

COVID-19

BUSINESS INTERRUPTION LOAN SCHEME / BRIEFING NOTE

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. The scheme is a part of a wider package of government support for UK businesses and employees.

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.

HOW TO APPLY		
Step 1	Find a lender	See list below.
Step 2	Approach a lender	You should approach the lender yourself, ideally via the lender's website. There is high demand for the CBILS facilities.
Step 3	The lender makes a decision	The lender has the authority to decide whether to offer you finance. If it can do so on normal commercial terms without having to make use of the scheme, it will.
Step 4	If the lender turns you down	If one lender turns you down, you can still approach other lenders within the scheme.

WHO IS ELIGIBLE?

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 COVID-19 pandemic
 - believes will enable you to trade out of any short-term to medium-term difficulty

Businesses from any sector can apply, except the following:

- Banks and building societies
- Insurers and reinsurers (but not insurance brokers)
- Public-sector organisations, including state-funded primary and secondary schools
- Employer, professional, religious or political membership organisations
- Trade unions

FIND A LENDER

			
			
			
			
			
			
			
			
			
			

FREQUENTLY ASKED QUESTIONS (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.

When can I access the scheme?

The scheme went live on Monday 23 March and will initially run for six months.

What are the key features of CBILS?

- CBILS guarantees facilities up to a maximum of £5m available on repayment terms up to six years for term loans and asset finance.
- For overdrafts and invoice finance facilities, terms will be up to three years.
- The scheme provides the lender with a government-backed partial (80%) guarantee against the outstanding facility balance.
- There is no guarantee fee for SMEs to access the scheme. Lenders will pay a fee 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.
- 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 scheme requires the lender to establish a lack or absence of security prior to businesses using CBILS. Primary Residential Property (PPR) cannot be taken as security under the scheme. If the lender can offer finance on normal commercial terms without the need to make use of the scheme, they will do so.

Please 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, the SME. The scheme provides the lender with a government-backed guarantee potentially enabling a 'no' credit decision from a lender to become a 'yes'.

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 £5m.

To be eligible for a facility under CBILS, your business 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 COVID-19 pandemic, would be considered viable by the lender, and for which the lender believes the provision of finance will enable your business to trade out of any short-to-medium term difficulty
- If the lender can offer finance on normal commercial terms without the need to make use of the scheme, they will do so.

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 here.

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, to challenger banks, asset-based lenders and smaller specialist local lenders.

Note: if the accredited lender can offer finance on normal commercial terms without the need to make use of the scheme, they will do so.

Additional application notes:

Given there is likely to be a big demand for facilities once the scheme goes 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 other businesses with a more urgent need to speak with a lender

What are the fees to borrow under CBILS?

There is no guarantee fee for SMEs to use the CBILS scheme. Lenders will pay a fee to access the scheme.

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; Employer, professional, religious or political membership organisation or trade unions.

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.

What types of businesses is CBILS for?

The scheme is designed to support smaller businesses (SMEs) who don't meet a lender's normal lending requirements for a fully commercial loan or other facility, but who are considered viable in the longer-term.

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 £500 to £25,000 at 6% p.a. interest) may be more suitable.

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

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, it requires the lender to establish a lack or absence of security prior to businesses using CBILS. Primary Residential Property (PPR) cannot be taken as security under the scheme.

Note: If the lender can offer finance on normal commercial terms without the need to make use of the scheme, they will do so.

Do I need to evidence that I have a viable business?

Yes. You must show in your borrowing proposal that were it not for the COVID-19 pandemic, your business would be considered viable by the lender, and for which the lender believes the provision of finance will enable your business to trade out of any short-to-medium term difficulty.

I have an existing EFG Facility with my lender that I need to discuss. What do I do?

If you have a query about an active EFG facility, you should approach your current provider - ideally via their website, and not the British Business Bank.

Are there any restrictions on a Borrower refinancing their EFG Facility to a CBILS Facility?

If you have a query about an active EFG facility, you should approach your own provider - ideally via their website - and not the British Business Bank. Any request for re-financing an existing EFG facility will be at each individual Lender's discretion, be subject to certain limits, and you meeting the CBILS eligibility criteria.

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

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 so I can't access the scheme?

No. Government has confirmed that the amount of funding available under the scheme will be demand-led.

Therefore, 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 the business activity is operated through a business account. The scheme is open to sole traders, freelancers, body corporates, limited partnerships, limited liability partnerships or other legal entity carry out a business activity in the United Kingdom, with annual turnover of up to £45m, operating in all sectors.

The business must generate more than 50% of its turnover from trading activity.

I am getting other kinds of aid to help respond to COVID-19 - can I still get a loan?

Yes. The eligibility criteria for CBILS does not require Lenders to take into account the other forms of government support that SMEs may be benefiting from e.g. business rate reliefs or grants unrelated to the CBIL scheme.

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; Employer, professional, religious or political membership organisation or trade unions.