

# How commercial credit can create smart working capital



Driving growth, streamlining processes and reducing costs, all while ensuring regulatory compliance. These are the kinds of ambitions that sit top of the agenda for most businesses, especially when it comes to financial processes.

Access to working capital is a crucial part of business strategy, empowering finance departments to move swiftly, show good financial health, and seize opportunities. Banks are keen to assist, both to help customers grow and to maximise their own revenue.

Sometimes, however, seeking to shake up payments processes and find more effective alternatives can feel like taking a risk. As a result, many businesses are left relying on tried-and-trusted payment and working capital options – while banks end up offering services that aren't utilised effectively.

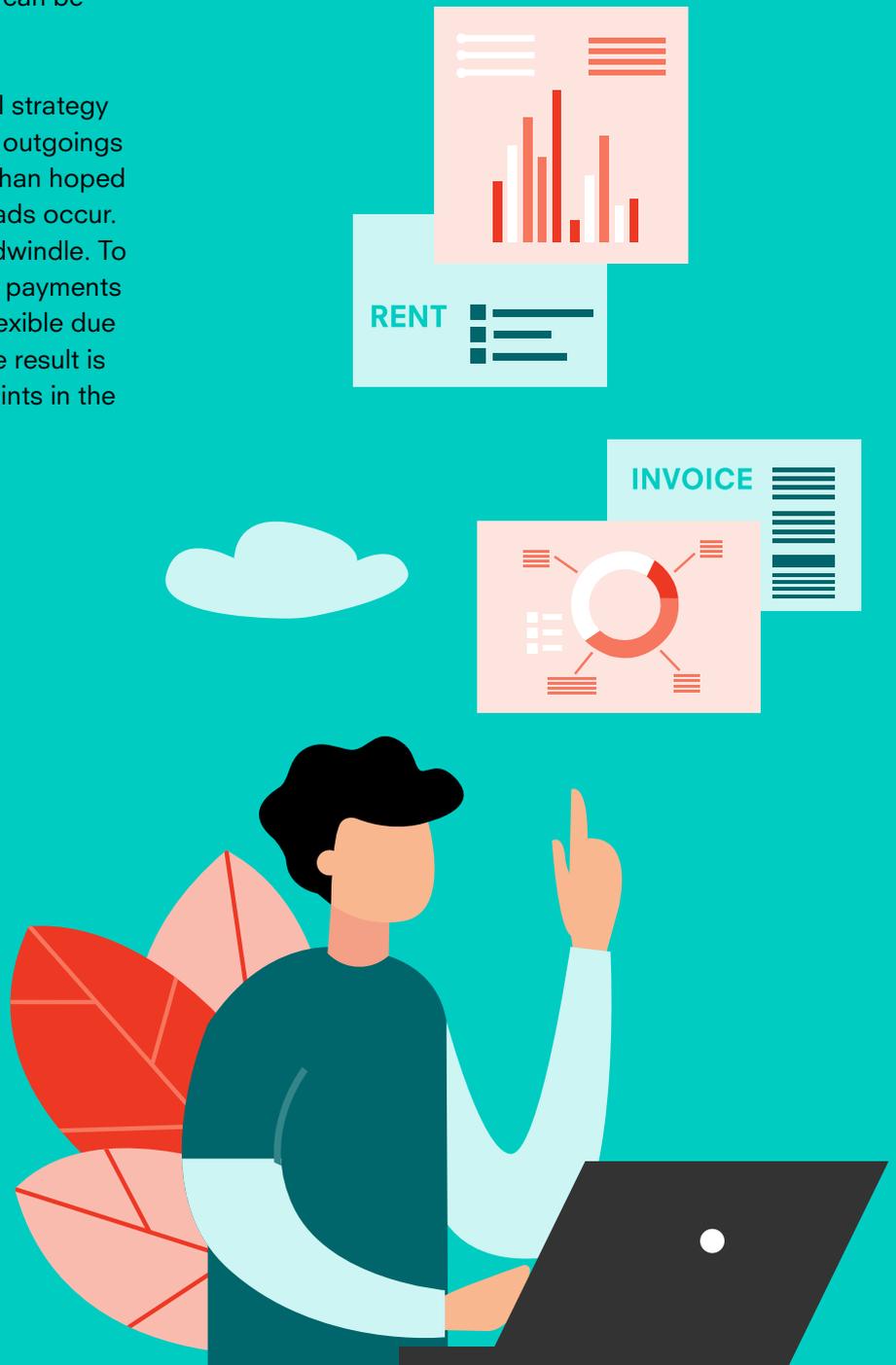
This is where the problem lies. To truly thrive in the digital age, businesses need to make sure they're getting maximum flexibility and choice – and commercial credit card lines are no exception.



