



Personal Guarantees for Directors in Company Property Purchases

1. What is a personal guarantee?

A personal guarantee is a legally binding agreement where a company director agrees to be personally liable for the company's debt if the company fails to meet its financial obligations. This means your personal assets—such as your home or savings—could be at risk if the company defaults.

2. Why do lenders require a personal guarantee?

Lenders often request personal guarantees to reduce their risk, especially when lending to limited companies with limited assets. It provides them with an extra layer of security, ensuring they can recover funds even if the business cannot repay the loan.

3. What types of personal guarantees exist?

- **Unlimited Guarantees:** You are liable for the full amount of the debt, including interest, legal fees, and other costs.
- **Limited Guarantees:** Your liability is capped at a specific amount, offering more protection for your personal finances.

4. What risks should I be aware of?

- **Loss of personal assets:** Your home or savings could be used to repay the debt.
- **Immediate repayment:** Some agreements allow lenders to demand repayment without notice.
- **Ongoing liability:** Guarantees may apply to future debts unless explicitly limited.
- **Impact on credit rating:** Defaults can affect your personal credit score.
- **Bankruptcy risk:** If you can't repay, you could face bankruptcy or disqualification as a director.

5. Can I negotiate the terms of a personal guarantee?

Yes. You may be able to:

- Limit the amount guaranteed
- Set a time limit on the guarantee
- Request that the lender seeks repayment from the company first

- Exclude certain personal assets from the agreement

6. What happens if the company defaults?

If the company fails to repay the loan, the lender can pursue you personally for the outstanding amount. This may include court action, enforcement against your assets, or bankruptcy proceedings.

7. Can I withdraw from a personal guarantee later?

Generally, no. Once signed, a personal guarantee remains in force until the debt is repaid or the lender agrees to release you. Some agreements may allow for release under specific conditions.

8. Should I get independent legal advice?

Absolutely. Personal guarantees carry significant legal and financial consequences. Independent legal advice ensures you fully understand your obligations and can help negotiate more favourable terms. It is likely to be a requirement of your company lending that each Director obtain independent legal advice on the Personal Guarantee and matters cannot proceed until you have obtained this.

Our property team at David Gray Solicitors LLP are experienced in advising directors on personal guarantees. We'll ensure you're fully informed before you sign.

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