

Letter to your bank or lender about financial difficulty

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A lender often has more power over a struggling company than any other creditor: it may hold security over the company's assets, a director's personal guarantee, and, with a qualifying floating charge, the right to appoint its own administrator out of court. That is the reason to write early, before a missed payment or a failed covenant test does the telling for you. The letter below sets out the position with numbers, asks for one specific thing (a capital holiday, a covenant waiver, a temporary limit or a short standstill) and commits to a date for the next update. Two things to watch in the conversation that follows: new security given for money already lent can be invalid if the company fails within 12 months (Insolvency Act 1986, s.245), and paying down a loan a director has guaranteed can be challenged as a preference. This is general information, not financial or legal advice.

THE LETTER

[Company name]

[Registered office address]

Company number: [number]

[Date]

[Relationship manager name]

[Lender name and address]

Facility reference: [loan / overdraft / agreement number]

Dear [Name],

Re: [Company name], [facility description], request for [a capital repayment holiday / a covenant waiver / a temporary increase in limit / a short standstill]

I am writing to let you know about a change in the company's financial position before it affects the facility, rather than after.

What has happened. [Two or three factual sentences: for example, a major customer paid [amount] late / sales fell by [percentage] between [month] and [month] / an unexpected cost of [amount]. Say what has changed, and when.]

Where the company stands. I enclose [the latest management accounts to [date]] and [a 13-week cash-flow forecast]. On those figures, the company [expects to miss the repayment due on [date] / expects to breach the [name] covenant at the [date] test / can meet interest but not capital for the next [number] months].

What we are asking for. [One specific request: a capital repayment holiday of [number] months with interest paid as normal / a waiver of the [name] covenant for the [date] test / a temporary increase of [amount] until [date] / a standstill on enforcement until [date] while we complete [the step].]

What the company is doing. [The steps already taken: cost reductions, debtor collection, a Time to Pay arrangement with HMRC, taking professional advice.] I will send you updated figures

on [date] and every [number] weeks after that, and I will tell you straight away if anything material changes.

I would welcome a call or meeting to discuss this. You can reach me on [phone] or [email].

Yours sincerely,

[Name]

Director, for and on behalf of [Company name]

Enclosures: [management accounts to [date]]; cash-flow forecast]

BEFORE YOU SEND IT

- ☐ Read the facility agreement: the reporting obligations, events of default, covenants and what the security covers. An "all monies" debenture can secure more than the loan you have in mind.
- ☐ Check the charges registered against the company at Companies House, so you know every lender with security, not just the one you are writing to.
- ☐ Build the forecast first. Expect the lender to want a forecast, and a 13-week cash-flow forecast is a common format; the cash flow runway calculator gives a quick first view of how many weeks you have.
- ☐ List every personal guarantee you have given, to this lender and others, with the personal guarantee exposure tool.
- ☐ Minute the board's decision to write and what it asked for: the board minutes template shows the format.

WHAT NOT TO AGREE TO WITHOUT ADVICE

- **New security for old debt.** A floating charge created in the 12 months before insolvency, while the company could not pay its debts, is invalid except to the extent of new money or value given; for a connected lender the look-back is 2 years (s.245).
- **Paying down a guaranteed loan ahead of other creditors.** A payment that improves the position of a guarantor is a potential preference, and where the guarantor is a director the law presumes the company meant to prefer them, looking back 2 years (s.239 and s.240). Our question on repayments before liquidation explains how preferences work.
- **New borrowing to keep trading** when you already doubt the company can avoid insolvent liquidation. That is the territory of wrongful trading; the wrongful trading checker walks through the test.
- **A new or bigger personal guarantee** as the price of a concession, without your own independent advice.

If the lender will not help, or the forecast shows the company cannot recover, the next conversation is with a licensed insolvency practitioner about the options: see business rescue, fixed and floating charges and personal guarantees. For other creditors, the creditor holding letter and the letter to your landlord follow the same approach.

Sources, all accessed 23 September 2026: Insolvency Act 1986, s.245, s.239, s.240, s.214, Schedule B1 para 14 and para 26. England and Wales. General information, not financial or legal advice.

Online version: <https://tdturnaround.co.uk/templates/letter-to-lender-financial-difficulty/>