COMPARISON

MCA vs Term Loan vs Asset Finance

Three common ways to fund a UK business, side by side. Each fits a different situation. The trick is matching the tool to the job rather than defaulting to whatever is familiar.

Merchant cash advance

- Best for: short-term working capital in card-taking businesses.
- Repayment: a share of daily card takings, so it flexes with trade.
- Speed: fast, often days.
- Security: no charge over premises, imperfect credit considered.
- Cost: a single fixed cost agreed up front, no benefit to early settlement.

Term loan

- Best for: a defined investment repaid over a set period.
- Repayment: a fixed monthly amount regardless of how trade goes.
- Speed: slower, more underwriting.
- Security: often a personal guarantee, sometimes a charge.
- Cost: interest over the term, usually cheaper if you qualify and can carry the fixed payment.

Asset finance

- Best for: buying specific equipment or vehicles.
- Repayment: fixed instalments over the asset's useful life.
- Speed: moderate.
- Security: the asset itself.
- Cost: interest over the term, the asset does the securing.

The quick rule

Funding a card-driven gap that repays soon, look at an advance. Funding a defined project you will repay steadily, a term loan. Buying a big-ticket asset, asset finance against the asset. Many businesses use more than one, matching each tool to each need.

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