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Coronavirus Business Interruption Loan Scheme

As of 24 March 2020

Coronavirus Business Interruption Loan Scheme



A new temporary **Coronavirus Business Interruption Loan Scheme (CBILS)**, delivered by the British Business Bank, launched on Monday 23 March 2020 and will initially run for six months to support businesses to access bank lending and overdrafts.

Key features

- **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. However, we would expect most providers will also take a personal guarantee for the full amount of the borrowing and a debenture for any loans over £100,000 issued to limited companies.
- **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 fees, so smaller businesses will benefit from no upfront costs and lower initial repayments. Facilities are expected to move to a variable rate after 12 months.
- **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 must establish a lack or absence of security prior to businesses using CBILS.
- **Wide range of business finance products supported** including term loans, overdrafts, invoice finance and asset finance.
- **Open to most businesses:** sole traders, freelancers, body corporates, limited partnerships, limited liability partnerships or other legal entity which carries out a business activity in the UK.
- The **borrower always remains 100% liable for the debt.**
- **Expectation is that the funding will be used to cover essential expenditure and critical payments**, to get through the interruption caused by Covid-19. **Providers may therefore impose funding limits** such as the lower than 25% of prior year annual sales turnover and/or two times prior year annual wage bill.
- **Please note that if providers can offer finance on normal commercial terms without the need to make use of the scheme, they will do so.**

Eligibility criteria

- UK based SME, with annual turnover of no more than £41m per annum.
- Application must be for business purposes.
- Your business must generate more than 50% of its turnover from trading activity.
- Need to 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.
- Your CBILS-backed facility will be used to support primarily trading in the UK.
- Must operate business activity through a business account.

How to apply

- The CBILS is available through the British Business Bank's 40+ accredited lenders, which are listed on the British Business Bank website [here](#).
- In the first instance, businesses should approach their own provider – ideally via the lender's website or directly with their Client Manager.
- Consideration should also be given to approaching other lenders if you are unable to access the finance needed through existing providers.

What to prepare before applying

1. Update all bookkeeping information to date.
2. Determine the management information which is likely to be required when applying. We would expect this to include, copies of your latest balance sheet and profit and loss and a breakdown of debtors and creditors, breakdown of your largest/most critical costs, up to date cash flow forecasts, full payroll details and a breakdown of annual turnover.
3. Collate terms, agreement and latest balances with existing finance providers together with copies of the last three years of full accounts and tax returns.
4. Prepare a detailed explanation of the impact COVID-19 has had directly on your business and how the finance facility will help, including:
 - How much you would like to borrow and the reason behind this figure.
 - The challenges the business will face due to the COVID-19 pandemic.
 - How the funds will be used (short term cash flow/longer term cash injection).
 - How the borrowing will support the longevity of the business.
 - When the pandemic is resolved, how long you believe it will take the business to start recovering.
 - What changes the business is making to help restore business performance.

Contact Us

Please be aware that the government advice and detail surrounding the available options is changing on a daily basis. This document and the information presented is therefore accurate as of:

24 March 2020

For the latest news and advice please visit our Facebook, LinkedIn and website pages. If you have any immediate questions or if you would like to discuss any of the options further please contact us via email or give us a call on our usual office telephone numbers:

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