

Personal Guarantee Checklist: 10 Questions to Ask Before You Sign

FundBiz (fundbiz.co.uk) · General information, not legal advice.

Before signing a personal guarantee on a business loan, get written answers to all 10 questions below. General information, not legal advice. For larger guarantees, take independent legal advice before signing; some lenders require it.

- 1. IS THE GUARANTEE CAPPED, AND AT WHAT AMOUNT? An uncapped "all monies" guarantee covers everything the company ever owes this lender, not just this loan. Ask for a cap at a fixed sum.
- 2. DOES IT COVER ONLY THIS FACILITY, OR ALL BORROWING FROM THIS LENDER? "All monies" wording drags in future facilities, overdraft creep and card debt. Ask for the guarantee to be limited to this specific agreement.
- 3. IS IT JOINT AND SEVERAL WITH MY CO-DIRECTORS? Joint and several means the lender can pursue any one guarantor for 100% of the debt, not your "share". Ask how many guarantors there are and agree between yourselves, in writing, how you would split a call.
- 4. EXACTLY WHEN CAN THE LENDER CALL THE GUARANTEE? On the first missed payment? Only after formal demand on the company? After insolvency? Get the trigger in writing.
- 5. IS ANY OF MY PROPERTY SPECIFICALLY CHARGED? A guarantee supported by a legal charge over your home is a different level of risk from an unsupported guarantee. Check whether a charge or a restriction is being taken, and over what.
- 6. DOES MY SPOUSE OR PARTNER NEED TO KNOW OR CONSENT? If the family home is exposed, jointly owned property is affected. Many lenders require the partner to take independent legal advice. Do not let this be a surprise at home.
- 7. WHAT HAPPENS WHEN I EXIT THE BUSINESS? Resigning or selling your shares does NOT automatically release a guarantee. Ask for a release-on-exit clause, or at least a written process for requesting release and substitution.
- 8. CAN I GET PERSONAL GUARANTEE INSURANCE (PGI), AND WHAT DOES IT ACTUALLY COVER? PGI typically covers a percentage of the guaranteed sum and has conditions. Get a quote before signing so you know the true cost of the deal.
- 9. WHAT IS THE TOTAL OF ALL PERSONAL GUARANTEES I HAVE ALREADY SIGNED? Guarantees stack. List every live guarantee (lender, facility, cap, date) and total your exposure before adding another.
- 10. HAVE I HAD THE GUARANTEE REVIEWED BY MY OWN SOLICITOR? Not the lender's. Independent advice is cheap next to an uncapped call on your personal assets, and it is the moment to negotiate the cap, the scope and the release terms.

NEGOTIATION LEVERS THAT REGULARLY SUCCEED: a cap at a fixed sum; a sunset date or review point once part of the loan is repaid; limiting the guarantee to this facility only; a carve-out for the family home. Lenders expect these asks from well-advised borrowers, and the worst case is a no.

By Adam Parker. FundBiz is owned and operated by Best Business Loans Ltd, directed by Oliver Mackman. This checklist is general information, not legal advice. Full page, FAQs and downloadable PDF: fundbiz.co.uk/templates/personal-guarantee-checklist/