

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

Update – 03/04/2020

The Chancellor has announced the extension of the current Coronavirus Business Interruption Loan Scheme (CBILS) to all viable small businesses affected by COVID-19, in a move to combat fears that small and medium-sized businesses may become insolvent accessing emergency funds. The aim is to “maximise the support available” and means that all small businesses will now be eligible “should they need finance to keep operating during this difficult time” – not just those unable to secure regular commercial financing.

New rules will prevent lenders from requesting personal guarantees for loans under £250,000, and the government has also stated that it will make operational changes to speed up lending approvals and continue to cover the first twelve months of interest and fees.

New measure for larger businesses

A new Coronavirus Large Business Interruption Loan Scheme (CLBILS) was also announced to cover the so-called ‘squeezed middle’ businesses not encompassed by the original measures. This provides a government guarantee of 80% to banks making loans of up to £25m to businesses with an annual turnover of between £45m and £500m.

Loans backed by the guarantee will be offered at commercial rates of interest, but the government will not cover interest or fees in the same way as the small business scheme. Further details of the CLBILS scheme will be announced later this month.

As of – 27/3/20

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](#).

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