

UK-LDGloa17

## **Loan agreement, company borrower, secured on physical assets, guarantor option**

**Borrower:** [\[Name\]](#)

**Lender:** [\[Name\]](#)

**Date:** [\[Date\]](#)

**This agreement is dated [date] :**

ABC Limited, a company incorporated in England and Wales [under company registration number [number] and] [ ] (“ ”)

And

DEF Ltd, a company incorporated in England and Wales [under company registration number [number] and] [ ], (“ ”).

And

[Doe Ray-me] of [full ], (“ ”)

### **Background:**

The purpose of this agreement is to set out the contractual terms under which the Lender will lend and the Borrower will borrow the sum of the Initial

.

**It is now agreed as follows:**

## **1. Definitions**

In this agreement, the following words shall have the following meanings, :

“Advance” means a part of the Loan drawn down by the .

“Basic rate” means Interest at the rate of [number] .

“Concessionary Rate” means Interest at the rate of [number] .

“Financial Information” means all information relating to the financial affairs of the Borrower including the Borrower’s audited [consolidated] financial statement as on [date], consisting of a balance sheet as on that date and a statement of income and ,

“Interest Date”	means the date in each month
“Initial Loan”	means the principal sum agreed to be lent
“Loan”	means the total amount of money outstanding at any time and due
“Repayment”	means a sum paid by the Borrower to the Lender which has
“Security”	means all goods accepted by the Lender from time to
“Superdigger”	means the two items of <a href="#">[David Brown plc]</a> plant by that name to be bought by the Borrower using the Loan, or
“Default”	means the one of the circumstances as set

10

## 2. Interpretation

In this agreement unless the context otherwise requires:

- 2.1 A reference to one gender shall include any or all genders and a reference to the singular may be interpreted
- 2.2 A reference to a person includes a human individual, a corporate entity and any organisation
- 2.3 A reference to a person includes reference to that person’s successors, legal representatives, permitted assigns and any person to whom rights and obligations are transferred or pass as a

- 2.4 A reference to a paragraph or schedule is to a paragraph or schedule to this agreement unless the context
- 2.5 The headings to the paragraphs and schedules (if any) to this agreement are inserted
- 2.6 Any agreement by any party not to do or omit to do something includes an obligation not to allow some
- 2.7 [Except where stated otherwise], any obligation of any person arising from this
- 2.8 A reference to the knowledge, information, belief or awareness of any person shall be deemed to include the knowledge, information,
- 2.9 A reference to an act or regulation includes new law of substantially the same
- 2.10 All money sums mentioned in this agreement are calculated net of VAT, which
- 2.11 This agreement is made only in the English language. If there is any conflict in meaning between the English language version of this agreement and any version or

### **3. Borrower's warranties**

The Borrower represents and warrants that:

- 3.1 it has power to enter into this agreement [and has obtained ].
- 3.2 it is not aware of anything within its reasonable control which might or will adversely affect
- 3.3 it is not insolvent and knows of no circumstance which would entitle any creditor to appoint a receiver or to petition for winding

- 3.4 every subsidiary and associated company of the Borrower is authorised to accept the liabilities set out
- 3.5 the execution of this agreement, the borrowing, and the performance by the Borrower of its obligations are fully within the Borrower's legal authority, are not in breach of the articles of association of the Borrower, and do
- 3.6 the Financial Information fairly represents the financial state of the Borrower at the date of this agreement knowing that
- 3.7 the Financial Information has been prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of preceding financial years, and that since its date
- 3.8 the Borrower has no undisclosed contingent obligations.
- 3.9 there are no material, unrealised or anticipated losses from
- 3.10 the Borrower will advise the Lender
- 3.11 no litigation, arbitration proceedings or governmental proceedings are pending
- 3.12 none of the assets of the Borrower is subject
- 3.13 the Borrower has filed all tax returns,

3.14 the proceeds of the [ ].

## 4. Sum of Loan and Advances

4.1 The Initial Loan £ [ ].

4.2 The Loan shall be drawn down

.

OR

4.3 The Loan shall be drawn

.

4.4 Before any Advance may be drawn ,  
/  
:

*[specify information required].*

OR

4.5 The Loan shall be drawn down

.

OR

4.6 The initial draw down of the Loan

.

