

## **CORONAVIRUS BUSINESS INTERRUPTION LOAN SCHEME EXPANDED TO BENEFIT MORE SMALLER BUSINESSES ACROSS THE UK**

- Personal guarantees cannot be taken for any facilities below £250k
  - Insufficient security no longer a condition to access the scheme
- Personal guarantees may be required for facilities above £250k but capped at 20% of the outstanding balance after business asset recoveries
  - Lenders to retrospectively apply changes

**2 April 2020:** Launched on 23 March, today the Coronavirus Business Interruption Loan Scheme (CBILS) has been significantly expanded along with changes to the scheme's features and eligibility criteria. The changes mean even more smaller businesses across the UK impacted by the Coronavirus crisis can access funding.

Importantly, access to the scheme has been opened up to those smaller businesses who would have previously met the requirements for a commercial facility but would not have been eligible for CBILS. This significantly increases the number of businesses eligible for the scheme.

Since CBILS launched less than two weeks ago, almost 1,000 facilities valued at £90.5m have been approved by lenders accredited to the British Business Bank's CBIL Scheme. More than 80% of the UK's smaller businesses have a finance relationship with CBILS accredited lenders.

The first facility was delivered under the scheme by Yorkshire-based Skipton Business Finance, with other lenders including the Business Enterprise Fund, Newable Business Loans, the Northern Powerhouse Investment Fund, Finance For Enterprise, Danske Bank, Clydesdale Bank and HSBC. The number of providers of the scheme will continue to grow and new alternative finance lenders will continue to be accredited to the scheme creating more choice and diversity of supply for smaller businesses.

### **About the scheme**

The Coronavirus Business Interruption Loan Scheme, delivered through 40+ British Business Bank accredited lenders, is designed to support the continued provision of finance to UK smaller businesses (SMEs) during the Covid-19 outbreak. The scheme enables lenders to provide facilities of up to £5m to smaller businesses across the UK who are experiencing lost or deferred revenues, leading to disruptions to their cashflow.

It supports a wide range of business finance products, including term loans, overdrafts, invoice finance and asset finance facilities.

### **Updated scheme features**

- **No personal guarantees for facilities under £250k:** Personal guarantees of any form cannot be taken under the scheme for any facilities below £250k.
- **Personal guarantees for facilities above £250k:** Personal guarantees may still be required, at a lender's discretion, but recoveries under these are capped at a maximum of 20% of the outstanding balance of the CBILS facility after the proceeds of business assets have been applied. A Principal Private Residence (PPR) cannot be taken as security to support a personal guarantee or as security for a CBIL backed facility.

- **Security:** For all facilities, including those over £250,000, CBILS can now support lending to smaller businesses even where a lender considers there to be sufficient security, making more smaller businesses eligible to receive the business interruption payment<sup>1</sup>.

We have communicated that these changes should be retrospectively applied by lenders for any CBILS facilities offered since 23 March 2020. For any commercial (non-CBILS) facilities offered since the same date, providing the borrower meets the CBILS eligibility criteria, lenders have been asked to bring these facilities onto CBILS wherever possible (e.g. where the lender is accredited to offer the same facility through CBILS) and changes retrospectively applied as necessary.

### Existing scheme features

- **Up to £5m facility:** The maximum value of a facility provided under the scheme is £5m, available on repayment terms of up to six years.
- **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<sup>2</sup>, so smaller businesses will benefit from no upfront costs and lower initial repayments.<sup>3</sup>
- **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.
- **80% guarantee:** The scheme provides the lender with a government-backed, partial guarantee (80% gross) against the outstanding facility balance, subject to an overall cap per lender.
- **Principal Private Residence (PPR)** – A borrower's/guarantor's PPR cannot be taken as security to support a Personal Guarantee or as security for a CBIL backed facility.
- **The borrower always remains 100% liable for the debt.**

### New eligibility criteria

Smaller businesses from all sectors<sup>4</sup> can apply for the full amount of the facility. To be eligible for a facility under CBILS, a smaller business 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.
- Self-certify that it has been adversely impacted by the Coronavirus (COVID-19).

**Keith Morgan, Chief Executive, British Business Bank, said:** "It was essential to get the Coronavirus Business Interruption Loan Scheme up and running as quickly as possible to get additional funding flowing to smaller business. We have seen an incredible demand for CBILS since it launched, so opening up access to the scheme to

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<sup>1</sup> Please note that where there is sufficient security available, it is likely that the lender will take such security in support of a CBILS facility

<sup>2</sup> 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.

