

## Are there any requirements to be a Business Angel?

Business Angels are generally understood to be High Net Worth ('HNW') Individuals or Sophisticated Investors. Although it is possible to invest in businesses without satisfying either of these criteria, businesses would have to comply with Financial Services Authority ('FSA') Financial Promotion regulations if presenting the investment opportunity to individuals that don't fall into these categories, which can be an expensive and time consuming activity which might not be practical for the business that is seeking funding.

Angels are able to self-certify their status as either a High Net Worth Individual or Sophisticated Investor.

The criteria for each are as follows:

High Net Worth Individual	Sophisticated Investor
To have had, during the financial year immediately preceding the date below, an annual income to the value of £100,000 or more; OR	To be a member of a network or syndicate of business angels, and to have been so for at least the last 6 months prior to self-certification; OR
To have held, throughout the financial year immediately preceding the date below, net assets to the value of £250,000 or more. Net assets for these purposes do not include:- <ul style="list-style-type: none"> <li>Property which is the individuals primary residence or any loan secured on that residence;</li> <li>Any rights under a qualifying contract of insurance within the meaning of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001; or</li> <li>Any benefits (in the form of pensions or otherwise) which are payable on the termination of service or on death or retirement and to which the individual is (or their dependants are), or may be, entitled.</li> </ul>	To have made more than one investment in an unlisted company in the two years prior to the date below; OR
	To be working, or have worked within the past 2 years prior to self-certification, in a professional capacity in the private equity sector, or in the provision of finance for small and medium enterprises; OR
	To be currently, or to have been within 2 years prior to self certification, a director of a company with an annual turnover of at least £1 million.

### Notes

By self-certifying as either a High Net Worth Individual or Sophisticated Investor, the individual should be aware of the following:

- They can receive financial promotions that may not have been approved by a person authorised by the FSA;
- The content of such financial promotions may not conform to rules issued by the FSA;
- By self-certifying, the individual may lose significant rights;

- The individual may have no right to complain to either of the following: The FSA or the Financial Ombudsman Scheme;
- The individual may have no right to seek compensation from the Financial Services Compensation Scheme.

In order to mitigate these risks, we would strongly recommend that potential Business Angels seek professional legal and financial advice prior to making an investment in any opportunity, and undertake thorough due diligence on the specific opportunity. It is also sensible to seek tax advice on the EIS status of any proposed investment.

**It is recommended that anyone interested in becoming self certified should seek professional financial advice to ensure that they understand the additional risks involved before applying. For further information please contact a member of our Corporate Finance team on 01865 261100.**