



UK Export  
Finance

## Quick guide to credit terms

This quick guide sets out UK Export Finance's policy on the credit terms related to the export contracts it is asked to support, including what is meant by credit terms, what terms can be agreed, the amount and length of credit that can be supported, the starting point of credit and how credit should be repaid.

### What is meant by credit terms?

Credit terms refer to the length of credit that is provided to a buyer or borrower along with related matters such as the amount that must be paid upfront and when the repayments must start.

### What terms can be agreed when UK Export Finance provides its support for an export contract?

The precise credit terms that we can support for a particular export contract will vary according to the size and nature of the export contract and the buyer's country. However, the credit terms which an exporter can offer to a buyer with our support are usually longer than those available in the commercial market. We also have to take account of international agreements which regulate credit terms, principally the Organisation for Economic Cooperation and Development Arrangement on Officially Supported Export Credits (known as the OECD Arrangement) ([find out more about the OECD arrangement on the OECD website](#)).

### UK Export Finance support for export contracts involving less than two years credit

Where we are asked to support an export contract involving less than two years credit, we are free to decide on a case by case basis the appropriate credit terms. Normally such business is supported by us under our export insurance policy. For exports to some countries, we may require the buyer to make payments to you under a confirmed letter of credit, which is a secure method of payment.

### UK Export Finance support for export contracts involving two years credit or more

Where we are asked to support an export contract involving credit of two years or more, the credit terms which we can offer are regulated by the OECD Arrangement. Normally, such business is supported by UK Export Finance under a buyer credit facility, supplier credit facility or a line of credit facility.

The OECD Arrangement regulates the credit terms in four areas:

#### 1. Amount of credit that can be supported

At least 15 per cent of the export contract's value must be paid directly by the buyer out of its own financial resources. This means that we can support credit terms for a maximum of

85 per cent of the contract's value. The 15 per cent that must be paid directly by the buyer cannot be paid out of the export credit loan. At least 5 per cent of the contract value must be paid on or before the date on which the export contract becomes effective.

## **2. Starting point of credit**

The starting point of credit is the date at which the buyer has to start repaying an export credit loan being guaranteed by us. It is fixed according to the type of goods or services being supplied and the contractual responsibilities of the exporter.

Broadly, where the exporter is supplying goods only, the starting point of credit will be after all the goods have been exported and accepted by the buyer or, if the goods are being supplied over a long period of time, a point in time during the period of supply. If the exporter has responsibilities for installing and commissioning the goods, the starting point of credit may be when this has been completed.

## **3. Length of credit period**

The maximum credit period is generally decided according to the buyer's country. Countries have been divided into 2 categories:

- category 1 countries – for which the credit period is normally up to five years but can be up to eight and a half years;
- category 2 countries – for which the credit period is up to 10 years.

[Go to the OECD website to see the Consensus country classifications](#)

A few countries have not been classified by the OECD. If you have a prospective contract in any one of these countries, contact our customer service team, whose details you can find on our website.

For certain types of exports, for example, commercial aircraft, ships, renewable energy and water projects and nuclear power plants, longer credit terms can be agreed than those which normally apply to category 1 and category 2 countries.

For business where the export credit loan is being repaid out of cash generated by the project, that is, project financing on a limited recourse basis, the credit terms can be tailored to match the expected cashflow of the project and the credit period can be up to 14 years.

## **4. Repayment of the credit**

The loan must be repaid equal instalments payable no less frequently than half yearly. The first instalment must be paid within six months from the starting point of credit. Interest on the export credit loan also has to be paid at least semi-annually and is usually paid on the reducing balance of the principal outstanding.