# Juggling payments, pressures and deadlines

Agility in the finance department is a necessity. To run smoothly, businesses need to stay fluid and be prepared to capitalise on unexpected opportunities. That means maintaining a degree of liquidity, making sure working capital can be accessed when it's needed.

However, even the most robust financial strategy faces pressure. Invoices go unpaid and outgoings increase. Investments may take longer than hoped to yield returns and unexpected overheads occur. The result is cash reserves can start to dwindle. To complicate the issue even further, many payments – like tax, or commercial rent – have inflexible due dates throughout the month or year. The result is that money may well be owed at low points in the cash cycle.



All of which means businesses can't run with maximum financial efficiency. While there are a number of solutions available promising to solve short-term funding challenges, these can be expensive routes to take. A better alternative is the use of commercial credit card lines, which many businesses already have in place.

Used correctly, commercial credit card lines can make a business more agile, giving finance departments the ability to make payments with a credit facility. Commercial credit card lines also have the benefit of deferred payment within the system, without the disruption of loan or overdraft approvals. Besides, commercial credit card lines are widely available and can be secured fairly quickly when needed.

So, commercial credit card lines are a great tool. Until it isn't. It's all too often the case that businesses aren't able to use their credit lines effectively – leaving both finance departments, and the banks who offer the cards, with already approved credit seemingly out of reach. Which doesn't work for any party.

## Underutilised credit, overstretched finances

The problem? In the world of B2B payments, there are numerous acceptance challenges for commercial credit card lines. All sorts of payments either can't be handled with a commercial credit card, or will incur a large fee. When it comes to paying HMRC, for example, some business commercial credit card lines incur charges of **over 2%**, which can be a significant sum. Commercial credit card lines can also be problematic when the sums to be settled are very large, too small, or too frequent.

The outcome is that commercial credit lines are under used. It's like having a skilled worker, sat at a desk with no laptop or phone. You have the facility in the business – you just can't get the most out of it. Meaning finance departments are forced to use existing working capital reserves, seek out additional lines of credit, or pursue costly short-term alternatives.

Something needs to change.

With Optal's Invapay platform, tax payments, commercial rent and utility bills can be paid and tracked using commercial credit card lines. Meaning that these problems can be eliminated – creating a more efficient, dynamic finance department, and benefiting banking relations.



# Putting credit to work: the Invapay solution

Invapay puts credit to work. Invapay removes the need for merchant acceptance of credit card payments, empowering businesses to use their credit lines for suppliers while maintaining liquidity and commercial credit card lines.

As a solution, Invapay is simple. An organisation is issued with a commercial card account number, which is encrypted within the Invapay platform. When it uploads a payment file to the Invapay platform with instructions to make a payment, this debits the lodged card account number and processes an Electronic Fund Transfer to the supplier.



