

DIRECTOR'S LOAN AGREEMENT (TEMPLATE)

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This template records a loan between a company and one of its directors. It is a starting point to adapt, not legal advice. For anything over £10,000, or where the articles or a shareholders' agreement require it, take advice and put the approval in the board minutes.

DIRECTOR'S LOAN AGREEMENT

Date: [date]

Parties:

- (1) [Company name] Limited, company number [number], whose registered office is at [address] ("the Company")
- (2) [Director name], of [address] ("the Director")

Background:

The Company and the Director have agreed a loan on the terms below.
[State the direction: either "the Company lends to the Director" OR "the Director lends to the Company".]

1. THE LOAN

The [Company/Director] lends [GBP amount] to the [Director/Company] ("the Loan") on [date].

2. INTEREST

Interest is charged at [rate]% a year on the outstanding balance.

[If the Company lends to a Director and the balance exceeds £10,000, set the rate at or above HMRC's official rate to avoid a benefit in kind, or record the benefit in kind and report it.]

3. REPAYMENT

The Loan is repayable [on demand / by instalments of [GBP] per month / in full by [date]]. The borrower may repay early at any time with no penalty.

4. DIRECTOR'S LOAN ACCOUNT

The Loan is recorded in the Director's loan account and adjusted for further advances, repayments, salary, dividends and expenses.

5. TAX (note, not a contract term)

If a Director's loan account is overdrawn (the Director owes the Company) and is not repaid within 9 months of the Company's year end, the Company pays a temporary Corporation Tax charge (s455) of 33.75% of the outstanding amount, refundable when the loan is repaid.

6. GOVERNING LAW

This agreement is governed by the law of England and Wales.

Signed for the Company: _____ Director/authorised signatory

Signed by the Director: _____

Board approval: record the decision to make the loan in a board minute.

Loans to a director above £10,000 generally need shareholder approval under the Companies Act 2006. Confirm your articles and take advice.

Source of tax figures: gov.uk, Director's loans (checked 31 July 2026).