



## **PERSONAL GUARANTEE INSURANCE FAQ'S**

### **1. What is a Personal Guarantee?**

When business owners or directors of small to medium enterprises (SMEs) secure a loan, invoice financing or overdraft from banks and other lending institutions a "Personal Guarantee" is usually required as extra security and 'sits' behind a debenture and a fixed and floating charge.

A personal guarantee is a contract by which someone promises to pay any deficiencies on a specific loan or account which cannot be met by the principal debtor. Most guarantee forms require joint and several liability, meaning that each individual who signs a guarantee can be held responsible for the whole amount of the loan. Consequently, even if someone is only a 10 percent owner in the business, that person is personally liable for 100 percent of the amount being guaranteed. The guarantors can be sued individually or all together. There is no requirement that, before the guarantor can be held responsible, the lender must show that the borrower actually named in the loan document, e.g., the business, has been asked to repay the loan. In effect, when a personal guarantee is signed, the signer becomes personally liable for the loan, even if the business is incorporated.

In the majority of cases, the amount payable under the Personal Guarantee will equate to the quantum outstanding when called upon by the lender in the event of the company or business entering into a formal insolvency procedure.

### **2. I have had to give a Personal Guarantee to my lender, how will Pgicover.co.uk safeguard my business interests?**

An on-going challenge faced by business owners is an increasing demand for security from lending institutions mandated by their routine lending policies. Pgicover.co.uk is tailored for Directors who are exposed by having provided Personal Guarantees (PG), by indemnifying a set proportion of the liability.

### **3. What does the Personal Guarantee Insurance give me?**

The Insurance will payout a stated percentage of your liability under your PG. It is capped after 5 years at 90% of a maximum PG of £1.5 million. The amount of cover is dependent on the value of the PG given and the length of time the Insurance has been in place.

Pgicover.co.uk provides the Business Support Help Desk and optional Monitoring Service to underpin the Insurance Cover. It creates the opportunity to build your business long term by providing access to specialist advisors before small problems become big ones. Owners will always face uncertainties; the environment, the economy and legislation to name a few. In the event of an unforeseen occurrence the knock on effect may have devastating effects on a business.

Pgicover.co.uk is tailored for Directors who are exposed by having provided Personal Guarantees. Pgicover.co.uk gives you "peace of mind" as it is designed to actively safeguard your business interests and provide insurance cover if your Personal Guarantee (PG) is called upon by your lender.

Pgicover.co.uk provides a tapered percentage of insurance cover of the called amount of the PG on an annual incrementing basis when the Insured's business enters an insolvency mechanism. Pgicover.co.uk is available for lending supported by a debenture, a fixed charge, a mortgage, or HP or lease finance on assets of significant re-sale value.

### **4. Why hasn't an Insurance Policy to cover a Personal Guarantee been available before?**

Pgicover.co.uk has been developed to take advantage of the trend of lenders to request that Directors provide Personal Guarantees, and to provide a mechanism to help turnaround business that may experience problems.

### **5. Why is Pgicover.co.uk such an innovative new business Insurance Policy?**

Our understanding is that Pgicover.co.uk is the first Insurance in the UK to insure a Personal Guarantee. We believe it to be the only insurance of its type in the world.

Pgicover.co.uk gives Insurance cover underpinned with Business Support Services which provide help and information that can make all the difference, when you need it most.

## **6. What are the benefits of the Business Support Services?**

You have unlimited use of the Business Support Help Desk to immediately address any business concerns when they arise, and the optional bespoke Monitoring Service. In this current economic climate, Company Directors need access to relevant knowledge and information as immediate reliable advice makes all the difference.

The Optional Monitoring Service & Business Support Help Desk is an essential business support package that:

- Provides an early warning
- Allows you to be in control
- Delivers help directly to you from trusted advisors
- Assists you in making informed business decisions

The Business Support Help Desk will endeavour to assist you in receiving independent advice that is right for you to address the symptoms and resolve causes in so far as the advisors are able. The Optional Monitoring Service performs a daily check for any new County Court or High Court Judgments, Winding-up Petitions or for a decline in credit score rating for your business and your chosen businesses.

