Salary Advance and Loan Policy

1. Purpose

This policy covers the circumstances where the need for salary advances arises owing to financial hardship, and how the approval of payments is made to employees. There should be few circumstances where an advance of salary is warranted to an employee in case of financial hardship as it is expected that most employees will effectively manage their own personal finances.

This policy outlines how employees may request:

1. Salary Advance (Earned Wage Access) early release of wages already earned
2. Employee Loan Advance (Employer Loan) a discretionary short-term, interest-free loan (within HMRC limits)

The purpose is to support employees facing genuine short-term financial hardship, while ensuring full compliance with UK legislation, payroll controls, and company financial stability.

2. Scope

This policy applies to all employees of CAPITAL SHIELD SECURITY LTD (security officers, supervisors, control room staff, mobile teams, and office workers).

Contractors/subcontractors are excluded.

3. Legal Compliance Framework

This policy complies with:

- Employment Rights Act 1996
- Income Tax (PAYE) Regulations & Amendment Regulations 2024
- National Insurance Contributions rules
- HMRC Salary Advance Reporting Rules (post-Apr 2024)
- HMRC Employer Loan Regulations

  (interest-free loans up to £10,000 exempt from Benefit-in-Kind tax)
- Data Protection Act 2018 & UK GDPR
- SIA ACS best-practice guidance for welfare and staff support

Salary advances are not credit and are not regulated by the FCA.

Employer loans are also exempt from FCA rules if they are:

- interest-free

- under £10,000
- provided only to employees
- not offered to the public

PART A – SALARY ADVANCE (EARNED WAGE ACCESS)

4. Definition

A salary advance is the early release of wages already earned in the current pay period.

It is NOT:

- a loan
- credit
- an advance on future wages

Subject to PAYE and NI on the normal payroll date.

5. Eligibility Criteria (Salary Advance)

Employees must:

- Have completed at least 3 months of employment
- Have no outstanding salary advance from prior period
- Have all timesheets/shifts confirmed
- Not be under investigation for fraud or falsification of hours
- Provide a genuine emergency reason for the request

Approval is at Management discretion.

6. Limits (Salary Advance)

- Maximum: 40% of earned wages (up to 60% in exceptional cases)
- Minimum request: £50
- Frequency: 1 per pay period, maximum 3 per rolling 12 months

7. Repayment (Salary Advance)

Deducted in full of next payslip.

If the employee resigns or is dismissed before deduction:

- Advance must be repaid before final payroll, OR
- Deducted from final salary
- CAPITAL SHIELD SECURITY LTD reserves the right to recover any outstanding balance

PART B – EMPLOYEE LOAN ADVANCE (INTEREST-FREE LOAN)

8. Definition

An Employee Loan Advance is a discretionary, interest-free, repayable loan provided by CAPITAL SHIELD SECURITY LTD for employees facing financial difficulties that cannot be met through a salary advance alone.

This is NOT a regulated credit agreement if:

- Total outstanding loans do not exceed £10,000 (HMRC threshold)
- Loan is interest-free
- Loan is only offered to employees

9. Eligibility Criteria (Loan Advance)

To apply for a loan, the employee must:

- Have completed 6 months of continuous employment
- Provide evidence of the financial need (e.g., essential repair, medical bill)
- Have no outstanding unpaid loan with CAPITAL SHIELD SECURITY LTD
- Have satisfactory attendance and conduct record
- Agree to the repayment plan in writing

Loans will NOT be granted for:

- Gambling or debt consolidation
- Legal fines or penalties
- Non-essential or luxury spending
- Repetitive requests for poor financial management

10. Loan Limits

- Maximum loan amount: £1,500 (or company-defined limit)
- Must remain below HMRC's £10,000 interest-free loan exemption
- Minimum loan amount: £100

CAPITAL SHIELD SECURITY LTD may approve lower or higher amounts depending on circumstances.

11. Repayment Terms

- Repayable via monthly salary deductions
- Repayment period: up to 12 months
- No interest charged
- Early repayment allowed at any time
- Repayment must not reduce employee’s take-home pay below National Minimum Wage rules

If the employee leaves employment:

- Remaining balance is deducted from final pay
- If final pay is insufficient, employee must repay the balance within 14 days
- CAPITAL SHIELD SECURITY LTD may pursue outstanding debts legally if required

12. Default on Loan

Failure to maintain repayments may result in:

- Suspension of eligibility for future advances/loans
- Formal repayment plan
- Payroll deductions at source
- Disciplinary action for misuse or dishonesty
- Legal action as a last resort

PART C – GENERAL PROVISIONS

13. Application & Approval Process

Employees must:

1. Submit a completed Request Form
2. Provide supporting evidence (if required)
3. Undergo verification of timesheets (salary advance)
4. Undergo affordability assessment (loan)

Approvals require:

- Operations Manager
- HR/Payroll
- Final approval from Managing Director

14. Data Protection

CAPITAL SHIELD SECURITY LTD processes personal data:

- Lawfully under UK GDPR
- Stored for 6 years with access restricted
- Shared only with payroll and authorised persons

Financial information is handled confidentially.

15. Right to Decline

CAPITAL SHIELD SECURITY LTD may decline any request if:

- Cash flow is limited
- Employee is not eligible
- Employee already has outstanding debts
- Reason is not considered valid
- Evidence is not provided when requested

Approved

Managing Director

MUDASSAR MAJEED

CAPITAL SHIELD SECURITY LTD

Salary Advance and Loan Policy

This policy is reviewed on 01/01/2026

Employee Loan Agreement Addendum

This Addendum outlines the terms of an interest-free Employee Loan provided by CAPITAL SHIELD SECURITY LTD.

Employee Details

Name:

Job Title:

Employee ID:

2. Loan Details

Loan Amount Approved: £

Date of Issue:

Repayment Period (Months):

Monthly Deduction Amount: £

Terms of Agreement

• This is an interest-free loan under HMRC rules and remains below the £10,000 exemption limit.
• The employee agrees to repay the loan through salary deductions.
• All outstanding amounts must be repaid if the employee leaves the business.
• CAPITAL SHIELD SECURITY LTD reserves the right to recover any unpaid balance.
• The employee confirms the loan is for legitimate personal financial need and will not be used for gambling or illegal activity.

Employee Declaration

I agree to the terms of this loan and consent to the repayment schedule outlined above.

Employee Signature: ______________________ Date: ___________

Employer Signature

Authorized Manager: ______________________ Date: ___________