<sup>3</sup> Fishery, aquaculture and agriculture businesses may not qualify for the full interest and fee payment.

<sup>4</sup> The following are not eligible under CBILS: Banks, Insurers and Reinsurers (but not insurance brokers); public sector bodies, further educational establishments if they are grant funded and state funded primary and secondary schools.

even more smaller businesses across the UK will enable lenders to expand their support, deploying vital funding where it is most needed.”

### How to apply

CBILS is available through the British Business Bank’s 40+ accredited lenders, 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. Not every accredited lender can provide every type of finance available under CBILS.

### ENDS

### Notes to Editors

<b>Coronavirus Business Interruption Loan Scheme (at 23 March 2020)</b>	<b>Coronavirus Business Interruption Loan Scheme Revised Terms (6 April onwards)</b>
Provides the lender with a government-backed, partial guarantee (80%) against the outstanding guarantee facility balance, subject to an overall portfolio cap	No change
No guarantee fee for smaller businesses to access CBILS	No change
A fee charged to lenders for each facility which makes use of the scheme	No change
Government has confirmed that the scheme will be demand-led and will be resourced accordingly	No change
The maximum value of a facility provided under the scheme is £5m (the original announcement suggested a maximum value of £1.2m)	No change
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	No change
Use of personal guarantees permissible for all facility sizes, at a lender’s discretion and in line with their normal policies	For facilities under £250,000, use of personal guarantees not permitted under the scheme  For facilities above £250,000, use of personal guarantees still permissible in line with their normal policies, but recoveries under these will be capped at a maximum of 20% of the outstanding CBILS facility amount (after other recovery proceeds applied)
Lenders required to demonstrate lending additionality (i.e. lending that without the scheme, wouldn’t have otherwise taken place)	Scheme expanded to open-up access to those smaller businesses who would have previously met requirements for a

	commercial facility and would not have been eligible for CBILS
For facilities above £250,000, the lender must establish a lack or absence of security prior to businesses using CBILS.	Insufficient collateral requirement removed, allowing those SMEs who are considered to have sufficient collateral to access CBILS facilities
At the discretion of the lender, the scheme may be used for unsecured lending for facilities of £250,000 and under	For facilities under £250,000, use of personal guarantees not permitted under the scheme
For borrowing proposals which, were it not for the current pandemic, would be considered viable by the lender.	Viability assessment unchanged but for small loans this determination could be based on the lenders' internal credit models
Available to UK-based businesses with annual turnover of up to £45m per year	No change
Principal Privates Residences cannot be secured (prior or post recovery) to support CBIL backed facilities.	No change

### **About the British Business Bank**

The British Business Bank is the UK government's economic development bank. Established in November 2014, its mission is to make finance markets for smaller businesses work more effectively, enabling those businesses to prosper, grow and build UK economic activity. Its remit is to design, deliver and efficiently manage UK-wide smaller business access to finance programmes for the UK government.

The British Business Bank programmes are supporting more than £7.2bn of finance to over 93,000 smaller businesses (as at end of September 2019).

As well as increasing both supply and diversity of finance for UK smaller businesses through its programmes, the Bank works to raise awareness of the finance options available to smaller businesses:

- The Business Finance Guide (published in partnership with the ICAEW and a further 21 business and finance organisations) impartially sets out the range of finance options available to businesses at all stages – from start-ups to SMEs and growing mid-sized companies. Businesses can take the interactive journey at [www.thebusinessfinanceguide.co.uk/bbb](http://www.thebusinessfinanceguide.co.uk/bbb).
- The [British Business Bank Finance Hub](#) provides independent and impartial information to high-growth businesses about their finance options, featuring short films, expert guides, checklists and articles from finance providers to help make their application a success. The new site also features case studies and learnings from real businesses to guide businesses through the process of applying for growth finance.

As the holding company of the group operating under the trading name of British Business Bank, British Business Bank plc is wholly owned by HM Government and is not authorised or regulated by the Prudential Regulation Authority (PRA) or the Financial Conduct Authority (FCA). The British Business Bank operates under its own brand name through a number of subsidiaries, none of which are authorised and regulated by the FCA.

British Business Bank plc and its principal operating subsidiaries are not banking institutions and do not operate as such. A complete legal structure chart for British

Business Bank plc and its subsidiaries can be found on the [British Business Bank plc website](#).