



## FINANCING SHARIA ENTERPRISE – TERMS & CONDITIONS FOR SHARIA INVESTMENTS

### 1. Background

1.1 Financing Sharia Enterprise is a programme funded by HM Government providing Sharia-compliant investments, mentoring and other business support. These terms and conditions relate mainly to the investment aspects of the programme.

1.2 The programme is administered nationally through The Start Up Loan Company Limited, which operates through a number of delivery partners. Financing Enterprise Limited trading as Financing Sharia Enterprise Limited (FSE) is one of those delivery partners, covering London and the whole of the UK. FSE is completely independent of The Start Up Loans Company, but works closely with it and is contracted by it.

1.3 Applicants are only allowed to receive one Financial Sharia Enterprise Investment, and are only permitted to deal with one Delivery Partner. They will not be eligible for investment if they have previously received a Start Up Loan.

1.4 We will not discriminate towards investment recipients because of their gender, race, sexual orientation, disability, religious affiliation or social/economic background.

### 2. Applicant Eligibility

2.1 Although investments must be for legitimate business purposes, they are made to individuals, who are personally liable for the amounts invested.

2.2 No investments may be granted to those aged under 18.

2.3 We operate a very strict credit control system, designed both to protect what is ultimately taxpayers' money, and to prevent entrepreneurs taking on liabilities they will not be able to afford, especially since they will be required to make repayment whatever happens to the underlying business for which funding is required.

2.4 We are unable to invest in business run by current bankrupts or those on an IVAs, and not usually to those on debt management programmes.

2.5 County Court Judgements will not necessarily prevent an investment from being granted, but applications will be subject to special scrutiny.

2.6 Your business must not have been trading for more than 12 months. We can probably assist if it was *registered* earlier, but did not undertake any meaningful activity. If you require any further guidance on this issue we will be pleased to give it.

2.7 An applicant may apply for an investment to join a company previously funded with a Start Up investment at a later date as long as the business has been trading for less than 12 months.



2.8 Only businesses primarily located within the UK are eligible. No investments may be extended with regard to businesses that are primarily located overseas. This does not exclude businesses that primarily export goods or services overseas, as long as the majority of revenue resides in the UK and the business or the person running it is a UK registered company and/or registered in the UK for tax purposes.

2.9 All nationalities are welcome to apply for an investment if they have the right to work and live in the UK. If you are a non UK citizen you must provide the necessary documentation to confirm your eligibility to live and work in the United Kingdom without any restrictions for the duration of the investment period at the outset of the investment. If you have a Tier 4 Visa you are not eligible to apply for an investment as self-employment is excluded. If you can secure a Tier 1 Graduate Entrepreneur Visa then you may be eligible to apply. We will require that any investment made is repaid at least six months prior to the expiry date of the relevant visa. For example, if your visa has four years to run any investment must be repaid with a maximum of 42 months.

2.10 No investment may be made for a business that is illegal within the United Kingdom or, if an exporting business, illegal within the country to which it is exporting.

2.11 An applicant cannot have a New Enterprise Allowance, and a Financing Sharia Enterprise investment or any other government-funded grant or loan, outstanding at the same time. We may be able to lend enough to repay the existing loan. Please call us for details.

### **3. Approval and Drawdown of Investment**

3.1 An investment should normally be granted or declined within three months of initial application.

3.2 Once an investment is approved, you will have three months from the date of application to draw down the funds. If the investment has not been drawn within this period, the investment approval will lapse and a revised approval will be required prior to any drawdown.

3.3 We complete a credit search on all applicants for funding, prior to the draw down of an investment. We will not normally undertake a search if the investment applicant provides their own detailed credit search, but we reserve the right to do so at our absolute discretion.

3.4 After an investment is granted we share information with credit reference agencies, and investees should be aware that defaults in investment repayments may harm their ability to obtain credit in the future.

### **4. How Much We Can Lend**

4.1 As this is a programme funded by the UK taxpayer, funding is limited. The average investment we make is around £5,000 per individual applicant. As this is an average, it follows that some investments are larger than this sum and some smaller.

4.2 Larger investments will only be made available (and then usually in tranches, or instalments) in exceptional cases, where the businesses being started can be shown to be capable of high growth, exporting potential and will create jobs.



4.3 We welcome applications from groups of individuals starting up in the same business, and are happy to give guidance in such situations. We would generally expect to make investment in proportion to the shareholding held by each partner in the business being financed.

4.4 We recognise that there will be many cases where the amount of money requested is less than the total amount needed to start the business.

This may be because the entrepreneur has either raised cash to put into their business, or has already spent money on the pre-start or early trading expenses associated with the business. We welcome cases where the applicant is risking his or her money, as well as accepting the obligation to repay a publicly-funded Financing Sharia Enterprise.

In other cases the investment being requested from us will be only part (possibly a small part) of a larger funding package. We are able to consider such cases, but will require that either:

a) Evidence is provided that the rest of the money needed has been raised.

b) If the money has not been raised, written details are given of how the business can move forward without the additional borrowing and/or investment, i.e. how the money we are being asked to invest will enable the enterprise to start and grow whilst at the same time generating sufficient cash to repay any investment we are being asked to make. These details must include a cash flow forecast demonstrating that the “smaller scale” business model is viable.

4.5 In cases where additional funds are introduced, it is necessary that we know the exact source of them, as this may affect whether we are able to invest.

4.6 We are unable to give “decisions in principle” that we will invest, subject to funding from other sources being raised.

