

Support for businesses through the Coronavirus Business Interruption Loan Scheme (CBILS)

A new temporary Coronavirus Business Interruption Loan Scheme, delivered by the British Business Bank, (via one of 40 accredited lending providers including most banks) launched on 23 March 2020. The scheme has been set up to provide access for small and medium-sized businesses to bank lending and overdrafts. It is aimed at businesses who are experiencing lost or deferred revenues, leading to disruption to their Cashflow.

The government will provide lenders with a guarantee of 80% on each loan (subject to a per-lender cap on claims) to give lenders further confidence in continuing to provide finance to SMEs. The Government will not charge businesses or banks for this guarantee, and the Scheme will support loans of up to £5 million in value.

Businesses can access the first 12 months of that finance interest free as the Government will cover the first 12 months of interest payments.

Eligibility

You are eligible for the scheme if:

- ❑ Your business is UK based with turnover of no more than £45 million per year.
- ❑ Have a borrowing proposal which, if not for the current coronavirus pandemic, would be considered viable by the lender and for which the lender believes the provision of finance will enable the business to trade out of any short-to-medium term difficulty.
- ❑ Your business meets the other British Business Bank eligibility criteria.
 - Your application must be for business purposes.
 - Your business must generate more than 50% of its turnover from trading activity.
 - Your CBILS-backed facility will be used to support businesses primarily trading in the UK.
 - You wish to borrow up to a maximum of £5m. (Finance terms are up to six years for term loans and asset finance. For overdrafts and invoice finance facilities, terms will be up to three years).

Please note: If the lender can offer finance on normal commercial terms without the need to make use of the scheme, they will do so.

- ❑ Fishery, aquaculture and agriculture businesses may not qualify for the full interest and fee payment.
- ❑ The following trades and organisations are not eligible to apply: Banks, Building Societies, Insurers and Reinsurers (but not insurance brokers); The public sector including state funded primary and secondary schools; Employer, professional, religious or political membership organisation or trade unions.

Fees

- ❑ No guarantee fee for SMEs to access the scheme.
- ❑ Some lenders have indicated they would not charge arrangement fees or early repayment charges to SMEs borrowing under the scheme.

Security

- ❑ At the discretion of the lender, the scheme may be used for unsecured lending for facilities of £250,000 and under. For facilities above £250,000, the lender must establish a lack or absence of security prior to businesses using CBILS. If the lender can offer finance on normal commercial terms without the need to make use of the scheme, they will do so.
- ❑ The borrower always remains 100% liable for the debt.

What types of finance are available?

CBILS supports a wide range of business finance facilities, including:

- ❑ Term loans
- ❑ Overdrafts
- ❑ Asset finance
- ❑ Invoice finance

How to access the scheme

The full rules of the Scheme and the list of accredited lenders is available on the [British Business Bank website](#).

You should contact your [bank or lending provider](#) (not the British Business Bank) as soon as possible and discuss your business plan with them. This will help your finance provider to act quickly. If you have an existing loan with monthly repayments you may want to ask for a repayment holiday to help with cash flow.

Given there is likely to be a big demand for facilities once the scheme goes live, The British Business Bank asks you to please:

- ❑ Consider applying via the lender's website in the first instance. Telephone lines are likely to be busy and branches may have limited capacity to handle enquires due to social distancing.
- ❑ Consider the urgency of your need – it is possible that some businesses may be looking for regular longer-term finance rather than 'emergency' finance, and there may be other businesses with a more urgent need to speak with a lender.

Loan Application Process

Applications should be made to your usual bank or finance company and we can advise you on making the application. There will be administration and information to collect before you make the application.

Information likely to be required from your lender

- ❑ Profit and loss forecast for the next 24/36 months.
- ❑ Cashflow forecast for the next 24/36 months.
- ❑ Latest management accounts.
- ❑ Summary of why your business has been affected by the Coronavirus and the reasons why the trading performance will improve when restrictions are lifted. ("Statement of support and resilience")

The loan process typically involves:

- ❑ Step 1: You submit an application (typically online);
- ❑ Step 2: You will need your Standard Industrial Classification Code (SIC) code (this can be found on the [Companies House](#) website);
- ❑ Step 3: An account manager reaches out to you to learn more about your business, collect documentation and find terms that suit your need.
- ❑ Step 4: Underwriters review your application and make a decision. They may contact you or us if they have additional questions.
- ❑ Step 5: You accept a loan offer and you'll be fully funded.

As of 23 March 2020, some banks have not updated their websites or provided details of the Coronavirus Business Interruption Loan Scheme. Please keep your eye out for updates. More information can be found on the [Government Website](#).

This document has been prepared for information purposes only and is correct as of 23 March 2020. It is not intended as advice and no responsibility can be accepted by Hopper Williams & Bell Limited and its associated companies for any loss resulting from acting or refraining from acting as a result of any material in it.