What is CAMPARI?

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CAMPARI is an acronym used to summarise the methods and criteria that are used in commercial banking to assess the viability of a business applying for finance, whether it be for a loan, mortgage or equity investment. It stands for:

- **Character**
- **Ability**
- **Means**
- **Purpose**
- **Amount**
- **Repayment**
- **Insurance**

It helps lenders to assess the potential risks and possible returns to help inform their decision. As a business seeking investment you need to ensure that you produce a strong proposal that is tailored to the requirements of the lender from whom you are seeking funding.

In this document we'll run through each of these criteria and help you identify the ways in which you can address these, by identifying those areas where you can mitigate weaknesses and highlight the strengths in your application.

Character

Lenders, whether they be banks, investors or funding organisations take a gamble when providing loans. The more confidence that they have in your ability to deliver, the more likely you are to receive the funds that you require.

Lenders will normally carry out a credit search and you will need to provide either a CV or a Pen Portrait of the career histories of yourself and/or your senior management team. Explain your background and don't be shy, sell your skill set and draw attention to your strengths.

Be willing to show evidence of a good trading history, how you've dealt with problems, and the ability to provide quality services to customers while making a profit.

Ability

You must be unequivocal when telling lenders what you need the capital for and how you'll be able to afford the repayments. There is no room for ambiguity. Many applications fail because the entrepreneur does not directly and clearly show how a profit will be made on the initial capital. If lenders cannot clearly see how they will get their investment back, they are likely to consider the application to be too risky.

Provide the lender with some tangible examples of what you have achieved and if appropriate, with visual evidence and maybe some figures relating to successful projects. You can also use illustrations or consult an accountant if necessary to support you.

Means

Your business plan must be logical, display knowledge of your industry and target markets and be professionally presented. Business plans are important variables in whether a business succeeds or fails; lenders will be very keen to ensure that your business plan is viable and can produce a return.

Additionally, ensure your business model is solid. If it is poorly monetised, irrational or hard to make sense of, this is going to dent your chances of getting a loan.

Lenders may also require a breakdown of your assets and liabilities to show what you have managed to build up over the years. It will also give an indication of any possible additional security that might be available or alternative income streams.

Purpose

You must clearly show why you need the money and how you're going to use it. There needs to be a good business case for the capital rather than simply because your business will benefit from increased revenue. Some examples are:

- You have an order that needs fulfilling but there's not enough liquidity in the business to do so.
- You need a specific piece of machinery in order to expand your range of products and services

Whatever the reason for your loan, you need to show that it's for a good reason and one that will generate a return. Ensure that it is clearly explained in your business plan.

Amount

How much do you need to borrow? Lenders will want you to justify the amount that you are seeking. You'll need to show that it's enough to meet your needs, but also not so much that you don't know what the extra funds are for.

Your application should include a fully costed breakdown of all the costs that the loan will be used for, with contingency for possible cost over-runs.

Repayment

Lenders must be confident that you'll meet the repayment terms, or your application will get rejected.

Ensure that your proposed repayment plan is sensible, progressive and sustained. Repayments will ultimately come from the retained profits and cash generation of the business. The lenders will focus on past years' profit and loss forecasts, so be prepared to show substantial documentation relating to profit margins, cashflow forecasts and other key financial information. Don't exaggerate forecasts or profit margins.

Lenders also do not look kindly on repayments plans which show small frequent payments before one or a few significant repayments at the end of the repayment period as this does not show confidence in your own proposal or your ability to repay.

Insurance

Ensure that you've taken steps to mitigates any risks should things go worse than expected. You'll need a plan B to ensure you can still pay off the loan should you receive a less than satisfactory return. Take out adequate insurance where need be and take steps to diversify revenue streams to ensure you'll still be making a profit should the loan capital fail to make a return.

Lenders may also ask for a form of security, whether it be a charge over one of your properties, though if it is deemed insufficient, the lender may seek further security. If you think this is likely identify alternative security options in your application form or business plan.