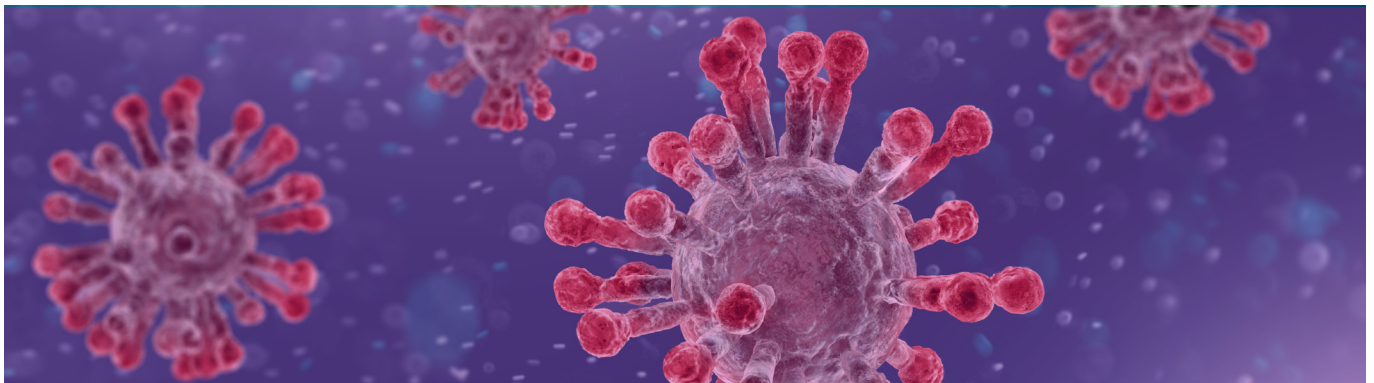


The government-backed Coronavirus Business Interruption Loan Scheme



As equally inaccessible as unprecedented?

The Coronavirus Business Interruption Loan Scheme (CBILS) is part of a package of temporary measures to support businesses during these challenging times. The CBILS is intended to give lenders confidence to continue to provide finance to SMEs. The details of the scheme are summarised below:

| Key features | Who is eligible? | Availability date/process |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> The government will provide lenders with a guarantee of 80% on each loan The government will not charge businesses or banks for this guarantee The Scheme will support loans of up to £5 million in value Lenders can provide the loan in the form of: <ul style="list-style-type: none"> – term loans – overdrafts – invoice finance – asset finance Businesses can access the first 12 months of that finance interest free, as the government will cover this and any other lender-levied charges Finance terms are from (i) three months up to six years for term loans and asset finance; and (ii) up to three years for overdrafts and invoice finance The borrower remains 100% liable for the debt For facilities of £250,000 and under a lender can choose to use the facility for unsecured lending | <p>You are eligible for the scheme if:</p> <ul style="list-style-type: none"> Your business is UK based in its business activity You have an annual turnover of no more than £45 million You operate within an eligible industrial sector You have a borrowing proposal which the lender: <ul style="list-style-type: none"> – would consider viable, were it not for the COVID-19 pandemic – believes will enable you to trade out of any short-term to medium-term difficult | <ul style="list-style-type: none"> The scheme became available on 23 March 2020 The scheme is available for SMEs through more than 40 accredited lenders across the UK |

Considerations for borrowers

Security

- As noted above, banks **may** take security for facilities of **£250,000 and under**. For facilities **above** £250,000, the scheme requires the lender to establish a lack or absence of security prior to businesses using CBILS. Banks have recently been criticised in the press for the taking of personal guarantees as security from individuals within the company eg directors. You should be aware that this effectively means that these individuals shoulder the burden of the loan, as if the borrower defaults, the banks will likely seek to enforce this security to obtain any outstanding amounts before seeking to obtain the outstanding amounts from the government.
- If the bank does request security, you may wish to consider if there are any potential issues eg the security you may be able to provide has already been taken by lenders for existing loans which may not be possible to discharge. This may be simpler if it is the same lender for all debts. However, if this is not an option (eg if not an accredited lender), the negotiation of any priority documents between lenders to establish ranking etc is unlikely to be speedy and haste will generally be of the utmost importance.
- Consider what security you may be willing/able to provide (banks can not take personal residential property as security).

Applying

- Consideration should be given to the institution that you select. It may be beneficial to seek this loan from a lender that you already have a relationship with, as it will likely have conducted due diligence/onboarding and have basic information about you already accessible (including loans and repayment history etc).
- If one lender turns down your application, this does not prohibit you from applying with another lender. Accordingly, if you have any concerns it might be worth preparing some back-up applications which are ready to be submitted in the event that you are not successful in your first application.
- Consider the evidence that you can provide in your borrowing proposal to demonstrate that if it weren't for COVID-19, your business would be considered viable and that this loan will enable your business to trade out of short – to – medium term difficulty.

Assessing your needs

- Consider how urgently the loan is needed.
- Consider the amount that the business would need and for how long.
- Consider whether any other types of funding offered by the government would be appropriate for your business.

The potential security considerations detailed above are, if not a complete bar to access, potentially very time-consuming and costly. There is a real question as to whether this financing is as easily accessible as portrayed if lenders insist on the provision of security, and the borrower is limited in their ability to provide this.