

Am I eligible for a business loan?

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To be eligible for a loan to start a business, you'll need to be over 18, resident in the UK and be planning a legal UK-based business.

There will be other criteria depending on your chosen lender, but these are the fundamental criteria that everyone must meet. Other criteria might include your credit history, your trading history and your residency status. Read our guide to find out more.

Read more about Start Up Loans.



If you're planning to start - or develop - a business, you will almost certainly need money to make it happen. There are lots of ways of funding a new business, one of which is a loan. But how do you know if you're eligible to apply?

Take the guesswork out of your financial future. Learn everything you need to know about [loans for starting a business](#) and whether you're eligible to apply.

Or if you're completely new to your business venture, you can also find our guide on [How To Start Your Own Business, here](#).

Beginners' guide to business loans

What is a business loan?

A business loan is money that you borrow from a lender to fund your business. You can't use a business loan to fund personal needs, like a holiday or a house.

Business loans are for people who run - or plan to start - a business. There are two main types:

- **Business loan** – money loaned to your business
- **Personal loan** – money loaned to you as an individual, to fund your business

What can I use a business loan for?

You can use a business loan for almost anything your business needs to start, continue or grow. For example:

- Moving **premises**
- Taking on staff
- Buying materials or stock
- Purchasing equipment

Can I get a loan to start a business?

Yes, but some new businesses find it hard to get a business loan because banks can be very risk averse. That's why the Government set up the **Start Up Loan scheme**. This provides unsecured personal loans of £500 to £25,000 to people who want to start a new business.

Start Up Loans are provided through Business Support Partners. They can help with **business planning** and **mentoring**, so are ideal for new businesses who need extra support.



Start your business with a Start Up Loan

Government-backed Start Up Loans are designed for people like you. Start your dream business today with an affordable Start Up Loan.

DISCOVER START UP LOANS

Where can I get a business loan?

There are lots of different lenders that offer loans to businesses. These include:

- High street banks
- Specialist lenders
- Online lenders

You will need to research your options and pick the right lender for your specific needs and circumstances. Each one will have different eligibility criteria, payment terms and benefits to your business.

How do I apply for a business loan?

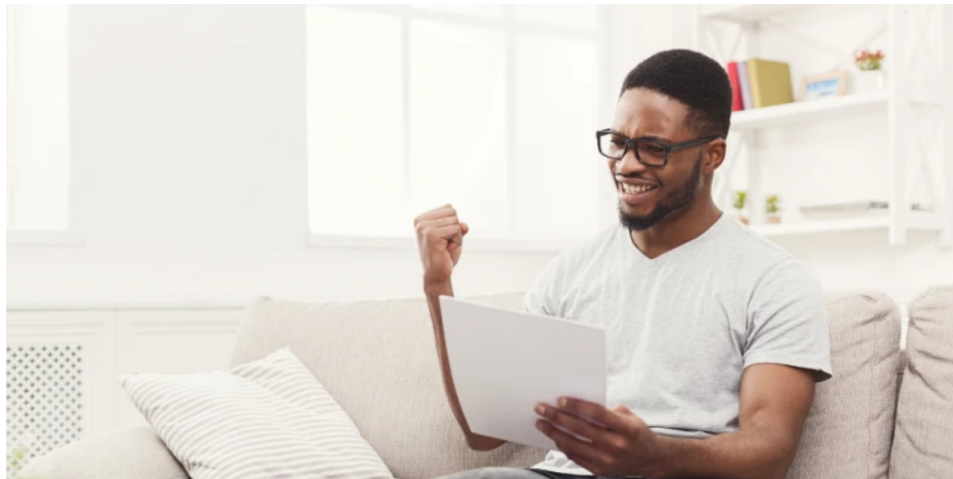
You'll need to have a [business plan](#), [financial information](#), and documentation to prove your identity. Our [ten-step guide to applying for a business loan](#) will answer all your questions.

Who is eligible for a business loan?

All lenders have their own criteria and you should check these before you apply. You can find out about our eligibility criteria here. However, some typical criteria for UK business loan providers include:

1. **Age:** you must be 18 years of age or older
2. **Creditworthiness:** you must pass credit checks and demonstrate you can afford the loan
3. **Business eligibility:** you must have – or plan to start a business, and your business type and loan purpose must be eligible
4. **Where you live and work:** most UK lenders will expect you to have the right to live and work in the UK, and for both you and your business to be based here

We'll go through some FAQs in each of these areas in more detail below.



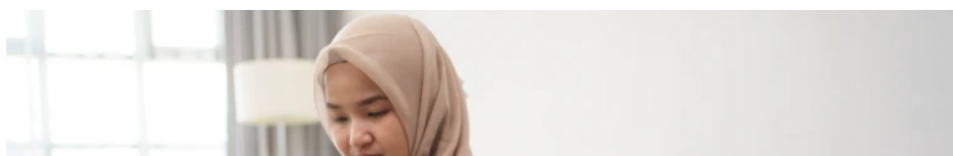
STEP 1 : Age

Am I too young to apply for a business loan?

