



# Coronavirus Business Interruption Loan Scheme (CBILS)

*Prepared by Independent Banking Consultants Ltd using various reference sources. (Last updated 26/3/2020)*

## Contents

1. How to access the scheme
2. Summary of the scheme
3. Eligibility
4. Accredited lenders and types of finance they offer
5. Points to note

## 1. How to access the scheme

The scheme is now open for applications.

To apply, you should talk to your bank or one of the 40 accredited finance providers (not the British Business Bank) as soon as possible, to discuss your business plan. You can find out the latest on the best ways to contact them via their websites. Please note that branches may currently be shut down to enable social distancing.

### Or you can ask us to help you...

**Alternatively Independent Banking Consultants Ltd will be pleased to assist. We have been speaking with our lending contacts, some of who have shared with us the basis of their internal approval process. This means we can handle applications with greater efficiency because we know what is required. This should save you a lot of time and effort. As former lenders ourselves, we will prepare the application on your behalf, incorporating the technical analysis that will be required by lenders.**





## 2. Summary of the scheme

- To support SMEs with access to loans, overdrafts, invoice finance and asset finance.
- The scheme is delivered through 40 accredited lenders, including all the major banks and backed by the government-owned British Business Bank.
- **Up to £5m facility:** Can borrow up to £5 million. Finance terms are up to six years for loans and asset finance and three years for overdrafts and invoice finance facilities.
- **80% Guarantee:** The government will provide lenders with a guarantee of 80% against the outstanding facility balance (subject to an overall cap per lender) to give lenders further confidence in continuing to provide finance to SMEs.
- **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 the Government for 12 months:** The government will make a Business Interruption Payment (BIP) to cover the first 12 months of interest payments and any lender-levied fees (incl. security fees), so smaller businesses will benefit from no upfront costs and lower initial repayments.
- **Interest rates:** Lenders can set their own interest parameters.
- **Interest rate options:** Variable or fixed for term of the loan.
- **Repayment holiday:** Some lenders will accept requests for a capital repayment holiday at the start or during the loan, up to 6mths as standard and in some circumstances up to 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. 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.**



## 3. Eligibility

### **You are eligible for the scheme if:**

- your business is UK based, with turnover of no more than £45 million per year.
- loans are limited to a maximum of 25% of 2019 turnover or double the annual wage bill, whichever is greater. If your turnover is sub £100k in the 12 months to December 31st 2019 you will not qualify.
- your business must generate more than 50% of its turnover from trading activity.
- the facility must be used to support primarily trading in the UK.
- you 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.
- smaller businesses from any sector can apply for the full amount of the facility.

### **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; employers, professional, religious or political membership organisation or trade unions.





## 4. Accredited Lenders and the type of finance they offer

[Click here for a list of Accredited Lenders](#)

## 5. Points to note

- The scheme is to protect lenders, not borrowers. It is to encourage banks to lend in difficult circumstances. Therefore, you need to be very clear that the 80% only applies to any shortfall AFTER the bank has taken every possible step to get the money back. They will therefore have to appoint a receiver / liquidator, call on any security including a guarantee, which could mean bankrupting the guarantor, and only then can they go to the government.
- 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. However, if you take a fixed interest rate then there are likely to be early repayment charges.
- Fishery, aquaculture and agriculture businesses may not qualify for the full interest and fee payment.
- Not every lender can provide every type of finance or the maximum amount
- Lenders should not be taking a charge over peoples homes as part of the security – however if they have security in place already they can rely upon it
- Any request for refinancing an existing Enterprise Finance Guarantee facility will be at each individual Lender's discretion, be subject to certain limits, and you meeting the CBILS eligibility criteria.
- The Enterprise Finance Guarantee scheme is temporarily suspended at this point in time.
- CBILS will initially run for 6 months
- Consider the urgency of your need – it is possible that some businesses may be looking for regular longer-term finance rather than 'emergency' finance, and there may other businesses with a more urgent need to speak with a lender
- Whilst the above point is correct for small loans, anything of any size will need help to present a strong case to their bank. They must show in their borrowing proposal that were it not for the COVID-19 pandemic, their business 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.
- For early stage businesses in their first two years of trading, the British Business Bank's Start Up Loans programme (loans £500 to £25,000 at 6% p.a. interest) may be more suitable. Visit [www.startuploans.co.uk](http://www.startuploans.co.uk) for more information.

### Contact Us

If you would like to speak to us about a **Coronavirus Business Interruption Loan**, please call your Independent Banking Consultant contact direct, or alternatively:

Telephone: **01234 262620**

Email: **[enquiries@independentbankers.co.uk](mailto:enquiries@independentbankers.co.uk)**

Website: **[www.independentbankers.co.uk](http://www.independentbankers.co.uk)**

