

## Coronavirus Business Interruption Loan Scheme (CBILS) FAQs

### What is the Coronavirus Business Interruption Loan Scheme (CBILS)?

CBILS is a new scheme that can provide facilities of up to £5m for smaller businesses across the UK who are experiencing lost or deferred revenues, leading to disruptions to their cashflow. CBILS supports a wide range of business finance products, including term loans, overdrafts, invoice finance and asset finance facilities.

### What are the new changes to CBILS?

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 the funding they need. Insufficient security is no longer a condition to access the scheme. 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. The expanded scheme will be offered by lenders from Friday 3 April 2020 and operational from Monday 6 April 2020.

### When can I access the scheme?

The scheme went live on Monday 23 March and will initially run for six months. The expanded scheme will be offered by lenders from Friday 3 April 2020 and operational from Monday 6 April 2020.

### What are the key features of CBILS?

CBILS guarantees facilities up to a maximum of £5 million, available on repayment terms up to six years (for term loans and asset finance) and up to three years (for overdrafts and invoice finance facilities).

The scheme provides the lender with a government-backed guarantee against the outstanding balance of the facility.

There is no guarantee fee for SMEs to access the scheme. The Government will make a Business Interruption Payment to cover the first 12 months of interest payments and any lender-levied fees.

You (the SME) will therefore benefit from no upfront costs and lower initial repayments. Under the scheme, lenders will not take personal guarantees of any form for facilities below £250,000.

For facilities above £250,000, personal guarantees may still be required, at a lender's discretion, 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

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. Where there is sufficient security available, it is likely that the lender will take such security in support of a CBILS facility.

A borrower's/guarantor's Principal Private Residence (PPR) cannot be taken as security to support a personal guarantee or as security for a CBIL-backed facility.

Note: It's important that you are aware that you, the borrower, will always remain 100% liable for the debt. The CBILS guarantee is to the lender, not you as the SME.

### **How do I know if I'm eligible to apply?**

Smaller businesses (SMEs) from all sectors can apply for the full amount of the facility, up to a maximum of £5million.

To be eligible for a facility under CBILS, your business must:

- Be UK-based in its business activity
- Have an annual turnover of no more than £45 million
- Have a borrowing proposal which the lender would consider viable, were it not for the current pandemic
- Self-certify that it has been adversely impacted by the coronavirus (COVID-19).
- One of the eligibility criteria is for the business to have an annual turnover of no more than £45 million.

### **Can the different companies within the group access their "own" guarantee?**

If your business is part of a group, controlled on either a legal or de facto basis, the maximum turnover applies to the group undertaking. More than one company within the group can be considered for a CBILS facility but only if the consolidated group turnover does not exceed the £45million annual turnover threshold. The qualifying period is 12 months preceding application.

### **What is the definition of an SME for CBILS?**

Under CBILS, the definition of SME is confined to the turnover of an Applicant (or an Applicant's group), which must not exceed £45 million. The Borrower cannot be an individual other than where the individual is a sole trader or a partner in a partnership and is acting in a business capacity.

### **What if my business has turnover of more than £45m and I would not be eligible for CBILS?**

The new Coronavirus Large Business Interruption Loan Scheme (CLBILS) will ensure that more firms are able to benefit from government-backed support during this difficult time. It will provide a government guarantee of 80% to enable banks to make loans of up to £25 million to firms with an annual turnover of between £45 million and £500 million. This will give banks the confidence to lend to more businesses which are impacted by coronavirus but which they would not lend to without CLBILS. Loans backed by a guarantee under CLBILS will be offered at commercial rates of interest and further details of the scheme will be announced later this month.

### **How can I access the scheme?**

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.

Decision-making on whether you are eligible for CBILS is fully delegated to the 40+ accredited CBILS lenders. These lenders range from high-street banks and challenger banks to asset-based lenders and smaller specialist local lenders.

Importantly, access to the scheme has now been opened up to smaller businesses facing cashflow difficulties who previously would not have been eligible for CBILS because they met the requirements for a standard commercial facility.

You may therefore consider re-contacting your lender if you have previously been unsuccessful in securing funding.

**Tips:**

Given there is a big demand for facilities now the scheme is live, we ask you to please:

- Consider applying via the lender's website in the first instance. Telephone lines are likely to be busy and branches may have limited capacity to handle enquiries due to social distancing
- 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 be other businesses with a more urgent need to speak with a lender

**What supporting documents might I need to apply?**

You will need to provide certain evidence to show that you can afford to repay the loan. This is likely to include:

- Management accounts
- Cash flow forecast
- Business plan
- Historic accounts
- Details of assets

The above requirements will vary from lender to lender. If you do not have everything listed here, a CBILS loan could still be an option to provide finance to support your business.

**What are the fees to borrow under CBILS?**

There is no guarantee fee for SMEs to use CBILS.

**What types of finance are available and who offers which type?**

CBILS supports a wide range of business finance facilities, including:

- Term loans
- Overdrafts
- Asset finance
- Invoice finance

Note: Not every lender can provide every type of finance listed.

