

Embargo 05.30, Monday, 23 March 2020

NEW CORONAVIRUS BUSINESS INTERRUPTION LOAN SCHEME OPENS TO SMALLER BUSINESSES ACROSS THE UK

- 40+ accredited lenders and partners
 - Eligibility terms confirmed
- Details released on how smaller businesses can apply for the scheme

Announced by the Chancellor at Budget 2020, the Coronavirus Business Interruption Loan Scheme (CBILS) opens for applications today and can provide facilities of up to £5m for smaller businesses across the UK who are experiencing lost or deferred revenues, leading to disruptions to their cashflow.

Delivered by the British Business Bank, through 40+ accredited lenders and partners, the Coronavirus Business Interruption Loan Scheme will support the continued provision of finance to UK smaller businesses (SMEs) during the Covid-19 outbreak.

Although the Budget announced that an initial £1.2bn of Government-backed lending would be available through the new scheme, the Government has since announced that it will be demand-led and will be resourced accordingly.

Scheme features

The Coronavirus Business Interruption Loan Scheme supports a wide range of business finance products, including term loans, overdrafts, invoice finance and asset finance facilities. The scheme provides the lender with a government-backed guarantee, potentially enabling a 'no' credit decision from a lender to become a 'yes'.

- **Up to £5m facility:** The maximum value of a facility provided under the scheme will be £5m, available on repayment terms of up to six years.
- **80% guarantee:** The scheme provides the lender with a government-backed, partial guarantee (80%) against the outstanding facility balance, subject to an overall cap per lender.
- **No guarantee fee for SMEs to access the scheme:** No fee for smaller businesses. Lenders will pay a fee to access the scheme.
- **Interest and fees paid by Government for 12 months:** The Government will make a Business Interruption Payment to cover the first 12 months of interest payments and any lender-levied fees¹, so smaller businesses will benefit from no upfront costs and lower initial repayments.²
- **Finance terms:** Finance terms are up to six years for term loans and asset finance facilities. For overdrafts and invoice finance facilities, terms will be up to three years.
- **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

¹ Following earlier discussions with the banking industry, some lenders indicated that they would not charge arrangement fees or early repayment charges to SMEs borrowing under the scheme. HM Government greatly appreciates this approach by lenders.

² Fishery, aquaculture and agriculture businesses may not qualify for the full interest and fee payment.

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.**

Eligibility criteria

Smaller businesses from all sectors³ can apply for the full amount of the facility. To be eligible for a facility under CBILS, an SME must:

- Be UK based in its business activity, with turnover of no more than £45m per year
- Have a borrowing proposal which, were it not for the current 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.

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

How to apply

CBILS is available through the British Business Bank's 40+ accredited lenders and partners, which are listed on the [British Business Bank website](#).

In the first instance, businesses should approach their own provider – ideally via the lender's website. They may also consider approaching other lenders if they are unable to access the finance they need.

Keith Morgan, Chief Executive, British Business Bank, said: "In this period of exceptional hardship for smaller businesses across the UK, it has been vitally important to get this new scheme up and running as soon as possible. Available from today, we hope this new scheme will enable lenders to provide the finance smaller UK businesses need, alongside other government measures, to help them survive the current economic disruption."

Chancellor of the Exchequer, Rishi Sunak said: "We are working round the clock to do whatever it takes to protect our people and businesses. That means that we are not only taking unprecedented action but doing so at unprecedented speed, because we know that businesses and their employees need help now."

Business Secretary, Alok Sharma said: "We know that businesses are in urgent need of access to funding during these unprecedented times. The Coronavirus Business Interruption Loan Scheme will make it easier for banks to lend and businesses to borrow. This will ensure that credit keeps flowing to where it is needed, when it is needed."

Stephen Jones, CEO, UK Finance said: "The banking and finance sector is committed and has the capacity to support viable businesses with their cashflow and investment needs. The CBIL Scheme is an important additional solution to the support banks and finance providers are offering SMEs to help them through the cashflow pressures they may increasingly experience during this unprecedented period. Lenders who are accredited to offer finance under the scheme are moving as quickly as possible to provide this support which will be available through customers' usual contacts."

³ 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.

Many lenders have online channels which customers can use to access the scheme. Businesses don't need to worry about the support running out as this will be available on an on-going basis for those eligible businesses that need it."

Differences between the previous Enterprise Finance Guarantee scheme (which is now suspended) and the Coronavirus Business Interruption Loan Scheme:

Enterprise Finance Guarantee (temporarily suspended)	Coronavirus Business Interruption Loan Scheme
Provided the lender with a government-backed, partial guarantee (75%) against the outstanding guarantee facility balance, subject to an overall portfolio cap	Provides the lender with a government-backed, partial guarantee (80%) against the outstanding guarantee facility balance, subject to an overall portfolio cap
2% guarantee fee for smaller businesses to access EFG	No guarantee fee for smaller businesses to access CBILS
No fee charged to lenders for making use of the scheme	A fee charged to lenders for each facility which makes use of the scheme
Funding to enable guarantees of up to £500m of additional facilities to smaller businesses per year	Government has confirmed that the scheme will be demand-led and will be resourced accordingly
The maximum value of a facility provided under the scheme was £1.2m	The maximum value of a facility provided under the scheme is £5m (the original announcement suggested a maximum value of £1.2m)
Repayment terms were restricted to a maximum of five years for facilities up to £1.2m, and between 5-10 years for facilities up to £600,000	Repayment terms limited to a maximum of six years for term loan and asset finance facilities up to £5m. For overdrafts and invoice finance facilities, terms will be up to three years

Enterprise Finance Guarantee (temporarily suspended)	Coronavirus Business Interruption Loan Scheme
No payment from Government to cover fees or interest payments	<p>The Government will make a Business Interruption Payment to cover the interest and any lender-levied fees in the first 12 months of any CBILS facility, so smaller businesses will benefit from no upfront costs and lower initial repayments (originally announced as 6 months).</p> <p>Following earlier discussions with the banking industry, some lenders indicated that they would not charge arrangement fees or early repayment charges to SMEs borrowing under the scheme. HM Government greatly appreciates this approach by lenders.</p>
Every application had to demonstrate a lack of sufficient 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
Only for facilities considered viable under the lenders' commercial terms	For borrowing proposals which, were it not for the current 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. If the lender can offer finance on normal commercial terms without the need to make use of the scheme, they will do so
Available to UK-based businesses with annual turnover of up to £41m per year	Available to UK-based businesses with annual turnover of up to £45m per year

How businesses can apply for the scheme

Businesses should check on our [accredited lenders webpage](#) for which lenders are able to provide the type of finance they are looking for.

NB Not every accredited lender can provide every type of finance listed.

In the first instance, businesses should approach their own provider – ideally via the lender's website. They may also consider approaching other lenders if they are unable to access the finance they need. Given there is likely to be a big demand for facilities, businesses should:

- 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 enquiries due to social distancing.

- Consider the urgency of their need – it is possible that some businesses may be looking for regular longer-term finance rather than 'emergency' finance, there may be other businesses with a more urgent need to speak with a lender.