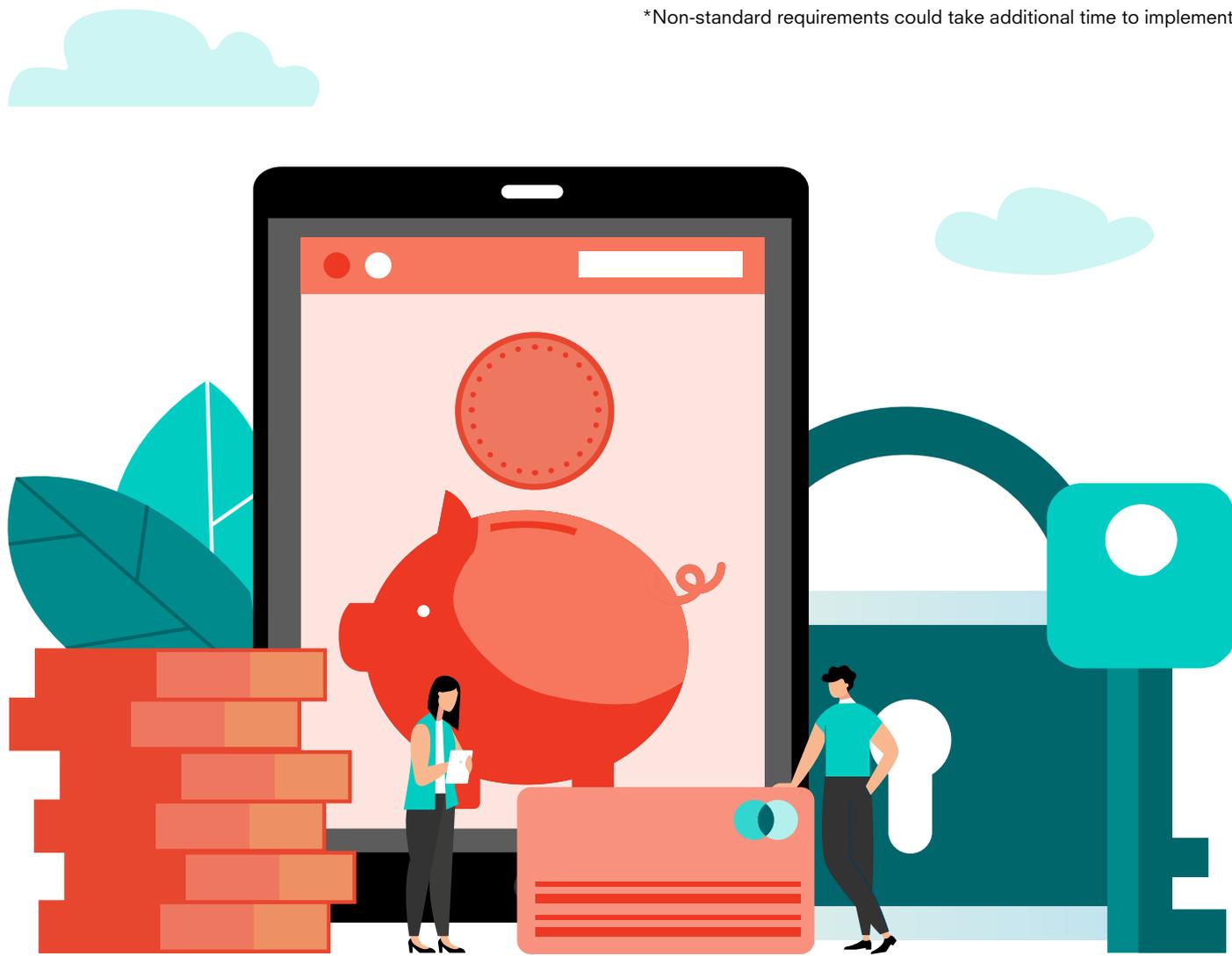
Invapay works with major issuing organisations, including issuing banks. With the result that a previously overlooked credit line can function as working capital for a range of financial needs.

For one-off payments, Invapay can work with a single card to facilitate the transaction. Equally, for companies with multiple cards and a variety of payment due dates on the go, Invapay can be set up to align credit availability with the dates of the relevant payments. As a result, businesses get maximum Days Payable Outstanding (DPO) and payment efficiency.

Payments can be made via batch file upload or as a single transaction – and this can only be done by authorised users set up during the onboarding process, keeping the use of the platform safe and secure. Within this, different levels of user permission can be set for different functions in the business – such as administrator, payment makers, and payment approvers. This enables good internal governance, giving businesses the peace of mind that comes with knowing they're minimising risk while maintaining agility.

All of the tools a business needs to make payments to suppliers are included in the Invapay customer platform. Implementing the Invapay solution is quick and straightforward,\* with all relevant training provided. Plus, all clients are project managed during the implementation process. This helps businesses to get up to speed and start making the most of a new working capital process.

\*Non-standard requirements could take additional time to implement.



