



# Understanding Personal Guarantees

A personal guarantee is a promise to pay if your business can't. To support your business's funding request, we might ask you for a personal guarantee to show your commitment or to address any need for security. If you are unable to provide one, it may affect how we can support your business, and this could affect your ability to secure funding.

Lombard's guarantees are guarantee and indemnities which means that the guarantor agrees to pay any repayments or rentals due from the customer but also to make payment of any other sums due to Lombard under the lending agreement, as if they had entered into the agreement with Lombard themselves.

## Who can be a Guarantor?

If your business is a Limited company or Limited Liability Partnership the guarantor will usually be a working director. A working director means a person who is a director of the business with a significant shareholding in the business and who takes part in the day to day running of the business.

However, the guarantor could be another party, such as a parent or spouse of the director (known as a third-party guarantor). A third-party guarantor must provide evidence that they have taken independent legal advice if they're giving a guarantee. (See section on independent legal advice below).

When you sign an agreement with us you give us permission to share information about your outstanding liabilities under your agreement with any guarantors of that agreement.

## Types of Personal Guarantee

- **Single Guarantee & Indemnity:** This means that the personal guarantee covers the liabilities under one specific agreement.
- **Restricted Blanket Guarantee & Indemnity:** This means that your personal guarantee covers more than one agreement provided by Lombard. Personal Blanket Guarantees are restricted to a set amount. The maximum amount a personal guarantor has to pay under a personal restricted blanket guarantee must be agreed by our Credit Department who will need to see evidence of the wealth of the guarantor to ensure that the amount guaranteed is reasonably certain to be an amount the guarantor can afford.

Tomorrow begins today



## Utilising the Personal Guarantee

If your business defaults on the agreed terms, we'll ask you to pay the balance, up to the agreed amount in the guarantee. We won't ask for payment if the business continues to meet its obligations.

Guarantees are subject to interest, charges, and recovery costs. If the guarantee is called upon, these amounts may increase the total liability and could exceed the original guaranteed amount. This includes any interest or charges that accrue from the date the guarantee is demanded, as well as any costs related to recovering the debt.

If you have concerns about making the repayments, it's important to contact us. We'll work with you to find options, like making a lump sum payment or regular payments that suit your financial situation. However, if we can't reach an agreement, we may have to take enforcement action, which could include obtaining a court order to secure the debt against your assets.

## Considerations

- **Suitability:** Think about whether a personal guarantee is right for you and your situation. You may become personally liable for your business's debts, which can be significant and long-term. Here are some points to consider:
  - Understand the terms of the personal guarantee.
  - We recommend getting independent legal advice (this is obligatory for third party guarantors).
  - You don't have to provide a personal guarantee, but it may affect how we can support your business.
- **Credit Score:** Signing a personal guarantee doesn't usually affect your credit score. However, if your business defaults and you're asked to pay, it could harm your credit score if you don't pay on time.
- **Changes to circumstances:** Any material change will need to be advised to Lombard at once to allow us to review our security position, the funding we are providing to your business and to look at other options that may be available. A material change may be scenarios such as:
  - Resignation
  - Selling your shareholding
  - Removal from the business' bank account mandate
  - Insolvency or if your business becomes dissolved.
  - If you die, liabilities under your personal guarantee will continue and will pass to your estate.

## Independent Legal Advice

A third-party guarantor must provide evidence that they have taken independent legal advice if they're giving a guarantee. Independent legal advice means advice given to a private individual guarantor by a solicitor selected by that private individual explaining to them their obligations under the proposed guarantee.

The solicitor acting for the guarantor must be selected by the guarantor and asked to act by the guarantor at the guarantor's cost.

The advice from the solicitor must be addressed personally to each guarantor and must clearly explain the obligations of the guarantor. If it is intended to take one "advice" in respect of multiple guarantees, then that advice must clearly refer to the fact that more than one guarantee is envisaged. Any advice applying to more than one guarantee may only be relied on for a period of one year from the date it is given. If further guarantees are to be taken after the first anniversary of the independent legal advice, then new independent legal advice must be taken.

If the guarantor prefers not to provide a copy of the independent legal advice, then confirmation from the solicitor addressed to Lombard saying that they have informed the guarantor of all their potential obligations to Lombard and identifying the guarantor by name will be acceptable.

Lombard must be satisfied that the independent legal advice or confirmation that the advice has been given is clear and unambiguous. If the independent legal advice, or confirmation from the solicitor that the advice has been given, is found to be unsatisfactory to Lombard or if a copy is not provided the finance agreement may not go ahead with the support of the guarantee.

## Further information

For further information about Personal Guarantees, you can visit the UK Finance website. Please follow this [link](#).