

Employee loan agreement template

Use this template to create an employee loan agreement for a member of your team.

Once the template has been personalised as an individual employee loan agreement, it must be signed and dated before being sent out. The agreement then becomes binding once it's countersigned by the employee.

[Today's date]

Dear [name of Employee],

I confirm that the details of your loan application have been checked and approved.

The agreement below will come into effect when it is signed and dated by both parties, and is for a loan amount of £[INSERT AMOUNT] to be paid back over [INSERT NUMBER] months.

Yours sincerely,
[name of Employer/Employer representative]

Employee loan agreement

PARTIES

(1) [INSERT NAME] of [INSERT ADDRESS] (Employee)

(2) [INSERT NAME] of [INSERT ADDRESS] (Employer)

1. AGREED TERMS

The following definition applies in this agreement.

Loan: the sum of £[INSERT AMOUNT] lent or to be lent by the Employer to the Employee or the total amount of that sum outstanding.

2. TERM

2.1. This agreement commences on the date the Employee signs this agreement and ends on the date that the Loan is fully repaid (unless terminated earlier in accordance with this agreement).

3. LOAN

3.1. The Employer will provide the Loan to the Employee by BACS transfer to the Employee's bank account, subject to the terms of this agreement. The Employer will only pay the Loan to the account in which the Employee usually receives their salary.

3.2. The Employer will use reasonable endeavours to pay the Loan within 5 working days of receiving a signed copy of this agreement. Where payment falls on a bank holiday, payment shall be the next working day.

4. INTEREST

No interest is applied to the Loan and no fees or charges are levied on the Loan. Interest may be applied however if the employee doesn't meet the terms of repayment as per this agreement.

5. REPAYMENT

5.1. Subject to the provisions of this agreement requiring earlier repayment, the Employee will repay to the Employer the Loan in full through [INSERT NUMBER OF MONTHS] consecutive monthly instalments of £[INSERT AMOUNT]. The first instalment will be taken from the Employee's salary on the first month's pay day (following the payment of the Loan), and the [INSERT REMAINING NUMBER OF MONTHS] subsequent instalments will be taken from the Employee's salary every month on subsequent pay days.

5.2. If the Employee takes unpaid leave during the term of the Loan they agree to inform the [INSERT PERSON OR DEPARTMENT NAME] before the period of unpaid leave starts, or as soon as reasonably possible, to discuss changes to the repayment schedule.

5.3. If the Employee hands in their notice to stop working or otherwise is no longer employed by [INSERT BUSINESS NAME] before the Loan has been repaid in full, the Loan will immediately be due in full and repayable on demand. The Employee agrees that [INSERT BUSINESS NAME] may deduct the outstanding balance of the Loan from any remaining salary payments due to them. If the remaining salary payment(s) is insufficient to cover the outstanding balance of the Loan, the Employee agrees to make arrangements to repay any shortfall before their last day of employment at [INSERT BUSINESS NAME]. For the avoidance of doubt, any sums the Employee fails to pay before the last day of their employment will remain due, and the Employer may take steps to recover the same by way of civil debt recovery and interest may be applied.

5.4. The Employee can repay to the Employer the Loan early in full or in part at any time and without penalty, but must first inform [INSERT PERSON OR DEPARTMENT NAME] in writing to specify the amount of the repayment. If the Loan is repaid early in part, any subsequent instalments of the Loan will be reduced pro rata.

5.5. If any repayment is not made in full and on time the Employer shall be entitled to terminate this agreement and seek immediate repayment of all outstanding sums.

Signed by [INSERT NAME OF Employee]

Signature of Employee

Date

Signed by [NAME of authorised signatory, on behalf of the Employer]

Signature on behalf of the Employer

Date

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