How your cost is calculated

We think you should be able to see exactly how the cost of your borrowing is worked out, not just the headline rate. This is the full method behind our calculator, in plain terms and with the actual formulas. Everything below is worked on a £50,000 facility at 2.99% a month over 12 months.

1. What goes into your cost

- The amount you draw, from £10,000 to £350,000.
- Your monthly rate, risk-based, from 1.99% to 5.99%, set when you apply.
- Your term, 6 or 12 months.
- A 60-day interest-only start, with no capital repayment for the first two months.
- No fees. No arrangement, platform, service, non-utilisation or early-repayment fee. Interest is the only cost.

2. How interest is charged

Interest is calculated daily on the amount you have drawn and still owe, so you only ever pay for the balance outstanding on the day. For the first 60 days you pay interest on the full balance and repay no capital. After that, you repay the capital in equal monthly instalments, and because the balance falls with each repayment, the interest falls with it.

```
interest each day   = outstanding balance × daily rate   (daily rate = monthly rate / 30)
capital each month  = amount / term
total repayable     = amount + all interest          (no fees)
```

Worked, £50,000 at 2.99% over 12 months (illustrated on 30-day periods):

LINE	VALUE
Capital repaid each month	£4,166.67
Interest during the 60-day interest-only start	£2,990.00
Interest across the 12 repayments	£8,222.50
Total interest	£11,212.50
Total repayable	£61,213
Average repayment a month	£4,852

3. Comparing to a flat-rate loan

Many business loans use a flat rate, which charges interest on the original amount for the whole term, rather than on the balance as it comes down. That, plus any arrangement fee, is why a lower-looking headline rate can cost more overall. In the calculator you can enter any offer’s monthly rate and fee, and it shows the total repayable on each, side by side.

```
flat interest    = amount × their monthly rate × term
their total cost = amount + flat interest + arrangement fee
```

4. How we work out the APR

APR is the yearly cost of the borrowing, expressed as a single figure so different offers can be compared. We calculate it from the actual schedule of payments: we find the rate that, applied to every payment on the day it falls due, brings the whole thing back to the amount you borrowed, then express that as an annual figure. It is indicative; your exact APR depends on the precise dates you draw and repay. The APR for your selection is shown in the calculator.

```
find the rate i where:  amount = sum of [ each payment / (1 + i) ^ (days / 30) ]
APR = (1 + i) ^ 12 − 1
```

5. Comparing to a merchant cash advance

A merchant cash advance is quoted as a factor rate, for example 1.26, which is the total you repay for every £1 advanced. Because a factor rate ignores time, it hides the real annual cost. We convert it to an APR on the same basis as everything else, and the same factor works out far more expensive the faster it is repaid. At the market-average factor of 1.26, the APR equivalent is roughly 126% over 6 months, 77% over 9 months, and 56% over 12 months. Fast repayment, not the factor itself, is what makes a cash advance costly.

6. Sources and important information

The merchant cash advance market average of 1.26 is taken from *The UK Merchant Cash Advance Market: Pricing Dynamics, Provider Landscape and Factor Rate Analysis 2024–2025* (multifi, 2025).

Figures are illustrative and indicative only, and assume the full amount is drawn at the start and held for the term; costs vary with how and when you draw. Your actual rate and cost follow a full credit assessment, and not all businesses will qualify. multifi charges no arrangement, platform, service, non-utilisation or early-repayment fees. Early repayment is available from 90 days after a drawdown, with no penalty. Kactus Technologies Limited, trading as multifi, is a distributor of Modulr FS Limited, which is authorised and regulated by the Financial Conduct Authority as an Electronic Money Institution (FRN 900573).