



CRANFIELD  
BUSINESS RECOVERY



## SECURED DIRECTORS' LOANS SHOWING YOU THE STEPS TO GETTING YOUR LOAN REPAYED



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### Do you intend to make a loan to a company? Would you like to increase the likelihood of that loan being repaid?

Many directors provide loans to their companies on an unsecured basis. However, if a loan is unsecured and the company becomes insolvent, the director's loan will rank alongside all the other unsecured creditors and there is a substantial risk that all or at least some of the monies lent will not be recovered.

As an alternative, a director can provide a secured director's loan. The advantage of this option is that if the company becomes insolvent, as long as the security has been correctly registered, the director will be repaid ahead of the unsecured creditors, therefore increasing the possibility that the loan is repaid. This is why banks generally only lend on a secured basis.

### How do you secure a director's loan?

Prior to the advance of any monies, the company must grant security in favour of the director. The security can take many forms (legal mortgage over property, chattel mortgage over specific assets, debenture etc) and depending on the assets of the company (and their availability for charging), the appropriate security should be chosen. Once the security is in place, the loan monies can be advanced.

### Are there any legal restrictions on a secured director's loan?

Firstly, under the Insolvency Act 1986, new security granted in favour of a director is vulnerable to being set aside within certain time limits if it secures old loans (money advanced prior to the creation and subsequent registration of the security).



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However, as long as the security only secures new loans (money advanced after the date of creation and subsequent registration of the security) the security should be enforceable.

Secondly, if the company has outstanding security in favour of other lenders (for example a debenture securing a bank loan or overdraft), it is likely that you will need to obtain the consent of these lenders in advance of any new security being granted, and you may well find that an existing lender's security will rank ahead of your security.

### Why use our service?

Cranfield Business Recovery offers a service to produce and put in place the required documentation to secure your director's loan. We will select a solicitor from our panel and together we will guide you through the risks and benefits of a secured director's loan in an efficient and cost effective process. Prices start from £750 + VAT.

### What do you do next?

If you are a director of a company and would like to provide a secured loan to your company, please contact us.



## Ask Cranfield Business Recovery about securing your loan

If you are a director of a company and would like to provide a secured loan to your company, please contact us.

For further details of our range of  
services and office locations visit

[cranfieldbusinessrecovery.co.uk](http://cranfieldbusinessrecovery.co.uk)



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