Quick guide to Lines of credit

This quick guide explains what a line of credit is, how it works, its benefits, its key features and how to enquire about the facility from UK Export Finance.

What is a line of credit?

A UK Export Finance-supported line of credit can provide UK exporters of capital goods with a quick way to access finance made available by a UK bank to assist an overseas buyer to purchase UK exports.

Lines of credit can be set up to enable:

- a variety of overseas buyers to purchase unrelated capital goods or services (known as a general purpose line of credit); or
- an individual overseas buyer to purchase a wide range of capital goods or services for a particular project (known as a project line of credit).

Finance can be made available in the main trading currencies (including sterling, US dollars and euro).

The buyer may also act as borrower in its own right (if this is acceptable to us), otherwise an acceptable bank in the borrower’s country will need to act as borrower. A foreign bank will almost always act as borrower in the case of a general purpose line of credit.
What are the benefits of a line of credit?

The benefits are:

- the line will usually be put in place before an export contract is signed, which means that the exporter should be able to gain access to the facility quickly;
- the exporter is paid as soon as the goods have been shipped and/or services performed;
- the buyer or borrower has time to pay over a number of years and can borrow at fixed or floating rates of interest;
- the bank receives a guarantee from us for the amounts due under the line of credit.

Risks covered

The bank is protected against non-payment by the borrower under the loan.

Eligibility

The following criteria must be met:

- the exporter must be carrying on business in the UK;
- the export contract value must be at least £25,000 or the equivalent in another currency;
  and
- the bank which is to provide the line of credit must be acceptable to us.

Maximum amount

The maximum amount that can be made available for each contract financed by the line of credit is 85 per cent of the contract value. A minimum of 15 per cent of the contract’s value must be paid directly to the exporter by the buyer before the loan starts to be repaid. We can consider support for foreign content (the cost to the exporter of purchasing goods or services from sub-contractors outside the UK) of up to 80 per cent of the export contract value.

Term

The period for repayment of the loan made under the line of credit must be at least two years.

Cost

The premium is payable on the amount of support that is provided. The premium rate is determined on a case by case basis.

How to find out more

Contact our customer service team to find out what help we can provide with your export contract. Call +44 (0)20 7271 8010 or email customer.service@uksa.gov.uk

Disclaimer

The information available in this brochure is not intended to be a comprehensive description for lines of credit and many details which are relevant to particular circumstances may have been omitted.

Underwriters will look at each case on its merits.

The brochure was last updated in May 2012.