GUIDE

The MCA Decision Framework

A merchant cash advance is a sharp tool for the right job and the wrong one for others. This is the framework we use to decide, five situations where it earns its place, and four where something else is the better call.

Where an MCA earns its place

1. You take most of your money by card and need funding fast, in days rather than weeks.
2. Your need is short-term working capital, stock, a refit, a tax bill, a seasonal gap, not a long-term liability.
3. Your takings are steady or seasonal in a pattern you understand, so repayment as a share of card sales fits how you trade.
4. A bank has declined you on credit or trading history, but your card takings tell a stronger story.
5. You value a repayment that flexes with takings over a fixed monthly bill that lands regardless of how the month went.

Where it is the wrong tool

1. You need the money for years, not months. An advance is short-term by design.
2. Your margins are thin enough that a fixed cost on the advance would erase them. Do the maths first.
3. Card takings are a minor part of your income. If little comes over the terminal, the repayment mechanism does not fit.
4. The business is loss-making, not cash-timing constrained. Funding a gap works; funding a hole does not.

The three questions to answer before you apply

- What exactly is the money for, and when does it pay itself back?
- What is the total fixed cost, and can the business carry it comfortably at your quieter trading level?
- Is this bridging a timing gap in a healthy business, or propping up one that needs a different fix?

How to use this

Score your situation against the five and the four above. Three or more of the first list, and an advance is worth a serious look. Any of the second list, and you should pause and consider an alternative first. When in doubt, run the numbers on the fixed cost calculator at merchantbusinessloans.co.uk/tools/factor-rate-calculator before you commit to anything.

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