to make payments securely.

However, for many businesses the relationship with a bank is much more: the bank can be a vital partner in their operations. Typically, of course, banks are a source of funding, providing loans to finance everything from your premises to new equipment or stock.

But banks don't make loans to businesses on a whim. They're taking the risk of lending you money, so they'll want to hear what you want the money for and how your business is performing. That's why it's important to build and foster a relationship with your bank.

In return, you'll stand a better chance of getting the funding you need, plus your bank will be able to offer lots of business advice, which might include other products and services.

### **Handling payments**

Let's start by remembering exactly what banks do for your business. If it's going to succeed, your business needs to find the best way to process payments for your goods or services. Whether it be cash, cheque, chip and PIN transactions, online payments, electronic funds transfer or payment using smartphones, you'll need an appropriate bank account to do that.

Some banks charge for these services, others don't. Get in touch with your bank and find out their fees. Use this opportunity to have a face-to-face meeting with an adviser at the bank. Be friendly, professional and provide answers to questions about your business.

The better the bank understands your business, the better it can serve you. Remember, banks are themselves competing with other banks on your high street to get you as a customer. There may be room for manoeuvre over fees if you can persuade a bank it really should have your custom – or it might negotiate if you can convince the bank of special circumstances applicable to your business.

Although the days of bank employees working for the same branch for many years are long gone, it's still well worth establishing personal connections

with the people at your bank if you can. You'll save time – and breath – if you don't have to repeat yourself every time you make an appointment at the bank if you have a relationship with an adviser who is already well briefed on your business.

### **Funding**

If you don't have huge savings or haven't been lucky enough to win the lottery, how do you get your hands on funding? Usually, it's through borrowing money in some form from a bank. This will take your relationship with the bank to a very different level – but you'll have a head start in that transition if the bank already knows you.

Because lending money is their specialty, banks have lots of different ways of doing it – but they'll happily offer their knowledge and expertise for free if you ask for it. You'll most likely be discussing options such as overdrafts, loans, invoice finance, leasing or asset finance.

#### *Getting an overdraft*

Overdrafts are the most common bank loan. This credit 'facility' might be vital to your company if, say, your business is seasonal. Contact your bank, explain that while revenue is low during winter, it rockets during summer. They'll want to know why and need to see some proof. This flexible form of small loan can help a business with a 'cash-flow problem' that might not be your fault, for example a client is late paying a big invoice.

The bank will expect to see that, at a minimum, you've calculated what overdraft facility you'll require by way of cash-flow forecasting. This is not as complicated as you may think, it simply requires that you map out the receipts coming into the business minus cash paid out of the business, showing the expected shortfall. Please read our Cash Flow Guide for more detail on this critical business task.

#### *Getting a loan*

Loans are best used when there's a well-thought-out plan to invest in something that costs a lot. The terms of loans can be negotiable depending on the circumstances of your business. Again, your bank's understanding of your business will be vital. Of course, if you've borrowed money before and

repaid on time, you'll have a good credit rating, but the banks will always want you to demonstrate that:

- your business is performing well, or has the potential to
- you know how to run the business properly
- the loan is for a specific purpose and you can repay it
- you have security you can put up against the loan if necessary.

The same need for understanding about your business will be key to all the other types of funding you might ask for from a bank.

### *Cutting down on red tape*

Remember also that because a bank is already familiar with your financial situation it takes less time to gather your information and vet the accuracy of what you report. This is not only beneficial when it comes to applying for loans but also things like combining statements or transferring money. The approval process can be lengthy and complicated if the lender – your bank – doesn't know you.

### **Business advice**

Using a bank that is familiar with your financial status and history can be extremely helpful when it comes to planning for the future. The bank can take a more proactive role, identifying opportunities to enhance your financial position and help you grow.

The same is true during tough times: banks can become financial advisers and partners with long-term clients because they understand the complexities of your business and can talk you through strategies to survive.

### **Maintaining the relationship**

If you don't tell your bank anything, then it may not be there when you need it. So don't keep your bank 'at arms length'. Keep it in touch with your strategy and your finances through regular communication. Tell the bank the good and the bad news in equal measure, as and when it happens. If you have a new contract or some other business success, tell the bank about it. Your relationship should never just be one-way. If it is, don't ignore it, do something to resolve the issues.

### **Be professional**

Your bank wants to be assured you have a clear strategy that it understands. Changing your plans all the time or appearing to be undecided won't give the bank confidence.

Credibility is critical to your relationship with your bank. Sudden changes of strategy or financial data proving to be wrong or not what was expected won't help. Always discuss major changes with the bank. If they understand why, they are more likely to understand or agree with your plans.

### **Reliable information**

Make realistic forecasts. They can never be totally accurate, but banks will be keeping records of their own of this kind of information and are on the look-out for forecasts designed to help clinch a loan. If you have an arrangement to provide any kind of data to your bank, make sure it is both accurate and on time.

Every business grows at a different rate but there are some common issues that can arise which signal that it's time to switch from Excel to accounting software. If you are struggling to get accurate data from Excel to present to your bank or indeed, any other financial institution, then make that switch to accounting software.

Successfully managing your relationship with your bank can help you to succeed in other areas of your business and help you to grow.

## Bank relationship checklist checklist

Do you make the most of the services your bank can provide?

Does your bank understand your business and your plans for the future?

Have you shopped around to find the most suitable bank for your business?

Do you have face-to-face meetings with the person responsible for your business at your bank?

Do you keep your bank up-to-date with changes in your business?

Have you discussed the different funding options available to you, if appropriate?

Are you making the most of the different payment options available?

Can you provide accurate financial information and forecasts to your bank if necessary?



Online Accounting Software

## WHO WE ARE

Big Red Cloud is a leading supplier of online account's software to the SME market.

Our online account's software is simple and easy to use and takes only minutes to set up. It is designed to enable smart business people get on with doing what they do best which is to sell their products or services.

We believe in giving exceptional value by including multiple users, unlimited transactions, telephone, email, live chat support and free access for your accountant and bookkeeper, all for a low monthly fee.

Join over 35,000 businesses that have already made the smart move and get your business up and running with Big Red Cloud's online accounts software.

### European HQ

Rathdown Hall  
Upper Glenageary Road  
Glenageary  
County Dublin  
Ireland

Tel: +353 (0) 1 204 8300

### UK Office

Basepoint Business Centre  
Metcalf Way  
Gatwick  
West Sussex, RH11 7XX  
United Kingdom

Tel: + 44 (0) 161 926 8822

[info@bigredcloud.com](mailto:info@bigredcloud.com)

[www.BigRedCloud.com](http://www.BigRedCloud.com)