CBILS is available through the British Business Bank's 40+ accredited lenders, which are listed on the British Business Bank website.

**Is the scheme appropriate for start-ups?**

Potentially, if your business activity is primarily UK-based. For early-stage businesses in their first two years of trading, the British Business Bank's Start Up Loans programme (loans from £500 to £25,000 at interest of 6% per annum) may be more suitable.

Visit [www.startuploans.co.uk](http://www.startuploans.co.uk) for more information.

### **Will I need security to get a CBILS-backed loan?**

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

For facilities above £250,000, personal guarantees may still be required, at a lender's discretion, 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

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. Where there is sufficient security available, it is likely that the lender will take such security in support of a CBILS facility.

A borrower's/guarantor's Principal Private Residence (PPR) cannot be taken as security to support a personal guarantee or as security for a CBIL-backed facility.

### **What do the new rules around Personal Guarantees mean?**

For CBILS facilities below £250,000 Personal Guarantees cannot be taken by Lenders in relation to the facility under the Scheme.

For CBILS facilities above £250,000, Personal guarantees may still be required, at a lender's discretion, 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.

A worked example to show what this change will mean in practice:

- £1,000,000 facility
- Business pays off £400k, then defaults, owing £600k
- Lender recovers £100k from other business assets secured, such as a debenture (e.g. stock), leaving £500k outstanding
- Call on Personal Guarantee is £100k (20% – not the full £500k as previously), leaving £400k as a loss
- Government covers £320k, Lender loses £80k

For any CBILS facilities offered prior to the change in terms, Lenders are expected to apply the new requirements around the taking of personal guarantees.

Therefore, in instances where a Personal Guarantee has been taken for a CBILS facility below £250,000, the Lender cannot make any demand on it or apply any proceeds from it in connection with the CBIL Scheme facility.

### **Do I need to provide evidence that I have a viable business?**

Yes. You must show in your borrowing proposal that were it not for the current pandemic, the lender would consider your business viable. You must also self-certify that your business has been adversely impacted by the coronavirus outbreak.

### **What's happening to the old Enterprise Finance Guarantee (EFG) Scheme?**

The EFG scheme is temporarily suspended at this point in time. If you wish to apply for a financing facility, your lender will be able to assess if you are eligible under CBILS.

### **How long will CBILS run for?**

CBILS will initially run for six months.

### **Will the CBILS funds run out and stop me accessing the scheme?**

No. Government has confirmed that the amount of funding available under the scheme will be demand-led. As a result, there is no immediate need to approach a lender if you do not need finance in the short term. The scheme will initially run for six months.

### **Are sole traders/freelancers eligible?**

Yes, as long as their business activity is operated through a business account. CBILS is open to:

- sole traders
- freelancers
- body corporates
- limited partnerships
- limited liability partnerships, and
- any other legal entity carrying out business activity in the UK with:
  - an annual turnover up to £45 million, and
  - business activity operating through a business account operating in any sector[
  - The business must generate more than 50% of its turnover from trading activity.

### **I have had de minimis aid in the past. Can I still get a loan?**

Yes, as long as you meet the scheme's eligibility criteria. Any previous de minimis state aid does not impact your eligibility for CBILS and the lender does not need to take it into account.

CBILS operates as a notified scheme rather than under de minimis as EFG did. There is no interaction between any de minimis state aid a business previously received and the size of the CBILS facility it can access, should it be eligible.

### **I am getting other kinds of aid to help respond to the coronavirus. Can I still get a loan?**

Yes: you will still be eligible for a loan but certain payments you receive may count towards the amount of Business Interruption Payment (BIP) – the payments the UK Government will make to cover interest and fees on your loan – you will be entitled to. In this instance, these payments are made under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak.

Currently, the UK Government has not made any other payments under this State aid measure. We will publish details relating to any other payments that will count towards the BIP as and when we get them.

### **How is CBILS different from the EFG Scheme?**

CBILS is a new scheme. It is different from EFG in a number of ways.

- There is no guarantee fee for SMEs to use CBILS. Under EFG, the borrower paid a guarantee fee
- The Government will make a Business Interruption Payment to cover the interest and any lender-levied fees in the first 12 months of any CBILS facility. This means smaller businesses will benefit from no upfront costs and lower initial repayments. 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.
- The maximum facility provided under CBILS will be up to £5 million. Under EFG, this was £1.2 million
- Under the scheme, lenders will not take personal guarantees of any form for facilities below £250,000. For facilities above £250,000, personal guarantees may still be required, at a lender's discretion, 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.

- 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.
- Where there is sufficient security available, it is likely that the lender will take such security in support of a CBILS facility.
- A borrower's/guarantor's Principal Private Residence (PPR) cannot be taken as security to support a personal guarantee or as security for a CBIL-backed facility.
- Access to CBILS 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. Insufficient security is no longer a condition to access the scheme, which it was for EFG.
- CBILS is available to businesses with an annual turnover of no more than £45 million. EFG was available to businesses with annual turnover of no more than £41 million.