## 5. Security

5.1 The Borrower pledges .

OR

5.2 The Borrower pledges as Security, the [vehicles / stocks / materials /  
other] listed in 1 .  
[  
/ ]

OR

5.3 The Borrower pledges as Security for the repayment

, [ / / ]  
1 .

5.4 All the Security

:

5.4.1 keep the Security

[ ];

5.4.2 insure the Security

;

5.4.3 maintain the Security in good and clean condition;

5.4.4 comply fully with the manufacturer's instructions, the [

]

,

[

];

5.4.5 comply with [shipping / other]

.

5.5 The Lender acknowledges receipt of

1

.

5.6 The Lender will keep

[

/

,

].

5.7 The Lender will insure

£ [

].

## 6. Loan condition: use by Lender

6.1 It is a condition of this Loan that the Lender may have

[

]

[

]

:

6.1.1 the total number of days

[

];

6.1.2 the condition lapses when

, ;

6.1.3 the Lender shall pick up the Superdigger from the premises

, ;

6.1.4 the Superdigger shall be returned to the premises of

, ;

6.1.5 the Lender shall insure

;

6.1.6 The Lender shall allow the Superdigger to

, ;

6.1.7 at all times that the Superdigger is in

, .

6.1.8 the Lender now agrees to indemnify the Borrower against all claims, costs and

,

.

## 7. Interest payable

7.1 Interest at the

.

OR

7.2 Interest at the rate [number] per cent per

[ ]

.

7.3 Interest shall be [ ] [ ].

7.4 Interest shall be [ ]

.



7.5 Interest shall be calculated

AND / OR

## 7.6 If and so long as the Borrower complies

## 8. Repayment

8.1 The Loan shall [ ]

*OR*

8.2 The Loan shall be 2.

OR

**8.3** The Loan shall be repaid subject to the following events and in the sums [ , , . ].

8.4 The Loan may be repaid in

8.4.1 in multiples of £ [number];

8.4.2 a minimum of £ [number];

### 8.4.3 applied to any instalments

8.5 The Borrower may, not more than once in every [two calendar months], demand a statement from the Lender

8.6 All payments due to the Lender of both capital and interest shall

.

8.7 The Borrower may repay all or part of the Loan before the due date for repayment provided that

.

.

## **9. No change to capital structure and administration**

Until the Loan

:

9.1 make any share issue by way

;

9.2 issue new share capital nor modify the rights attaching to

;

9.3 reduce its share capital or any uncalled

,

;

9.4 change the location

;

9.5 sell its undertaking or any fixed

£ [ 000 ];

9.6 change its accounting system

;

9.7 make any other

.

## 10. Event of Default

An “Event of Default” occurs when:

10.1 the Borrower fails to pay in full and on the

];  
;

10.2 a petition is presented

;

10.3 The Security is dealt with by

;

10.4 The Security is lost or damaged whilst in the possession of

,  
;

10.5 in the opinion of the Lender,

;

10.6 If the Borrower is a company:

10.6.1 a receiver is appointed to the Borrower; or

10.6.2 notice is given of

;

10.6.3 a petition is presented for the

.

## 11. Notice of Default

11.1 Where an Event of Default has occurred the Lender may issue a “

”.

,

.

11.2 From the date when the Lender issues a Notice of Default,

.

11.3 Each Event of Default stands on its own,

.

## 12. Consequences of Default

:

12.1

,

.

12.2 the Borrower hereby irrevocably agrees that:

12.2.1

[ 60 ]

;

12.2.2

;

12.2.3

,

,

,

;

12.2.4

[

24 ]

,

;

12.3

[ 28 ]

,

:

12.3.1

;

12.3.2 damages for any breach of this agreement;

12.3.3

/

,

.

## 13. Sale of Security

13.1

13.2

13.3

## 14. Assignment

14.1

14.2

14.3

## 15. Promise to provide information

15.1

4 ;

15.2 [ ] ,  
( [ / ]  
)  
,

15.3 [ ];  
15.4

## 16. The Guarantor

The Guarantor agrees:

16.1  
;

16.2  
;

16.3  
.

16.4  
.

,

16.5  
[ 28 ]  
;

16.6

.

## 17. Miscellaneous matters

17.1

, - ,

.

17.2

,

.

17.3

.

17.4

,

,

.

17.5

,

,

,

.

,

.

17.6

1998 ,

(

,

)

,

[

/

][

].

,

,

.

17.7

17.8

17.9

It shall be deemed to have been delivered:

17.10

17.11

17.12



[ / / ].