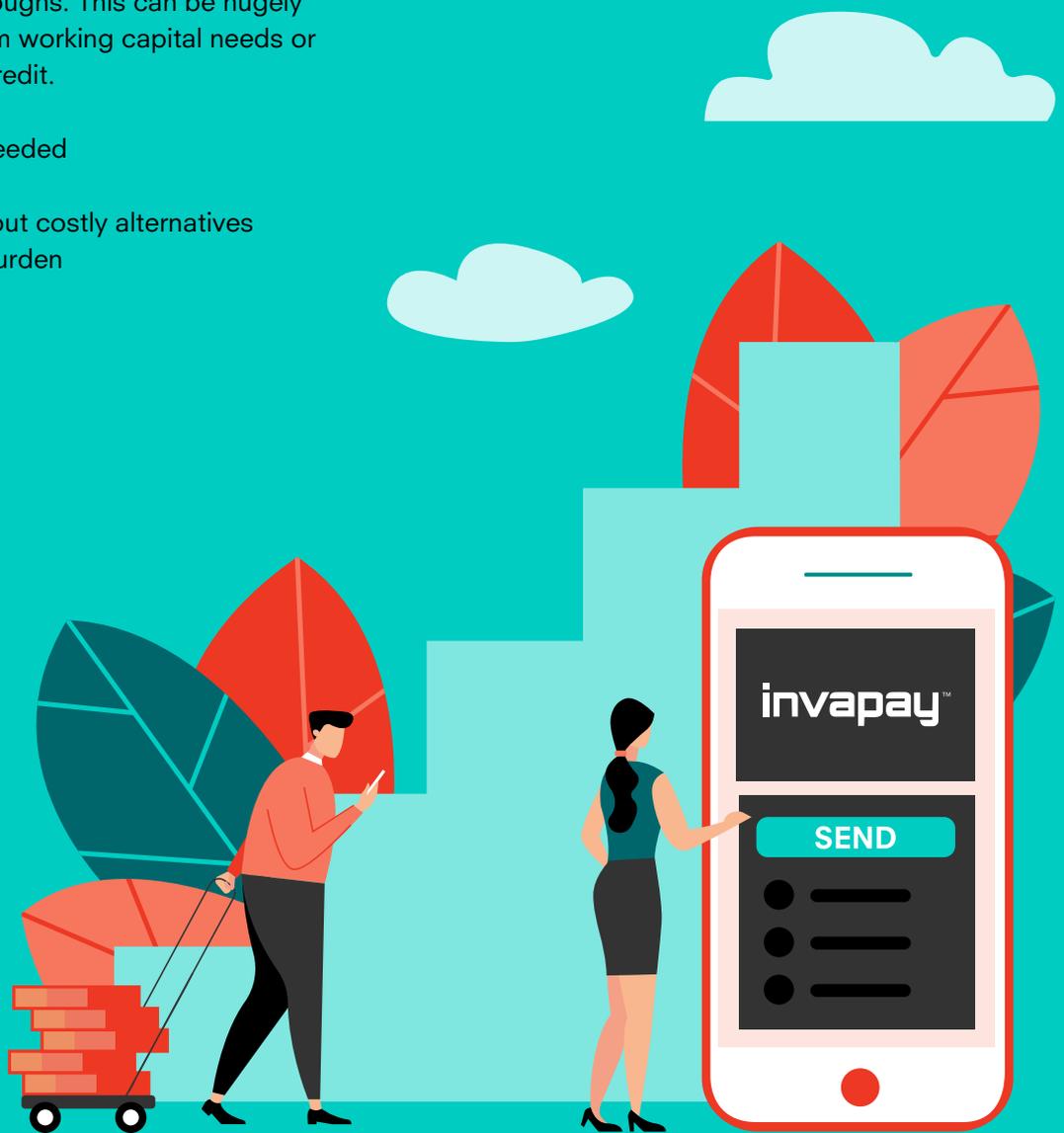
# The benefits of unleashing working capital

## Business benefits

By managing existing limits more effectively businesses may avoid the need to go back to the bank and request an extension to their commercial credit card lines – or seek out costly short-term funding alternatives.

Invapay helps businesses maximise their DPO by paying non-card accepting suppliers while utilising commercial card credit lines. For non-negotiable payments, like tax, Invapay can effectively help smooth out cashflow peaks and troughs. This can be hugely advantageous for long-term working capital needs or tactical use of corporate credit.

- Defer payments when needed
- Protect working capital
- Avoid the need to seek out costly alternatives
- Reduce administrative burden



## Supplier benefits

Invapay is a frictionless solution for suppliers and sub-contractors. The payment arrives in their account as a faster payments service method, attached to a reference number provided by the buying organisation. Remittance advice is also sent to the supplier with the relevant reference numbers.

So, payees see the payment they're expecting on the agreed date,\* while businesses are able to manage payments over time. This keeps the supply chain moving smoothly – as well as helping to build and maintain positive supplier or sub-contractor relationships.

- Frictionless solution
- No contract requirement for the supplier
- Supplier receives payments on time
- Maintain positive relationships

## Bank benefits

With Invapay, banks can increase utilisation of commercial credit card lines services. By turning credit lines into a source of working capital, banks can enjoy greater ROI from card use – as well as positive relationships from business customers, who are seeking more innovative ways to access cash.

