

COVID-19

Government-backed loan schemes

As we move into a period where restrictions are eased and businesses and workplaces are reopening, and furloughing will start coming down, many business owners and their employees will be navigating the challenges of returning to work and the business decisions and costs that go alongside that. We have set out, below, a summary of the government-backed loan schemes available to businesses to support industry as we collectively work towards a “new normal”.

SMEs

Coronavirus Business Interruption Loan Scheme (CBILS)

Synopsis

- A CBILS facility may be up to £5 million and can take the form of term loans, overdrafts, invoice financing or asset financing.
- It must be used for a business purpose and the business must have been adversely impacted by COVID-19 (for example, a significant reduction in cashflow as a result of the virus).
- Primary intention is to support trading in the UK and so the business must generate more than 50% of turnover from trading.
- The CBILS facility will be up to six years for term facilities and up to three years for other forms of facilities.



- The government guarantees 80% of the finance to the lender and pays the interest and any fees for the first 12 months.

Eligibility

The business must:

- be based in the UK
- have an annual turnover of up to £45 million
- be able to show that it would be viable were it not for the pandemic
- be able to show that it has been adversely impacted by the coronavirus and
- confirm, if it wishes to borrow £30,000 or more, that it was not classed as a business in difficulty on 31 December 2019.

Notes and Exceptions

- Over 50 accredited lenders associated with the scheme
Certain businesses are not

able to apply including banks, building societies, insurers, public-sector bodies and state-funded primary and secondary schools.

- It is possible to apply to another lender if one lender declines to lend.

Future Fund

Synopsis

- This scheme is available and open for applications until the end of September 2020.
- Convertible loan notes from between £125,000 to £5 million.
- Open to innovative companies facing financial difficulties due to COVID-19.
- Private investors must at least equally match the funding.
- Intended to cover those companies who rely on equity investment and unable to access CBILS.

GOVERNMENT-BACKED LOAN SCHEMES

Eligibility

The business must:

- be based in the UK
- have previously raised at least £250,000 in equity investment from third-party investors in the last five years
- secure matched funding from third-party private investors or institutions
- have none of its shares traded on a regulated market, multilateral trading facility or other listing venue
- have been incorporated on or before 31 December 2019
- show at least one of the following is true:
 - half or more employees are UK based
 - half or more revenues are from UK sales.

Notes and Exceptions

If the business is part of a corporate group, only the parent company is eligible.

Bounce Back Loan (BBL)

Synopsis

- Allow small and medium-sized businesses to borrow between £2,000 and up to 25% of their turnover, up to a maximum of £50,000.
- 100% of the loan is guaranteed by the government and there are no fees or interest to pay for the first 12 months.
- After 12 months the interest rate is 2.5% per annum.
- The loan is for six years and it can be repaid early without penalty but no repayment is permitted within the first 12 months.

Eligibility

The business must:

- be based in the UK
- have been established before 1 March 2020 and
- be adversely impacted by COVID-19.

Notes and Exceptions

- The scheme is not available to certain sectors (public sector, banks, insurers, etc).
- You cannot apply for BBL if you are already claiming under CBILS (see above), CLBILS or CCFF (see below in each case). If you have received a loan of up to £50,000 under one of these schemes you can transfer it to BBL (before 4 November 2020).
- There are only 11 lenders participating in the scheme including main retail banks. The lender will decide whether to offer a loan or any other type of finance and the business will be responsible for paying 100% of the amount borrowed.
- It is possible to apply to another lender if one lender declines to lend.
- If your business was classed as a business in difficulty on 31 December 2019 you'll need to confirm that you're complying with additional state aid restrictions.



“THE QUALITY OF THE ADVICE IS SUPERB; IT BALANCES THE PERSONAL TOUCH OF A SMALL TEAM WITH THE SKILLS OF A LARGE FIRM”

Chambers UK

GOVERNMENT-BACKED LOAN SCHEMES

LARGER COMPANIES

Coronavirus Large Business Interruption Loan Scheme (CLBILS)

Synopsis

- Available for medium and large businesses with an annual turnover of over £45 million.
- Companies can apply for loans, revolving credit facilities (including overdrafts), invoice finance and asset finance.
- The maximum amount that can be borrowed is £200 million.
- The loans are available through accredited lenders a list of which are shown [here](#).
- 80% of the loan is backed by the government.
- Term of the loan can be between 3 months and 3 years.
- No personal guarantees permitted for borrowing under £250,000.

Eligibility

The business must:

- be based in the UK
- have an annual turnover of over £45 million
- self-certify that the business has been adversely impacted by COVID-19
- be able to show that the business would be viable were it not for the pandemic
- be able to show that the loan will enable the business to trade out of any short-term to medium-term difficulty resulting from coronavirus
- not have received a facility under the Bank of England's CCFF scheme.

Notes and Exceptions

- There are 12 lenders taking part in the scheme including all the main retail banks.
- Any applications must be accompanied by a borrowing proposal which the lender deems is viable and believes will enable the business to trade out of any short-term to medium-term difficulty.
- Again there are exceptions to businesses that are not able to apply including banks, building societies, insurers, public-sector bodies and state-funded primary and secondary schools.
- If a business wishes to borrow more than £50 million, the business must agree to restrictions on dividend payments, senior pay and share buy-backs during the period of the loan.

Covid Corporate Financing Fund (CCFF)

Synopsis

- Under the scheme, the Government buys short-term debt from large companies.
- Intention is to allow businesses to finance short-term liabilities.
- Companies and their finance subsidiaries that make a material contribution to the UK economy are able to participate.
- It is offered through commercial lenders, backed by the Bank of England.

Eligibility

The criteria for the CCFF are more detailed and can be found [here](#).

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Legal 500 UK



GOVERNMENT-BACKED LOAN SCHEMES

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