With the Business Support Help Desk, you have unlimited telephone access and an email response centre giving access to independent professional advisors on topics such as; debt recovery, business recovery, insolvency, business growth, Employment Law and Health & Safety.

On a daily basis, the Optional Monitoring Service automatically monitors your business and up to 10 chosen businesses, either customers, suppliers or competitors, and delivers alerts on a decline in credit score and any court-based judgments over a 12 month period. The Optional Monitoring Service delivers time critical information that suggest potential business instability as it happens, creating time to evaluate risk, make informed business decisions, and allowing you to take whatever action is necessary to benefit your business.

## **7. How much will it cost for any additional work which cannot be solved by the Help Desk?**

If work is required to be carried out outside of the Help Desk, an approved Pgicover.co.uk specialist advisor will agree with you the requisite fees before any work is undertaken. In some cases, the initial meeting may be free of charge.

## **8. How often can I use the Help Desk?**

You have unlimited access to the Help Desk for the duration of your policy. Whenever you need expert advice or to report a Notifiable Event, just call the Help Desk as listed in your Pgicover.co.uk documentation quoting your policy number.

## **9. How do I know that the advice I receive is accurate?**

The Help Desk is manned by qualified and experienced professionals in their area of expertise - solicitors, accountants, business turnaround, corporate restructuring, insolvency, tax and employment law specialists.

## **10. My cash flow is tight, but I'm doing well as a business. What should I do?**

This is a sign that you may be overtrading and it is probable that a finance broker could help. Call the Help Desk for practical, action-orientated advice to immediately address the concern before the problem escalates out of control.

## **11. I would like to consider my financial restructuring options, can you help me?**

Call the Help Desk, specialist advisors can answer your questions on all financial restructuring matters. High Street banks are still the most frequent source of funds although alternative business finance solutions may be increasing available elsewhere.

## **12. Why do I need to take immediate action when faced with a business concern?**

By taking prompt action to confront concerns, issues can usually be resolved to minimise the effects to you and your business. Problems don't go away, they usually get worse, and remember when you have given a Personal Guarantee, your personal assets could be under threat.

## **13. What must I do if my business receives a CCJ?**

You must notify the Help Desk within 7 Days of becoming aware of any of the following actions against your business:

- County Court or High Court Judgment (CCJ)
- Statutory Demand
- Winding Up Petition
- Dstraint Order by any creditor
- A demand for repayment from a banking creditor whether secured or unsecured

## **14. Are there any other business concerns which require immediate action?**

You must contact the Help Desk within 28 days of becoming aware of any of the following business concerns as early discussions could prevent a resolvable issue multiplying into a major business de-stabiliser. If you are in any doubt about what is a notifiable event you should seek advice from the Help Desk.

- An enforced change in your bank facility
- You have an inability to pay your Tax, VAT or National Insurance on the due date or
- Your business becomes subject to an unexpected Tax or VAT demand which cannot be met on the due date
- Your business becomes subject to an Employment Law Tribunal or a Health & Safety concern of whatever nature, which will involve the business in a significant monetary expenditure which cannot be met from cash flow
- Your business fails an insolvency test such as an inability to pay its debts as and when they fall due or that the liabilities are greater than the assets
- A bad debt or series of debts which could de-stabilise the financial position of your business including the insolvency of a major customer as so far as it materially effects the businesses cash flow
- The business has impending redundancies resulting in significant payments to affected staff which will put pressure on the businesses cash flow.

## **15. My bank has just written to me informing that my overdraft is being reduced. What must I do?**

Call the Help Desk and speak with experts in the areas of corporate reconstruction, business financing, business recovery and insolvency matters. Finance is the key to a successful business

## **16. HMRC have just written to me demanding payment of an unexpected tax bill. What must I do?**

Call the Help Desk notifying the concern. By not immediately addressing the issue, the problem will only get worse.

## **17. I could be exposed to a potential employment tribunal issue. What must I do?**

Call the Help Desk notifying the concern. Specialist advisors are there to help you. The number of cases being taken to employment tribunals has increased significantly. The costs of employment disputes are high and could lead to financial pressures on a business.

## **18. I'm having to make redundancies, what must I do?**

Call the Help Desk notifying the concern. If you have to make any redundancies, ensure that you follow the correct legal procedures to avoid any possible employment law tribunal issues.