

Triodos Bank.

A guide to understanding Personal Guarantees for Business Borrowing

This document explains the key features of a personal guarantee.

All lending is subject to meeting our lending criteria, availability, and status. Triodos Bank reserves the right to decline any application.

Triodos does not provide advice to customers or guarantors, and you are not entitled to rely upon us for advice or recommendations. You may be required to seek independent legal advice before entering into a guarantee ensuring you fully understand the risks and potential liabilities guarantee associated with entering into such an arrangement.

What is a personal guarantee?

A personal guarantee is:

- An agreement between a lender and the business owner/director or in some cases a third party where they agree to be responsible for the repayment of outstanding borrowing if the business is unable to meet its obligations under the lending agreement. Or;
- Where one party (the guarantor) promises the lender to be liable for the present debts or obligations of a third party for an agreed amount
- A borrower is one who is primarily responsible for the repayment of a debt. Personal guarantees are limited by a specific amount, meaning the guarantor's liability is capped at a predefined sum.

A guarantee is:

- A contractual guarantee obligation to pay a debt, to perform a service, or to otherwise compensate for an obligation that another (the principal borrower) is committed to with a third-party (i.e. the Bank) in the event that the borrower defaults
- The guarantor thus incurs a liability to the lender, in the event that the borrower fails to pay.

Things to consider before agreeing to, and entering into, a personal guarantee

- You must fully understand the terms of the personal guarantee before agreeing to it
- We recommend you obtain independent legal advice before accepting to be a guarantor
- Where we require the guarantor to receive legal advice, we will also require written confirmation from the solicitor acting on behalf of you, the guarantor, that the guarantor has been advised of their obligation
- As guarantor, you will be required to provide Triodos Bank with financial information, including, but not limited to, a written confirmation of your assets and liabilities, enabling the bank to assess your ability to service the guarantee should we call upon it
- Business entities such as sole traders and partnerships are exempt from providing a personal guarantee as their liabilities are already tied to the owners or partners.

Circumstances requiring personal guarantees from business lending customers

Business customers may be asked to provide personal guarantees in circumstances where a limited company or organisation wants to borrow from Triodos Bank but lacks sufficient fixed assets or direct security to support the loan.

In such cases, Triodos Bank may require a personal guarantee, this personal guarantee can be taken on its own or be supported by tangible security, such as a property provided by the guarantor, which cannot be the principal residence of the guarantor or a family member.

The Bank's rights to enforce repayment and guarantors' responsibilities

We can call on you to repay the guaranteed amount of the business loan under the guarantee as soon as the terms of the loan are breached or not met. This may occur due to a missed repayment, late payment of interest or failure to meet some other loan conditions. In practice, we will do all we reasonably can to work with the borrower to find ways of solving any problems. However, in some cases, where we come to the conclusion that nothing more can be done, then we will call on the guarantors. Whether or not that point has been reached is always a matter for our judgement alone.

Under the guarantee:

- We can request payment of the total amount guaranteed to cover the outstanding loan
- Where multiple guarantees are in place, each guarantee will be called in full (joint & several)
- If there is any surplus remaining after the outstanding loan is repaid, we will refund the guarantors proportionally once all the funds have been collected.

What information will I have to provide as a guarantor?

You will be required to complete a guarantor questionnaire providing us information about your income, expenses, assets, and liabilities. Additionally, we will also ask you how you expect to pay the amount guaranteed if called upon to do so.

We may contact you annually to ensure that the information we have about you as the guarantor remains current. The information you provide will be kept strictly confidential and will not be disclosed to anyone else, including the business or organisation you are providing the guarantee for.

Please inform us immediately of any changes to your address or contact details while your guarantee is in effect.

As a guarantor, you may request access to regular financial information on the borrower's current level of liability.

The Bank does not offer product advice or recommendations.

Telephone: 0330 355 0355
www.triodos.co.uk

Calls to and from Triodos Bank may be recorded for training and monitoring purposes.

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