

A secure method of being paid for goods sold overseas

Export Letters of Credit

If you are negotiating terms of payment with an overseas buyer you want to be certain of getting paid on time. If the buyer is new to you or they are in a country that you have not exported to before you may ask for payment in advance of shipping the goods. If this is not available a Letter of Credit is the next most secure method of being paid.

How it works

A letter of credit is a conditional bank guarantee of payment. Payment is conditional upon all of the terms and conditions of the Letter of Credit being met. In effect the Issuing Bank in the country of the buyer provides a definite commitment to pay a supplier on behalf of the buyer.

Benefits

- **Security** – the issuing bank acts as a guarantor independent of the buyer
- **Protection** – both parties receive protection, if the exporter complies with the terms they will get paid. The buyer will only have to pay if the exporter complies with the terms
- **Separate** – the Letter of credit is paid upon presentation of compliant documents. Payment is independent from the commercial contract
- **Finance** – buyers overseas often need extended credit terms than those normally experienced. Exporters may be able to offer such terms and then use acceptances under the Letter of Credit to assist their cash flow
- **Confirmation** – in some cases the Letter of Credit can be co-guaranteed by a bank in the UK by means of a confirmation being added. This transfers the risk from the buyer's bank and the buyer's country to a known bank in the UK
- **Local expert** – your local International Trade Partner can help you with the process at all stages

Features

- Letters of Credit are irrevocable unless otherwise stated
- Letters of Credit are governed by internationally accepted rules and regulations known as Uniform Customs and Practice for Documentary Credits (UCP)
- All Letters of Credit must be checked thoroughly on receipt as they will have dates that must be met and terms and conditions that must be complied with, otherwise the protection offered ceases to exist
- Personal attention - dedicated Relationship Partner who can make decisions - fast

Complementary solutions

- Documentary Collections
- Foreign Exchange Solutions

Important facts

What it costs

- Standard charges apply but may be individually negotiated – speak to your International Trade Partner for more details

Terms and conditions

- Letters of credit are issued subject to the Uniforms Customs & Practice for Documentary Credits (UCP). This set of rules is produced by the International Chamber of Commerce
- Prior to an export Letter of Credit being confirmed by Clydesdale Bank the terms and conditions must be acceptable and a bank line must have been approved for the issuing bank

Where do I go from here?

Talk to your local International Trade Partner

Your Notes:

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