

# Personal Guarantees

## Frequently asked questions



Royal Bank  
of Scotland



We're dedicated to helping you make confident financial decisions for your business. If you're considering providing a personal guarantee to support funding, it's important to understand your responsibilities, risks, and the impact on your personal finances.

**We recommend seeking independent legal advice**, and we're here to provide clear, transparent guidance every step of the way.

### Will we ask for a Personal Guarantee?

To support your business funding request, we may ask for a personal guarantee. This could be to cover a security gap or to demonstrate your personal commitment.

When requested, we will specify a limited personal guarantee amount which is the amount which you are responsible for. In some cases, you may also be asked to cover additional costs we incur while recovering the debt.

Typically, guarantors are involved directors, members, or shareholders in a Limited Company or Limited Liability Partnership. However, a third party – such as a parent or spouse – may also act as a guarantor.

### What is a Personal Guarantee?

A personal guarantee is a commitment to be personally responsible if your business fails to repay us under the terms of the facility. If this happens, you will repay the owed amount up to an agreed limit. You will not be asked to repay if your business honours its obligations. There are different types of guarantees, depending on the facility and your funding application.

### What does a guarantee cover?

- **All Monies Guarantee:** Covers all facilities provided by us, including increases to existing facilities and new ones taken after you sign the guarantee. However, repayment requests will not exceed the guaranteed amount.
- **Facility Specific Guarantee:** Covers one particular facility, including any increase in its limit after signing. Repayment is limited to the guaranteed amount.

If your business defaults and we take enforcement action in respect of the personal guarantee, you will be responsible for repaying the remaining balance, up to the guaranteed amount.

### Will we ask for additional personal security?

We may also request further security, such as a legal charge on your main residence or other property.

### Will providing a Personal Guarantee affect my credit score?

Signing a personal guarantee does not affect your credit score initially. However, if your business defaults and we demand repayment under the personal guarantee and you fail to repay it may negatively impact your personal credit rating.

### What should I consider before providing a Personal Guarantee?

Consider if a personal guarantee is appropriate for your personal circumstances. It can result in significant, long-term personal liability.

Understand the terms fully and seek independent legal advice. In some cases, this is mandatory. You should not feel pressured to provide a personal guarantee but be aware that this may affect how we can support your business. Alternative options may exist, such as using business assets to secure funding.

**Tomorrow begins today**

## **What happens if I am no longer involved in the business?**

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Notify us immediately if you resign as a director/member or if your circumstances change materially. This allows us to review the security and funding arrangements.

You remain liable under the personal guarantee until we formally release you, regardless of resignation, share sale, removal from bank mandates, insolvency processes, or business dissolution. On your death, liabilities under the personal guarantee pass to your estate.

## **Can I stop providing a Personal Guarantee?**

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Your personal guarantee terms will state the notice period for discontinuing your personal guarantee. You can give formal notice, as set out in your personal guarantee terms, to discontinue your personal guarantee. You will still be liable under the personal guarantee, but liability will be limited to the business's outstanding balance at the end of the relevant notice period. Inform us early if you plan to discontinue your personal guarantee so we can review security and funding options.

If your personal guarantee currently supports one or more live facilities, then we are not obligated to release the personal guarantee. We will give any request to release a personal guarantee due consideration which will depend on the specific circumstances.

## **When will you release me from my Personal Guarantee?**

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We will release you once all guaranteed liabilities are fully repaid. Sometimes, we may ask you to continue as guarantor for continued funding under a revolving facility.

## **Can I access information about the business's liabilities?**

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Before we can provide you with any information, you will need to complete our identification process.

If you are a third-party guarantor (not involved in running the business) and the borrower is a limited company, we can share certain information with you, such as the amount the borrower owes at present and the total amount you might be required to pay if the borrower does not repay. If the borrower is a sole trader

or a small partnership, we would need consent from that borrower to share this information. As such we encourage you to keep informed about the business's financial position, typically by communicating directly with the business.

## **When will you request payment under my Personal Guarantee?**

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If your business defaults, we may rely upon a personal guarantee to demand repayment from the guarantor up to the agreed amount. We will not request payment if the business meets its terms.

Payment may be requested if the business enters insolvency and cannot repay the debt.

## **Are Personal Guarantees subject to interest, charges, and recovery costs?**

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Yes. Personal Guarantees include interest, charges, and recovery costs. If we take enforcement action in respect of the personal guarantee, these may increase your total liability beyond the original personal guarantee amount.

## **What if I cannot repay the amount under the Personal Guarantee?**

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Stay in contact with us during repayment. We will work with you to find affordable and reasonable solutions, such as lump sums or instalments. If agreement cannot be reached, or if you do not engage with us, we may take enforcement action, including legal proceedings. Enforcement action could include applying for a charging order on assets you own, such as your main residence.

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