

FACTSHEET – Personal Guarantees

A personal guarantee is an obligation for an individual/Company to pay an amount when the original borrower is unable to adhere to the terms of the loan.

An example would be that a Director agreed to sign a personal guarantee to the bank, when the Company had the bank overdraft facility extended. The Company has now gone into liquidation and cannot pay back the bank. The bank can now ask the Director to pay back the monies owed to them.

What should I do if I am asked to pay back a Personal Guarantee?

1. Check that you did sign a personal guarantee.

Look through documents you have. If you don't have any, ask for copies to be provided.

2. Have a look at the documents to ensure that this is what you signed and that you understood what you were doing when you signed them.
3. Have the personal guarantee validity checked by a solicitor.

We always recommend you ask that a solicitor to check the validity of any personal guarantees as there are always instances where personal guarantees are not valid. This is normally due to it being executed incorrectly, so it is worth getting this checked out.

If it transpires that the validity of the guarantee is questionable, it may be a case of either defending your position or making an offer on commercial grounds.

If it is established that there is a personal guarantee in place, then you are personally responsible to pay this.

If you are unable to do this, you could:--

- Make an offer in full and final settlement
- Agree to pay back so much per month

In order to put an offer forward, you need to ensure that you provide full disclosure in respect of your financial position so that the person/Company who you owe the money to under the guarantee has enough information to consider what you are proposing.

What to provide

- A. Details of all of your assets and liabilities.

A downloadable form can be found here – [LINK TO FORM](#)

- B. Details of your income and expenditure.

A downloadable form can be found here – [LINK TO FORM](#)

- C. What you are proposing to pay.

If you are proposing a lump sum – state what this is and when it will be paid. If it is being paid from a third party state this. Make sure your offer is in full and final settlement of the debt.

If you are proposing to pay the amount over a time period, such as £1,000 per month, state when the first payment will be paid, the dates which subsequent payments will be and the date of the last payment. Again, you may wish to say that your offer is in full and final settlement.

What if they do not accept the offer?

It is now the time to negotiate with them. They have details of your assets and liabilities and what you are able to afford. Can you increase your offer or did you make your best offer to them?

If it is a case that you have a temporary cashflow problem, but are expecting to be in a better position in say six month time, then see if they will consider monthly payment for six months and you will put another offer to them in six months when your situation changes. Ask them to agree to refrain from charging interest whilst you deal with your debts.

What if they will not accept my offer and I cannot afford to pay them back?

If you cannot afford to pay this back, you may need to take advice on your personal finances and look at personal insolvency solutions.

[Link here to read more about Personal Insolvency Solutions – take to personal insolvency page of website](#)