Signed by [personal name] on behalf of [named Lender] as its / its representative who personally accepts liability for the proper authorisation by [named Lender] to enter into this agreement.

Signed by [personal name] on behalf of [named Borrower] as its / its representative who personally accepts liability for the proper authorisation by [named Borrower] to enter into this agreement.

Signed by [personal name] on behalf of [named Guarantor] as its / its representative who personally accepts liability for the proper authorisation by [named Guarantor] to enter into this agreement.

## **Schedule 1: the Securities**

1. [Two David Brown Superdiggers].
2. 500 gold Krugerrand coins.
- 3.
- 4.

## Schedule 2: Loan Repayment

Dates	Amount to paid
dd-mm-yy	£ xyz
dd-mm-yy	£ xyz
dd-mm-yy	£ xyz
dd-mm-yy	£ xyz
dd-mm-yy	£ xyz

## Schedule 3: example financial report

[

].

# Explanatory Notes:

**Loan agreement, company borrower, secured on physical assets, guarantor option**

## General notes

### 1. Registering a charge

This is very important. This document should be registered with Companies House after completion. Doing so will give you priority on liquidation, over lenders who have provided money to the

<http://www.companieshouse.gov.uk/about/gbhtml/gp3.shtml#ch9>

Chapter 9 and

<http://www.companieshouse.gov.uk/infoAndGuide/faq/companyCM.shtml>

### 2. A shareholders' agreement too

If the lender is a shareholder in the borrower, then it should be a party to a shareholders' agreement. This will provide as high a level of control over the

## Paragraph specific notes

Notes relating to the numbered paragraphs

### 1. Definitions

Note that the definition of "Loan" includes all money outstanding, which may of course

When you edit the document, be careful how you define the security. We have used "Superdigger" as an example. You could use legal terminology but the meaning of the document will be clearer if the security is named explicitly. If there are many items of security list them

The definition of interest rates is important. It is not lawful to specify a "penalty" in any contract, no matter what you call it. A claimant is only ever

entitled to his “ ”,

It follows that the lender cannot charge “penalty interest”. In this document we have gone some way to enabling the lender to charge a higher rate by providing for a basic rate of interest, which is the sum “normally” due, and for a concessionary rate for good behaviour. In fact, we would expect

( ) 5 % .

The result is of course that the Lender gets an additional 5 % if he has the problems associated with a defaulting borrower. This could be challenged by the borrower only if he could prove that the basic rate was a penalty rate. That would depend on all the circumstances, including the actual rates. In practice the fear of

## 2. Interpretation

Leave these items in place unless there is a good reason to edit or remove. Each of these items has been carefully considered in the context of this agreement and has been included for a purpose.

## 3. Borrower’s warranties

The lender will want to be certain that

The provision dealing with subsidiaries will prevent a subsidiary from finding a reason to upset the agreement, but will not necessarily make

Note that there is an obligation by the borrower to  
“ ”.

The requirement to specify the purpose of the loan can be loose or .

## 4. Sum of Loan and Advances

Provides for alternative draw down arrangements. The

If the lender requires further information, you

A provision for scheduled repayments by date is usually simplest to administer. If you go for other trigger events, they should be carefully

## **5. Security**

We have no idea what will be lodged as security. We advise simply

## **6. Loan condition: use by Lender**

This paragraph is an option. If you do not need, delete all. If you do

## **7. Interest payable**

The provision for cumulation of interest should have careful attention, particularly if the interest rate is high. Cumulation has the effect of adding the interest to the capital, so that the

## **8. Repayment**

We have provided a menu of suggestions. The actual

## **9. No change to capital structure and administration**

This is obviously an important provision for a corporate borrower. If the lender

## **10. Event of Default**

Provisions for "what happens if things go wrong" are very important

## **11. Notice of Default**

We have no comment.

## **12. Consequences of Default**

Edit carefully to suit your requirement.

## **13. Sale of Security**

The

## **14. Assignment**

We have no comment.

## **15. Promise to provide information**

It is a matter for the lender's choice what info he requires.

## **16. Guarantor**

Delete if no guarantor. Otherwise,

## **17. Miscellaneous matters**

A number of matters each

## **Schedule 1: the Securities**

List the securities

## **Schedule 2: Loan Repayment**

This covers the option mentioned in the agreement.

## **Schedule 3: example financial report**

Delete if not required.



**End of notes**