



GOVERNMENT-BACKED FUNDING FOR BUSINESSES AFFECTED BY THE CORONAVIRUS OUTBREAK

Introduction

Further to the various measures taken by the UK government in order to aid businesses and individuals from the severe economic consequences caused by the Covid-19 pandemic outbreak, we would like to bring your attention to the Coronavirus Business Interruption Loan Scheme (“CBILS”) and Bounce Back Loan Scheme (“BBLs”).

Both schemes are loan programmes designed by the UK government to help businesses stay afloat during the Covid-19 pandemic. Every business that may be undergoing financial pressures, should consider the schemes as they offer numerous benefits such as, low interest rates, no lender’s fees, no personal guarantee required in most cases and a first-year interest-free as detailed below.

It strikes us that despite the obvious advantages that such loan programmes provide, the CBILS and BBLs loan programmes are still not widely known to the majority of UK businesses. Furthermore, only a small number of the businesses that have applied for the schemes (in particular the CBILS) have succeeded.

Having subsequently looked at a number of these unsuccessful applications, we believe this is down to two principal factors:

- (i) the applicant’s inability to produce the relevant information in the clear and concise manner that lenders expect so that they can rapidly analyse and decide whether to approve the application and provide the funding and/or;
- (ii) not knowing how to discern which lenders are more likely to approve their application.

At Scornik Gerstein LLP, we have had numerous exchanges with the government approved lenders and have developed the expertise required to help our clients with

their applications so as to successfully obtain funding through the CBILS & BBLs loan programmes.

We hope we can help you to swiftly and successfully apply for this unique borrowing opportunity.

Please feel free to contact your relationship Partner either Antonio Arenas (on 07540667073 or antonio.arenas@scornik.com) or Xabier de Beristain Humphrey (on xabier.deberistainhumphrey@scornik.com)

(Keep reading below for further information about the CBILS & BBLs loan programmes extracted from the UK government's dedicated website])

Bounce Back Loan Scheme (BBLs)

(Finance of up to £50,000)

About the scheme

The Bounce Back Loan Scheme (BBLs) provides financial support to businesses across the UK that are losing revenue, and seeing their cashflow disrupted, as a result of the COVID-19 outbreak and that can benefit from £50,000 or less in finance.

How it works

A lender can provide a six-year term loan from £2,000 up to 25% of a business' turnover. The maximum loan amount is £50,000.

The scheme gives the lender a full (100%) government-backed guarantee against the outstanding balance of the facility (both capital and interest).

The borrower always remains fully liable for the debt.

Key features of the scheme

Finance of up to
£50,000

Guarantee to the
lender to
encourage them to

Government pays
interest and fees
for 12 months

Affordable interest
rate

lend

Loans range from £2,000 up to 25% of a business' turnover.	The scheme provides the lender with a full (100%), government-backed guarantee against the outstanding balance of the finance (both capital and interest).	The Government will make a Business Interruption Payment (BIP) to cover the first 12 months of interest payments.	The interest rate for the facility is set at 2.5% per annum, meaning businesses will all benefit from the same, affordable rate of interest.
The maximum loan amount is £50,000.	The borrower remains 100% liable for the debt.	The borrower does not have to make any repayments for the first 12 months.	

Finance terms

The length of the loan is six years but early repayment is allowed, without early repayment fees.

Security

Lenders are not permitted to take personal guarantees or take recovery action over a borrower's personal assets (such as their main home or personal vehicle).

No guarantee fees for businesses or lenders

There is no fee to access the scheme for either businesses or lenders.

Coronavirus Business Interruption Loan Scheme (CBILS) (Finance of up to £5 million)

About the scheme

The Coronavirus Business Interruption Loan Scheme (CBILS) provides financial support to smaller businesses (SMEs) across the UK that are losing revenue, and seeing their cashflow disrupted, as a result of the COVID-19 outbreak.

How it works

British Business Bank operates CBILS via its accredited lenders. There are over 40 of these lenders currently working to provide finance. They include:

- ✓ high-street banks
- ✓ challenger banks
- ✓ asset-based lenders
- ✓ smaller specialist local lenders

A lender can provide up to £5 million in the form of:

- ✓ term loans
- ✓ overdrafts
- ✓ invoice finance
- ✓ asset finance

CBILS gives the lender a government-backed guarantee for the loan repayments to encourage more lending.

The borrower remains fully liable for the debt.

Under the scheme, personal guarantees of any form will not be taken for facilities below £250,000.

For facilities above £250,000, 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 CBILS-backed facility

Key features of the scheme

Finance of up to £5 million

The maximum value of a facility provided under the scheme is £5 million, available on repayment

Guarantee to the lender to encourage them to lend

The scheme provides the lender with a government-backed, partial guarantee against the outstanding

Government pays interest and fees for 12 months

The Government will make a Business Interruption Payment to cover the first 12 months of interest

terms of up to six years.	balance of the finance. The borrower remains 100% liable for the debt.	payments and any lender-levied charges.
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Finance terms

Security

No guarantee fees for businesses

For term loans and asset finance facilities: up to six years.

Insufficient security is no longer a condition to access the scheme.

There are no guarantee fees for SMEs. Lenders pay a fee to access the scheme.

For overdrafts and invoice finance facilities: up to three years.

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.

No personal guarantees for facilities under £250,000.

Personal guarantees may still be required, at a lender's discretion, for facilities above £250,000, but they exclude the Principal Private Residence (PPR) and 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.

Coronavirus Business Interruption Loan Scheme (CBILS)

(Finance of up to £50 million)

Specifically, it facilitates access to finance for businesses with a turnover above £45 million, the upper limit for the existing smaller-business focused Coronavirus Business Interruption Loan Scheme (CBILS).

How it works

A lender can provide:

- ✓ up to £25 million to businesses with turnover from £45 million up to £250 million
- ✓ up to £50 million to businesses for those with a turnover of over £250 million

Finance is available in the form of:

- ✓ term loans
- ✓ revolving credit facilities (including overdrafts)
- ✓ invoice finance
- ✓ asset finance

CLBILS gives the lender a government-backed partial guarantee (80%) against the outstanding balance of the facility.

The borrower remains fully liable for the debt.

Under the scheme, personal guarantees of any form will not be taken for facilities below £250,000.

For facilities above £250,000, personal guarantees may still be required, but claims cannot exceed 20% of losses after all other recoveries have been applied.

Key features of the scheme

Finance of up to £50 million

The maximum value of a facility provided under the scheme is £50 million (£25

Guarantee to the lender to encourage them to lend

The scheme provides the lender with a government-backed, partial guarantee

million for eligible businesses with a turnover under £250 million), available on repayment terms of up to three years.

(80%) against the outstanding balance of the finance.

The borrower remains 100% liable for the debt.

Finance terms

From three months to three years.

Security

No personal guarantees are permitted for facilities under £250,000.

For facilities of £250,000 and over, claims on personal guarantees cannot exceed 20% of losses after all other recoveries have been applied.

SCORNIK GERSTEIN LLP