## **5. Industry Eligibility**

5.1. Investments will not be made for the following purposes:

a) Pornography or other ventures of an overt sexual nature that require a licence to operate.

b) Onward credit, investment or lending in any form. This may include but is not limited to businesses engaged in activities that include car financing, lease financing, pay day loans, loans to another third party, peer-to-peer lending, crowd funding, investment in other company(ies), or any FX / Equity / Derivative or other trading activities.

c) Money transfer services.

d) Businesses engaged in private investigation/detective activities are eligible *but only if* they have the appropriate licences or do not undertake illegal activities such as phone hacking or breaching privacy act.



e) Companies whose primary purpose is engaged in gambling or benefiting directly from users engaging in gambling activities.

f) Those working as an agent for a third party (franchises are acceptable but should be discussed with us in advance).

g) Where the investment is repaying any existing personal debt of the applicant, business loans of a company owned in whole or in part by the applicant or to service the loans of any other business, or for any other purposes not outlined in the original business plan.

h) To fund training, qualifications or education programmes that are needed before the business can be started or that are not core to the success of the business. For example, health and safety training is acceptable but not training to qualify as a hairdresser, electrician etc. Any exceptions must first be discussed with and agreed by us.

i) To fund investment opportunities that do not form part of an on-going sustainable business, for example, providing the deposit for a buy to let property.

j) To buy part-equity in a business that has been trading for more than 12 months.

k) To fund a hobby.

5.2 The above exclusions are common to all loans and investments made by Financing Start Up Enterprise and Financing Sharia Enterprise. There are additional exclusions and conditions applying to investments made by Financing Sharia Enterprise.

5.3 If you are unsure if an application falls within these categories please discuss the circumstances with us. We will, if necessary, refer the matter to The Start Up Loans Company for consideration.

5.4 If you misrepresent your business in order to appear eligible under these rules when you are not so eligible, any investment made as a result of the misrepresentation will become immediately repayable.

## **6. General Conditions**

6.1 If we are able to make an investment, it will be repayable within five years from the date of drawdown. The minimum term of repayment will be one year, but the investment can be repaid early without penalty.

6.2 Although interest is not charged, the cost of Investment will be approximately equal to a return of 6% per annum (which equates to 6.2% APR representative).

6.3 We will not ask you for collateral of any sort under any circumstances, nor will we request you to provide a guarantee from a third party.



6.4 If you are trading through a limited liability company, we will not seek nor will we accept shares in that company in support of making an investment available to you.

6.5 A repayment schedule will be agreed when investment is made, and reviewed periodically. You will not be charged any fees over and above the investment. We will not charge you any lending fees, commission or early redemption fees of any kind.

6.6 Should you require us to appoint a mentor to assist you once an investment has been made we will do our best to do so, and under no circumstances will a charge be made for this service, by us, our agents, or our mentors, who are bound by a strict code of conduct. We will do our best to advise you of the availability of other post-investment support, but strongly recommend you check our website from time to time for details of what is on offer. Post-investment support is often provided at no charge, and if this is not the case any charges payable will be clearly advertised.

6.7 If you are asked for any fee (particularly for seeking finance for your business) you should contact us immediately for guidance.

6.8 If you choose to take advantage of any the offers made by us, The Start Up Loan Company, or their corporate partners (and often exclusive to Start Up Loans Company clients) you will be told exactly what the cost is prior to purchase, if a cost is involved.

6.9 When making an investment we are required by law to carry out anti-money laundering verification checks, and so we will require proof of who you are and where you live, as well as evidence that you have a valid UK National Insurance number.

6.10 In granting an investment, we are required to ensure that no investment we make will damage the reputation of the Start Up Loans Company and the Start Up Loans programme.

## **7. Requests for Additional Funding at a Later Date**

7.1 Whilst The Start Up Loans Company would not expect requests for additional funding made some time after the drawdown of the initial investment (generally known as “top up investments”) to be the norm, they recognise that there will be circumstances where a business has grown in a sustainable way but at a faster than expected rate. They feel it would be wrong to prevent the company’s continued growth whilst traditional forms of finance remain out of reach. On that basis, top up investments can be made to support clear, continuing start-up costs. These are distinct from funding s for business growth post the start-up phase.

7.2 In making any investment, we are required to ensure that total repayment is achieved within five years from the first drawing on the initial investment.

7.3 An application for a top-up investment will only be considered if the following eligibility criteria are met:

a) There have been at least three months of good trading, largely in line with or exceeding the original cash flow projections



b) The applicant is not currently in arrears or had been in arrears in the three months prior to the request for the top up investment. We can exercise a certain amount of leniency if the applicant had been in arrears for their first month due to issues with setting up the direct debit but then subsequently settled the outstanding payment.

c) The applicant has been trading for less than 12 months.

d) All applications must have a supporting reference provided by the applicant's mentor outlining their confirmation of the business need and support for the applicant.

e) Any top-up request that is equal to or more than 100% of the original investment approval or that will result in the outstanding investment exceeding £10k will only be met in the most exceptional cases.

7.4 Applications for top-up investments must include a revised cash flow forecast showing actual results against forecast performance. Additionally, the applicant is required to provide a brief update on the business and any changes, and a breakdown of the use of the top-up funds.

7.5 Applicants are only allowed to receive one Start Up Investment, and any requests for top up investments must be made through the existing Delivery Partner.

## **8. Changes in Terms and Conditions**

We reserve the right to adapt or amend the above terms and conditions.