

**GOODS VEHICLES (LICENSING OF OPERATORS) ACT 1995
PUBLIC PASSENGER VEHICLES ACT 1981 (AS AMENDED)**

FINANCIAL EVIDENCE GUIDANCE NOTE

Applicants must satisfy the Traffic Commissioner that they have sufficient financial reserves to maintain vehicles and trailers in a fit and serviceable condition. Applicants for Standard licences additionally have to demonstrate that they have sufficient funds to run their transport/PSV business. Evidence is normally accepted from three sources and must be in the name of the applicant:

Bank and/or Building Society statements – for all applications submitted by sole traders, partnerships and Ltd Companies with an annual turnover of less than £5.6m. These must be original copies (not photocopies), cover the full 3 months preceding the date on which the licence application is submitted;

Audited Accounts – for Ltd Companies with an annual turnover of £5.6m or more.

These must be less than 18 months old and show that the Company is trading profitably (on the profit and loss sheet) with positive ratios of more than 1.0 (when dividing total assets by total liabilities) and 0.5 (when dividing current assets by current liabilities). If these three thresholds are not met, bank statements for the latest 3 months must also be provided;

Overdraft or Loan agreements – written confirmation in the form of the signed and dated agreement itself will be needed.

The evidence will then be measured against the current financial levels required for a licence, which, from 1 January 2005, are:

Licence Type	1 st Authorised Vehicle HGV or PSV	Each Additional Authorised HGV/PSV	Each Additional PSV (16 seats or less)
Restricted	£3100	£1700	
Standard National	£6200	£3400*	£3400*
Standard International	£6200	£3400	

*** there will no longer be any distinction between PSVs over or under 16 seats**

Example 1: An applicant for a new Standard National HGV licence for 3 vehicles will have to demonstrate access over the previous 3 months period to an average figure of £13,000 (£6200 + £3400 + £3400). If the bank statements show an average daily closing balance of, say, £7,000 over this period, this would have to be supplemented by an additional £6,000 from either another account or in the form of an overdraft agreement (both of which must again be in the applicant's name).

Example 2: A holder of an existing Restricted HGV licence who wishes to increase his total vehicle authorisation from 2 vehicles to 4 vehicles will have to demonstrate access over the previous 3 months to an average figure of £8200 (£3100 + £1700) + £1700 + £1700)

The financial levels shown above are based on a re-assessment of the rate of exchange for the Euro as at 1 October 2004 and apply to all publishable applications (new and major variations) received by Traffic Area Offices on or after 1 January 2005 (regardless of when they are posted)

If a person wishes to apply for a licence as a sole trader but also runs a separate business in partnership with another person, the financial evidence must be in the applicant's (not the partnership's) name;

If a partnership forms a Ltd Company, the financial evidence must be in the Ltd Company (not the partnership) name. If the Ltd Company has insufficient funds, the partnership would need to transfer funds into a new Ltd Company account before submitting its application;

If a Ltd Company applies for a licence, the financial evidence must again be in the Ltd Company (not a Director's) name. The Director would again need to transfer funds into the Ltd Company account, if necessary.

These three examples re-iterate the fact that the financial evidence must be in the name of the applicant. The Traffic Commissioner may, in the last two examples, accept an opening balance in the name of the new entity (rather than insisting on a full 3 months set of statements) subject to other considerations such as known 'bad history' recorded against anybody named in the application, which may (but not necessarily) relate to past licence related activity.

Some applicants enter into an invoice financing (factoring) agreement with a bank or finance company as another means of raising additional funding. Traffic Commissioners may accept this as financial evidence, in addition to the standard types of financial evidence detailed on the previous page. If you have entered into an agreement of this type and wish to offer this as additional supporting evidence, you will need to obtain from this office a financial proforma/declaration, which you must then forward to the bank or finance Company for completion.