So long as you are over 18, you can apply. All applications are considered by humans, not robots, and your Business Support Partner will look at the merits of each individual business. Whether you're 18 or 60+, your finance provide will need to look at your personal circumstances too.

Am I too old to apply for a business loan?

So long as you plan to continue working long enough to pay off the loan without any financial difficulties, no. For example, if you plan to run your business for five years before retiring, you should be able to borrow a loan with a term of five years or less.





STEP 2 : Creditworthiness

What sort of credit checks do lenders run?

It depends on whether you're applying for a traditional business loan or personal loan (such as a [Start Up Loan](#)).

If you're applying for a business loan, lenders will run a credit check on you as an individual and on your business.

If you haven't started trading yet and are [applying for Start Up Loan](#), they will only run a personal credit check.

Why do lenders run a credit check?

Reputable lenders run a credit check to make sure you'll be able to afford the repayments.

This is for their benefit and yours. The lender wants to make sure that you'll be able to repay the loan to them. But they also want to make sure you won't get into any financial difficulty because of the loan.

A credit check helps lenders assess your past financial behaviours and current ability to afford the loan.

Bad credit?

A poor credit rating can affect your ability to get a business loan. Check your score before you apply and see if you need to improve it.

KEEP CALM AND CHECK YOUR CREDIT

What credit score do you need to get a business loan?

There is no set 'score' for getting a business loan. Lenders will look at your credit history as part of the application process. But they will take a variety of factors into account, such as:

Personal credit check	Business credit check
Whether you've borrowed and repaid money in the past	Whether your business has borrowed and repaid money in the past
Whether you've failed to pay back any borrowing	Whether your accounts have been audited
Missed or late payments	Filing your accounts in good time

Some lenders are more understanding than others.

Often, lenders use computers to make an initial assessment and this can lead to applications being

rejected before they reach a human business adviser.

Other lenders assess all applications individually and on their own merits. This can take a little longer but gives you a better chance of success.

I've got a bad credit history. Can I apply for a business loan?

A poor credit history doesn't automatically exclude you from applying for business finance. However, some credit issues will prevent you from borrowing from many lenders.

For example, personal credit issues include if you:

- are filing for, or currently bankrupt or on a Debt Relief Order (DRO)
- have an outstanding Individual Voluntary Arrangement (IVA) or Trust Deed
- are on a Debt Management Plan or Debt Arrangement Scheme (DAS)
- have an outstanding County Court Judgement (CCJ)

Where to check your credit score

Before you apply for a business loan, you can check your credit score through sites like Experian and Equifax.

Can I check my credit history before applying?

Yes, you can check your credit report, or that of your business, through a Credit Reference Agency like Experian or Equifax.

It's important to remember that Credit Reference Agencies don't always hold the same information, so you may wish to consult more than one company if you have any concerns about the contents of your Credit Report.

Why do I have a bad credit score when I've never borrowed before?

A low credit score doesn't necessarily mean you've been bad at repaying debts in the past. It could be that you haven't had any debt in the past and therefore there is no information about whether you are a reliable payment maker.

How can I improve my credit score?

If you discover that you have a poor credit score, you can do things to improve it. For example, taking out credit – such as a credit or store card – and making regular repayments will demonstrate that you are a trustworthy borrower.





STEP 3 : Business eligibility

Are any businesses NOT eligible for a business loan?

Most business types are eligible for a business loan. Individual lenders may have different criteria.

For the **Start Up Loans** scheme, for example, we exclude businesses related to:

- Weapons
- Chemical manufacture
- Pornography
- Drugs
- Illegal activities
- Banking and money transfer services
- Private investigators that do not hold the appropriate licence
- Gambling and betting activities
- Property investment
- Agents for third parties, where a third party earns the majority of the revenue or you would only be earning a commission

Please note, other exclusions may apply. Talk to your Business Support Partner.



STEP 4 : Where you live and work

I'm in the UK on a visa. Am I eligible for a business loan?

It depends on what type of visa you have, as some visas restrict an individual's ability to work in the UK. You are likely to be ineligible for a UK business loan if you are on the following:

- Tier 1 visa (all categories)
- Tier 2 visa (all categories)
- Tier 4 (general) student visa
- Tier 5 visa (temporary worker)
- Domestic workers on a private household visa
- A representative of an overseas business visa

You can still apply if you hold an Ancestry Visa, or one with a 'no recourse to public funds' restriction,

provided they do not fall under the above exclusions.

If your visa has an expiry date then your loan term must end 6 months prior to the expiry date. For example, if your visa is valid for 3 years at the point of approval, you would only be able to get a loan term of 2 years and 6 months.

The length of your loan term may have an impact on the amount of money you can borrow. However, this will be looked at as part of the application process and will be determined by your business plan.

Ready to apply for a Start Up Loan? See how much you could borrow with our [Start Up Loan calculator](#).

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