

CBILS Loan Scheme

We hope you have enjoyed reading our series on the various types of business finance available in the market. If you'd like to discuss your businesses ability to raise finance please get in touch on the number provided, or drop me an email and I'll call you!

The final guide in our series will be answering "What are the key features of the Coronavirus Business Interruption Loan Scheme?".

Who are providing these loans?

Initially there were over 40 accredited lenders providing the loans, including all the high street banks, regional and alternative funders. In the last few days there have been several new lenders being accredited to offer these loans, with many other lenders desperately seeking approval from the British Business Bank.

Amount of Loan Available

- In theory, up to £5m. However, in reality, lenders will look to provide loans that are realistic for the needs of each individual business – please see eligibility for limitations regarding amount.
- The amount will need to be verified by way of a cash-flow forecast with any other supporting information available.

Cost of the Loan and Interest rate:

- 12 month's interest free period plus up to 12 months capital repayment holidays.
- Normal commercial interest rates will apply from lender to lender in the range of between two and twenty percent per annum.
- The government will cover all up-front fees (arrangement fees) the lender may charge.

Is it just business loans being offered or other types of finance?

The scheme covers not only business loans, but also invoice finance, asset finance and overdrafts. What types of financial products are available will depend on the products the funder normally offers.

Term of The Loan

- Up to six years are available for loans and asset finance facilities.
- Up to three years for overdrafts and invoice finance facilities.





Security To be Provided for The Loan

- 80% guarantee: The scheme provides the lender with a government-backed, partial guarantee (80%) against the outstanding facility balance after realisation of any security taken.
- Unlike the similar EFG scheme, there will be no additional fee charged to the client by the government for using the scheme.
- Loans under £250,000: Due to recent changes in the scheme, lenders are now unable to request personal guarantees for this level of borrowing.
- Loans over £250,000: Loans over £250k may require the use of a personal guarantee, although this is at the discretion of the lender.

Liability of The Borrower

- The borrower always remains 100% liable for the debt.

Eligibility to Take a Loan from The Scheme

Smaller businesses from all sectors (with a small number of exceptions) can apply for the full amount of the facility. To be eligible for a facility under CBILS, an SME must...

- Be UK-based in its business activity, with annual turnover of no more than £45m
- Have a borrowing proposal which, were it not for the current pandemic, would be considered viable by the lender.
- Loans are limited to a maximum of 25% of 2019 turnover or double the annual wage bill, whichever is greater.
- To be considered for the CBIL scheme businesses must be able to demonstrate the requested amount can be repaid, based on the business performance prior to the pandemic.
- Lenders will be focusing on the businesses adjusted net profit after Directors Dividends to assess the affordability.
- Businesses must be able to provide two years' worth of accounts.

How long have I got to apply for a CBILS supported loan?

When initially launched on Monday 23 March 2020, it was confirmed that the scheme will initially run for six months.

Is it my only option right now?

Not at all. In fact, as the lender will pay a fee to access the scheme, if they can offer finance on normal commercial terms without the need to make use of the scheme, they will do so.

Are other non CBIL lenders still open for business, can I still borrow money via regular routes

Yes, the majority of lenders are still open for business, although in some cases criteria has changed. There is still an appetite to fund investment property, bridging, commercial property, invoices and assets. Please get in touch to discuss your requirement.

The new CBILS scheme has many positive features at this difficult time for businesses but the reality is that obtaining the finance may be more involved and slower than has been reported in the press so we suggest businesses apply at the earliest available opportunity.