- Increase revenues
- Positive customer relationships
- Enhance commercial performance
- Improve utilisation of credit lines

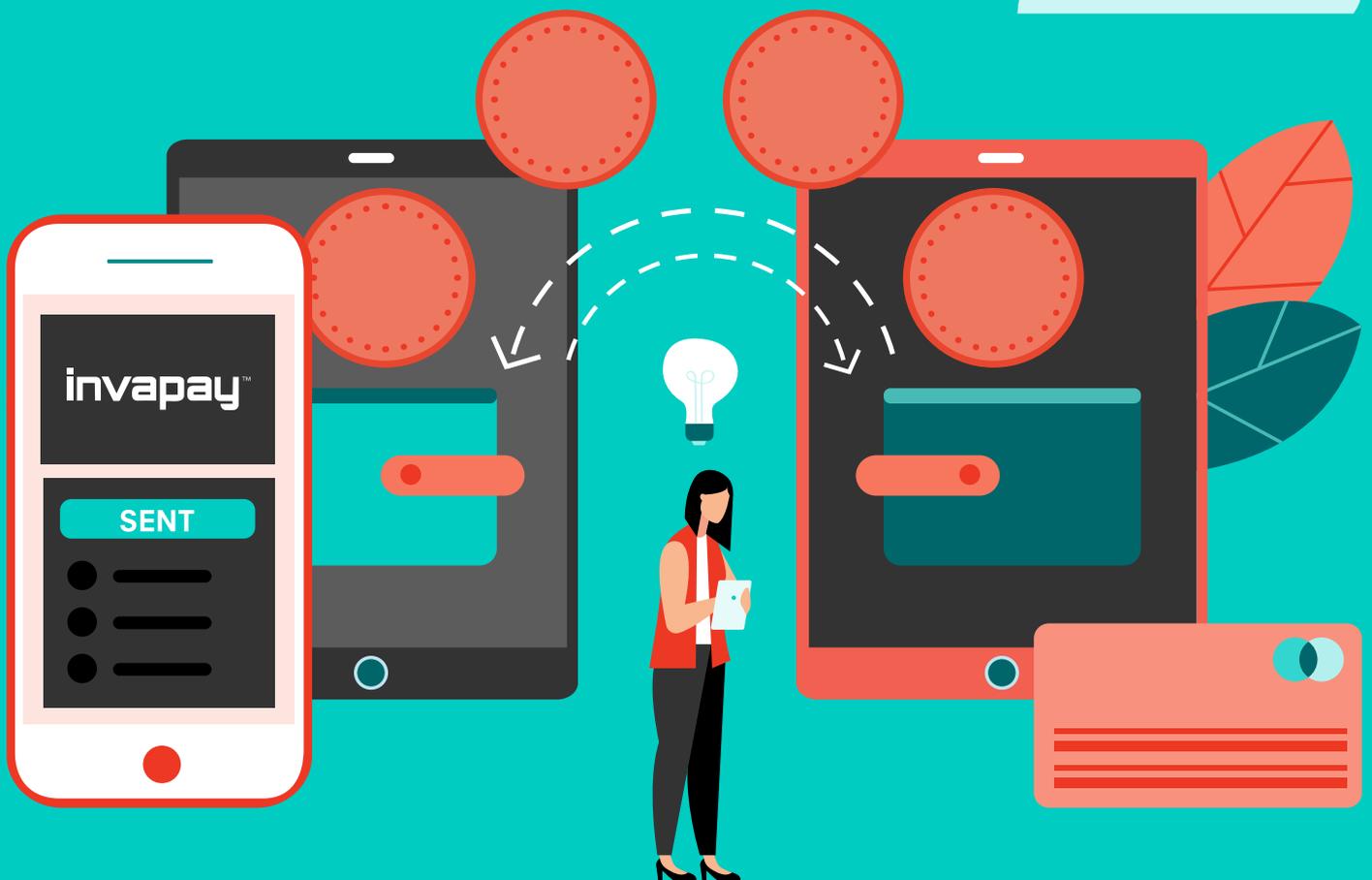
\*Subject to non-standard settlement delays i.e. cross border transfers which may be outside Invapay's control.



# Seize opportunities with Invapay

Invapay provides efficiency without complexity, ensuring businesses can meet their supplier or sub-contractor payments on time and maintain liquidity. It offers supply chain benefits with a frictionless experience for payees, and assurance and control for businesses making payments. While for banks, it offers the opportunity to increase revenues from commercial credit card lines.

Combined, these benefits create a smart working capital solution that can help transform the way commercial credit card lines are used in the digital age – leading to new opportunities, growth, and payment assurance.



Learn more about using Invapay  
to enhance your B2B payments  
and optimise your working capital  
with the Optal Invapay solutions guide.

[Learn more](#)

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All Optal's statistics quoted relate to our 2018 B2B payments report. In cooperation with Mastercard, we asked 100 senior finance executives within FTSE 350 companies and large public sector organisations what they thought of the state of B2B payments. These are their insightful views.